



XTEK LTD
ABN 90 103 629 107



Head Office

25 Yallourn Street (PO Box 333), Fyshwick ACT 2609 Australia
Telephone: +61 (0) 2 6280 6321, Facsimile: +61 (0) 2 6280 6518, Website: www.xtek.net
NSW Security Master Licence: 408232489 ACT Security Master Licence: 17501506

Manager,
Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

26th February 2009

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF HALF YEAR FINANCIAL REPORT

In accordance with the Listing Rules, please find attached the Half Year Financial Report (Appendix 4D) for XTEK Limited (XTE) for the financial period ended 31st December 2008.

Should you require any further information in respect to this matter please contact the Company Secretary, Mr. Lawrence Gardiner at Laurie@xtek.net or (02) 6280 6321 in the first instance.

Yours sincerely,

Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Ltd Half Year Financial Report (Appendix 4D) 31st December 2008.



XTEK LIMITED

ABN 90 103 629 107

**HALF-YEAR FINANCIAL REPORT
APPENDIX 4D
31 DECEMBER 2008**

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET	2
MANAGEMENT DISCUSSION & ANALYSIS	3
DIRECTORS' REPORT.....	6
AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF XTEK LTD	7
FINANCIAL STATEMENTS.....	8
INCOME STATEMENT	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS	12
DIRECTORS' DECLARATION	17
INDEPENDENT REVIEW REPORT TO THE MEMBERS OF XTEK LTD.....	18



Results for Announcement to the Market

Name of the Company: XTEK Limited
ABN 90 103 629 107

				December 2008
Total Revenue	up	67%	to	\$ 5,699,823
Loss after tax	down	102%	to net profit of	32,402
Net Loss attributed to members	down	102%	to net profit of	32,402

Dividends	Amount per security	Franked amount per security	Record date for determining entitlements to dividends
Current year – 2008:			
- Interim dividend	n/a	n/a	n/a
- Final dividend	n/a	n/a	n/a
Previous year – 2007:			
- Interim dividend	n/a	n/a	n/a
- Final dividend	n/a	n/a	n/a

Net tangible assets	December 2008	December 2007
Net tangible assets per security	\$0.03	\$0.06

For further explanation of the above figures refer to the Directors' Report and Management Discussion and Analysis. Other financial information required by the Appendix 4D is contained in the Financial Statements.



Management Discussion & Analysis

Results Review – XTEK Ltd

There has been a marked improvement in Agency Sales in the first half of the 2008-2009 financial year with significant orders received from government agencies. Agency Sales revenue is up 66% on the corresponding period in 2007 due largely to strong sales of EOD robots and EOD equipment.

Details of the first half performance of the continuing operations and the R&D facility operations can be seen in the table below with further information provided in the first half review on page 4.

Category	Half-Year ended 31 Dec 2008 \$'000	Half-Year ended 31 Dec 2007 \$'000	Movement %
Sales			
EOD/IEDD General	1,680	701	140%
EOD Robots	1,189	51	2,231%
Weapons and Ammunition	1,183	517	129%
Logistics Engineering Revenue	840	769	9%
Forensics	476	371	28%
General Security	106	343	(69%)
Proprietary Products/Services	-	246	-
Commission	-	297	-
Total Sales	5,474	3,295	66%
Cost of Goods Sold	(3,496)	(1,926)	(82%)
Gross Profit	1,978	1,369	44%
GP %	36%	42%	
Other Income	226	115	97%
Agency Expenses	(2,253)	(2,659)	15%
Agency Share Based Payments	(29)	(64)	(55%)
Total Agency Expenses	(2,282)	(2,723)	(16%)
Agency EBIT	(78)	(1,239)	94%
Finance costs	(6)	(1)	(83%)
Loss before tax on continuing operations	(84)	(1,240)	93%
Income Tax Expense	-	-	
Loss after tax on continuing operations	(84)	(1,240)	93%
Discontinued Operations			
R&D Divisional Expenses	(121)	(532)	77%
Restructure costs written back	237	-	-
Total R&D Facility Expenses	116	(532)	122%
Total Profit/(Loss)	32	(1,772)	102%



First Half Review

Sales Revenue

- The first half revenue performance was up 66% on the corresponding period to December 2007.
- There have been increases in most sales categories with particularly strong results in the EOD and weapons segments and the EOD segment is again expected to perform strongly in the second half.
- The Logistics Engineering Division has again performed strongly and is up 9% on the prior period. There has been solid growth in recurring service revenues; this service element encompassing repairs, maintenance and training in support of hardware acquisitions, is up over 63% on the corresponding period and has more than offset lower year on year adhoc sales of spare parts which were bulk purchases in prior years.
- There have been no proprietary sales of the static earthing kits in the first half, however an order for \$268k has been received for delivery in April 2009.
- Whilst the gross margin has dropped from 42% to 36%, this is largely due to a one-off commission sale (\$297k) in September 2007 which bolstered the prior period. Excluding this prior year commission, the gross margin is in line with FY08.
- There has been significant downward pressure on margins in the six months to 31 December 2008. Apart from the falling value of the Australian dollar, there have been some significant supplier price increases on certain products which are on standing offer with the Department of Defence. XTEK has applied for and has been successful with an annual price variation in this offer and this should assist in maintaining margins through to June 2009. In addition, margins have also been positively influenced by the increasing recurring services revenue from the Logistics Engineering Division.

Other Income

- Other income in H1 is up over 97% on the prior period largely as a result of the rental income received from the Commonwealth-funded security screening trials of the ThruVision Terrahertz screening technology which concluded in November 2008. In addition, in September 2008, XTEK received \$32,440 as the final settlement for a loan previously fully provided for.

Agency Business Expenses

- Expenses from agency operations are down 15% on the same period to December 2007, largely due to the reduction in staff numbers from 36 in December 2007 to 27 in December 2008. A detailed breakdown of these costs can be seen in note 3.
- The falling Australian dollar has resulted in exchange losses that have impacted operational expenses in the first half. In response, the company has reviewed all processes that are affected by exchange rate fluctuations and has implemented procedures to limit their impact. These processes continue to be managed closely.

Research and Development Facility

- Plans for the scheduled closure of the R&D facility in December 2008 have been revised as circumstances require some flexibility with this timeframe. The research function has been discontinued with the loss of two staff members and the sale of certain items of plant and equipment subsequent to 31 December 2008 has resulted in proceeds of over \$220k. These proceeds which exceed the carrying value of the assets will be used to pay off the associated debt on the R&D leased equipment.
- As part of the discontinued operation, the company has maintained the necessary technical expertise and capability to assist Management with the commercialisation of the IP and also to provide capability to logistic engineering services. In addition, these staff will assist with the sale and relocation of R&D assets sold at auction plus the sale of the remaining equipment.



Research and Development Facility (continued)

- There has been some progress with the commercialisation of the IP. In December 2008, XTEK was awarded a patent for the AP ammunition and discussions are underway with potential customers to license the IP for this product. Considerable marketing effort has also gone into commercialisation of XTEK's IP in armour and composites manufacture and a fully specified commercial production plant is now being offered. Small scale production exists with the current plant and minor quantities of ballistic armour samples are now in service with a regional Defence Force. There has been strong interest in the technology from both local and international manufacturers and we are confident that this opportunity will be realised.
- The expenses of the discontinued operation in the first half have been positively impacted by a reversal of a prior year provision for restructure costs of \$236,581. This has resulted in a profit for this discontinued operation in the half-year ended 31 December 2008.

Second Half Prospects / Orders in hand

- Prospects for the second half of the financial year are encouraging with orders received at the date of this report for delivery in H2 of approximately \$5.9m. This includes three significant orders for EOD equipment totaling \$3.18m recently received.
- As of the date of this report, XTEK had recorded sales and had orders in hand to the value of \$12.2m (2007-2008 full year sales of \$8.16m).

Other business

- The focus of Business Development has been to explore new markets for the company. The lead prospect here is a long term technology licensing arrangement with one of Australia's major trading partners. If successful, this licence will operate for at least ten years and provide significant recurring revenue to the company. First revenue is expected in Q1 of 2010. A significant by-product of this relationship is the development of further bi-lateral trading opportunities for the company through the same channels.
- In October 2008, XTEK completed a placement of 9,588,064 new securities to sophisticated investors at a price of \$0.02 per security. The funds raised amounted to \$191,761 and were to supplement the working capital of the company in order to assist with the financing of the EOD orders received from the Department of Defence. The right that accompanied this placement to purchase a further 12,300,000 securities at \$0.026 as approved at the 2008 AGM did not proceed and expired at 31 December 2008.

List of abbreviations and acronyms

AP	Armour Piercing
EOD	Explosive Ordnance Disposal
IEDD	Improvised Explosive Device Disposal
R&D	Research and Development
tEODor®	telerob Explosive Ordnance Disposal and observation robot®
IP	Intellectual Property



Directors' Report

Your directors submit their report for the half-year ended 31 December 2008.

This half-year has been one of consolidation for the Company. The Board's key issues have been to trim the cost base of the enterprise while maintaining the key capabilities for its future prosperity and ensuring that our sales performance is sustained and improved.

In achieving these objectives, the Board has continued to monitor profitability and actual and forecast cash flow to ensure the continuing viability of the company and its return to profitability.

Directors

The names of the company's directors in office during the half-year ended 31 December 2008 and until the date of this report are as below. The Directors were in office for this entire period unless otherwise stated.

Major General Michael O'Brien CSC (Rtd)	Non Executive Director (appointed 27 September 2007)
Mr Craig Higgins	Non Executive Director (appointed 24 March 2006)
Mr David Jarvis	Executive Director (appointed 20 November 2008)
Mr Bruce Higgins	Non Executive Director (resigned 20 November 2008)

Review and Results of Operations

A review of XTEK's operations and the results of those operations are contained in both the attached Management Discussion and Analysis and the Financial Statements which both form part of this Half-Year Financial Report.

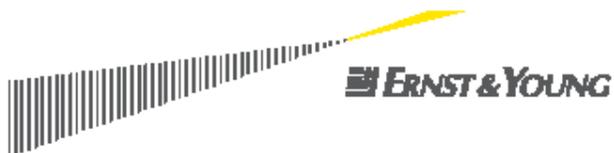
Auditor's Independence Declaration

We have obtained an independence declaration from the auditors, Ernst & Young. The signed declaration is included on the following page.

Signed in accordance with a resolution of the Board of Directors.

Major General Michael O'Brien CSC (Rtd)
Chairman
Canberra
26th February 2009

Auditor's Independence Declaration to the Directors of XTEK LTD



Ernst & Young House
53 Alara Street
Canberra ACT 2600 Australia
GPO Box 261 Canberra ACT 2601
Tel: +61 2 6257 3888
Fax: +61 2 6296 1500
www.ey.com.au

Auditor's Independence Declaration to the Directors of XTEK Ltd

In relation to our review of the financial report of XTEK Ltd for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "James Palmer".

James Palmer
Partner
Canberra

26 February 2009

Liability limited by a scheme approved
under Professional Standards Legislation



Financial Statements

Income Statement

For the half-year ended 31 December 2008

	Notes	2008	2007
		\$	\$
Revenue from continuing operations	3	5,473,684	3,294,954
Other income	3	226,139	115,282
Changes in inventories of finished goods and work in progress		(3,495,768)	(1,926,182)
Employee benefits expense	3	(1,113,058)	(1,442,502)
Depreciation and impairment	3	(113,703)	(171,590)
Operational expenditure	3	(1,054,454)	(1,109,170)
Finance Costs	3	(6,357)	(615)
Loss before income tax		<u>(83,517)</u>	<u>(1,239,823)</u>
Income tax expense		-	-
Loss from continuing operations		<u>(83,517)</u>	<u>(1,239,823)</u>
Profit/(Loss) from discontinued operations	4	115,919	(531,857)
Profit/(Loss) after tax attributable to members		<u>32,402</u>	<u>(1,771,680)</u>
Earnings per share for loss for the year attributable to the ordinary equity holders of the company:		\$	\$
Basic earnings per share		0.0004	(0.025)
Diluted earnings per share		0.0004	(0.025)
Earnings per share for loss from continued operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		(0.001)	(0.017)
Diluted earnings per share		(0.001)	(0.017)
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		0.002	(0.008)
Diluted earnings per share		0.002	(0.008)



Balance Sheet

As at 31 December 2008

	Notes	As at 31 December 2008	As at 30 June 2008
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,017,112	725,825
Trade and other receivables		1,790,358	1,767,550
Inventories	8	1,274,240	1,226,229
Property, plant and equipment classified as held for sale		300,196	300,196
Other		160,137	141,788
Total Current Assets		4,542,043	4,161,588
Non-current Assets			
Property, plant and equipment	9	595,277	680,713
Total Non-current Assets		595,277	680,713
TOTAL ASSETS		5,137,320	4,842,301
LIABILITIES			
Current Liabilities			
Trade and other payables		2,144,922	1,234,219
Interest-bearing liabilities		94,859	151,736
Liabilities directly associated with non-current assets classified as held for sale	10	416,617	880,251
Provisions		57,383	210,618
Deferred Income		23,547	174,738
Accrued Liabilities		284,628	321,907
Total Current Liabilities		3,021,956	2,973,469
Non-current Liabilities			
Provisions		26,048	31,687
Total Non-current Liabilities		26,048	31,687
TOTAL LIABILITIES		3,048,004	3,005,156
NET ASSETS		2,089,316	1,837,145
EQUITY			
Contributed Equity	12	17,030,626	16,840,455
Reserves		465,124	435,526
Retained losses		(15,406,434)	(15,438,836)
TOTAL EQUITY		2,089,316	1,837,145



Cash Flow Statement

For the half-year ended 31 December 2008

	Notes	2008	2007
		\$	\$
Cash flows (used in) from operating activities			
Receipts from customers		6,233,786	4,789,709
Payments to suppliers and employees		(6,008,048)	(5,656,942)
Interest received		9,938	50,949
Borrowing costs		(12,520)	(9,477)
Net cash flows (used in) from operating activities		223,156	(825,761)
Cash flows used in investing activities			
Payments for property, plant and equipment		(28,552)	(44,289)
Payments for capitalised development expenditure		-	(89,705)
Net cash flows used in investing activities		(28,552)	(133,994)
Cash flows (used in) from financing activities			
Payments of finance lease		(93,488)	(38,443)
Proceeds from issues of ordinary shares net of transaction costs		190,171	-
Net cash flows (used in) from financing activities		96,683	(38,443)
Net increase/(decrease) in cash and cash equivalents		291,287	(998,198)
Cash and cash equivalents at beginning of period		725,825	2,305,358
Cash and cash equivalents at end of period	6	1,017,112	1,307,160

XTEK Limited Half-Year Report 31 December 2008

Statement of Changes in Equity

For the half-year ended 31 December 2008

	Attributable to equity holders				Total equity
	Issued Capital	Other Equity Securities	Equity-based payments reserve	Retained earnings	
	\$	\$	\$	\$	\$
At 1 July 2008	16,767,388	73,067	435,526	(15,438,836)	1,837,145
Profit for the half-year	-	-	-	32,402	32,402
Total income and expense for the period	-	-	-	32,402	32,402
Issues of ordinary shares during the half-year:					
Issue of share capital (note 12)	191,761	-	-	-	191,761
Transaction costs	(1,590)	-	-	-	(1,590)
Cost of share based payments	-	-	29,598	-	29,598
At 31 December 2008	16,957,559	73,067	465,124	(15,406,434)	2,089,316

For the half-year ended 31 December 2007

	Attributable to equity holders				Total equity
	Issued Capital	Other Equity Securities	Equity-based payments reserve	Retained earnings	
	\$	\$	\$	\$	\$
At 1 July 2007	16,753,888	73,067	338,836	(10,829,668)	6,336,123
Loss for the half-year	-	-	-	(1,771,680)	(1,771,680)
Total income and expense for the period	-	-	-	(1,771,680)	(1,771,680)
Issues of ordinary shares during the half-year:					
Issue of shares to employees for no consideration	13,500	-	-	-	13,500
Cost of share based payments	-	-	50,682	-	50,682
At 31 December 2007	16,767,388	73,067	389,518	(12,601,348)	4,628,625



Notes to the Half-Year Financial Statements

The principal accounting policies adopted in the preparation of the half-year financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Corporate Information

The half-year financial report of XTEK Limited for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 26th February 2009.

XTEK Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the company are described in the Directors' Report.

2 Accounting Policies

2 a Going Concern Basis of Accounting

The half-year financial report has been prepared on the going concern basis. The company has made a profit for the half-year year ended 31 December 2008 of \$32,402 (half-year year ended 31 December 2007: loss of \$1,771,680). Accumulated losses to 31 December 2008 total \$15,406,434 (half-year ended 31 December 2007: accumulated losses of December 2007: \$12,601,348). The ability of the company to continue as a going concern is dependant on the company's ability to meet its debts as and when they fall due and payable. The company has prepared cash flow forecasts for the next twelve months which reveal that the company will be able to meet its debts as and when they fall due and payable. These cash flow forecasts are based on a number of assumptions in particular about the company's ability to meet projected agency sales levels.

The directors are confident that the company will meet these projected agency sales and on this basis the directors believe the adoption of the going concern basis of accounting is justified. However, should this position change the company may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The half-year financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the company not continue as a going concern.

2 b Basis of Preparation and Accounting Policies

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the entity as the full financial report.

It is also recommended that the half-year financial report should be read in conjunction with the annual financial report of XTEK Limited for the year ended 30 June 2008 and considered together with any public announcements made by XTEK Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year financial report is presented in Australian dollars.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.



3 Revenue, Income and Expenses

	2008	2007
	\$	\$
(i) Revenue		
Sale of goods	4,633,577	2,225,695
Repairs and sales of parts	584,252	541,430
Training and other services	255,855	527,829
	<u>5,473,684</u>	<u>3,294,954</u>
(ii) Other Income		
Interest	9,938	50,949
Hire and Rent of Equipment/storage	172,777	16,013
Other	43,424	48,320
	<u>226,139</u>	<u>115,282</u>
(iii) Employee Benefits Expense		
Salaries and Wages	914,165	1,204,867
Superannuation	91,986	102,519
Payroll Tax	43,093	57,809
Redundancy payments	15,352	-
Share-Based Payments	29,052	61,777
Workers Compensation	19,410	15,530
	<u>1,113,058</u>	<u>1,442,502</u>
(iv) Depreciation		
Plant and Equipment	9,700	10,062
Motor Vehicles	3,948	4,489
Office Furniture and Equipment	19,601	50,483
Demonstration Equipment	45,187	96,063
Property Improvements	2,642	6,972
Rental Equipment	32,625	3,521
	<u>113,703</u>	<u>171,590</u>
(v) Operational Expenditure		
Directors Fees	70,526	64,220
FBT	31,864	53,078
Consultancy fees	31,939	56,719
Audit fees	41,784	38,758
Advertising and conferences	151,042	151,895
Travel and related costs	144,468	146,519
Share Registry Fees	13,578	23,612
Insurance	92,037	96,168
Lease charges	58,291	80,360
Office administrative costs	287,757	279,419
Workshop/Project Materials	10,689	26,690
Foreign exchange losses	86,081	23,289
Other expenses	34,398	68,443
	<u>1,054,454</u>	<u>1,109,170</u>
(iv) Finance Costs		
Interest Expense	6,357	615
	<u>6,357</u>	<u>615</u>



4 Discontinued Operation

No components of the entity have been disposed of, or classified as held for sale in the current half-year reporting period to 31 December 2008.

In May 2008, the directors of XTEK Limited resolved to close the operations of the XTEK Research and Development Division and incorporate their operations including engineering design and drawing functions into the Canberra Head Office site. Whilst the research function of this operation has been discontinued, the scheduled closure period has been revised to assist with the commercialisation of the IP, the sale of the R&D assets and in order to support the capability of the logistics engineering division. An auction of equipment was completed in January 2009 and this is covered in further detail in note 15.

The expenses incurred during the half-year of this operation were in line with projections with the exception of a reversal of a provision for restructure costs of \$236,581 which impacted positively on the operation and resulted in a profit at the half-year. At 31 December 2008, only three staff members remain at the facility.

The results of the discontinued operations for the half-year ended 31 December 2008 are presented below:

	2008	2007
	\$	\$
Operating expenses	(114,499)	(522,995)
Loss	(114,499)	(522,995)
Finance Costs	(6,163)	(8,862)
<u>Other Expenses</u>		
Restructure costs written back	236,581	-
Profit/(Loss) from discontinued operations before tax	115,919	(531,857)
Income tax	-	-
Profit/(Loss) from discontinued operations after tax	115,919	(531,857)

5 Geographical Segment Information

XTEK Ltd operates in one business and one geographical segment being the supply of homeland security equipment to predominantly government customers in the Australasian region.

6 Cash and Cash Equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	2008	2007
	\$	\$
Cash at bank and in hand	1,000,375	1,299,460
Short term deposits	16,737	7,700
	1,017,112	1,307,160



7 Dividends Paid and Proposed

No dividends have been declared or proposed in the half-year to 31 December 2008 or in the corresponding period in FY08.

8 Inventories

During the half-year ended 31 December 2008 there were inventory write downs to the value of \$1,447 (2007: nil).

9 Property, plant and equipment

During the half-year ended 31 December 2008, the company acquired assets with a cost of \$28,552 (2007: \$44,289).

10 Liabilities directly associated with non-current assets classified as held for sale

During the half-year to December 2008, there was a significant reduction the liabilities associated with the non current assets classified as held for sale which include restructure provisions and finance leases.

The company utilised provisions for restructure costs of \$190,442 and released unused provisions of \$236,581. The balance in the provision for restructure costs at 31 December 2008 is \$277,683 of which \$196,200 relates to staff and \$81,483 to costs associated with the sale of the equipment and the lease at the Adelaide R&D facility. Finance lease liabilities associated with the equipment currently held for sale reduced by \$36,212 in the period, with the balance of \$138,934 at 31 December 2008.

11 Share Based Payments

Share options and share performance rights

There were no new options or share performance rights issued in the half-year to 31 December 2008 and no options or share performance rights were exercised in this period.

Expired Options

1,040,000 options expired in the half-year to 31 December 2008.

12 Contributed Equity

Note 12.a Share Capital

Movement in ordinary share capital on issue	No of shares	\$
At 1 July 2008	71,540,000	16,767,388
Issued on 15 October 2008	9,588,064	191,761
Transaction Costs on share issue	-	(1,590)
	<u>81,128,064</u>	<u>16,957,559</u>

Ordinary Shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Note 12.b Other Equity Securities

Equity component of convertible notes	<u>73,067</u>
Total Contributed Equity	<u>17,030,626</u>



13 Related Party Disclosures

There were no related party transactions for the half-year ended 31 December 2008 and 31 December 2007.

14 Contingent Liabilities

There are no contingent liabilities as at 31 December 2008.

No changes have been reported in contingent liabilities since the last annual reporting date.

15 Events after the Balance Sheet Date

(a) Purchase orders received

In January and February 2009, XTEK received purchase orders for the supply of Explosive Ordnance Disposal (EOD) equipment to the Australian Defence Force (ADF) to the value of \$3.18m with delivery expected to be completed by June 2009.

(b) Finance facilities

The trade finance facility with Bendigo Bank that was established for the importation of the EOD robots has been withdrawn. XTEK is in discussions with other trade finance providers in order to assist with future orders.

(c) R&D Facility - sale of equipment

In January 2009, Management resolved to retain some of the property, plant and equipment classified as held for sale at 31 December 2008 and not offer this for sale. Equipment and furniture with a carrying value of \$42,898 will be reclassified as non current assets in the period to June 2009.

An auction of the balance of equipment at the R&D facility in Adelaide was conducted on 28 January 2009. Proceeds from this auction and other asset sales achieved approx \$223,978 which was in excess of the carrying value. Plant and equipment to the value of \$33,868 was not sold at auction and will be sold in the coming months.



Directors' Declaration

In accordance with a resolution of the Board of Directors of XTEK Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of XTEK Limited are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the entity; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Major General Michael O'Brien CSC (Rtd)
Chairman
Canberra
26th February 2009

Independent Review Report to the Members of XTEK LTD



Ernst & Young House
51 Allara Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601
Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
www.ey.com/au

To the members of XTEK Ltd

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XTEK Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XTEK Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved
under Professional Standards Legislation

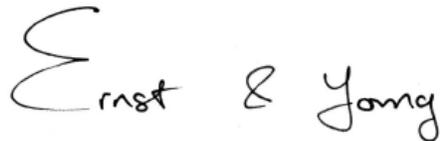
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of XTEK Ltd is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the above conclusion, attention is drawn to the following matter. As a result of the matters described in Note 2a: "Going concern basis of accounting" to the financial report there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, script font.

Ernst & Young

A handwritten signature in black ink that reads 'James Palmer' in a cursive, script font.

James Palmer
Partner
Canberra

26 February 2009