

## Release to the Australian Securities Exchange

### Quarterly Market Update

#### **STRONG SALES PIPELINE TO DELIVER POSITIVE SECOND HALF RESULT**

- **XTEK continues to secure contracts from Defence and law enforcement agencies as part of a growing trend in defence and security spending.**
- **Income at the end of March 2017 was \$4.1million compared to \$1.1million at the end of December 2016.**
- **Orders in hand at the end of March of \$4.4m, all of which should be invoiced this FY.**
- **\$8.5m in revenue this FY, subject to deliveries.**
- **Significant new orders are expected in the 4<sup>th</sup> quarter of FY17.**
- **Major XTclave™ milestone achieved with production and testing of high-protection ballistic armour that is up to 30% lighter than existing armour.**

**Canberra – Wednesday, 3 May 2017:** XTEK Limited (ASX: XTE, 'the Company') is pleased to provide a quarterly update to the market following a solid March quarter that saw the Company sign a number of sales contracts, substantial invoicing of existing contracts and taking an important step forward in the commercialisation of its XTclave™ technology.

#### **Positive sales momentum and pipeline**

XTEK announced a number of new contracts during the March quarter, which has provided a platform for the Company to deliver strong revenue growth in the final quarter of FY17. The Company continues to win contracts for the supply and maintenance of tactical and security equipment to police, security and military forces across the country as these agencies increase spending in this area.

During the quarter, XTEK secured a contract to supply X-Ray Generators to the Australian Defence Force (ADF). The contract, worth \$1.1 million, follows an earlier contract for similar equipment worth \$0.2 million.

XTEK was also awarded a \$0.5 million contract for the sale and maintenance of an Explosive Ordnance Disposal (EOD) robot to a state police service which has been delivered and paid for. Other signed contracts include:

- The supply of riot shields to a state police force
- Surveillance equipment to the Australian Defence Force
- Security detection equipment to the South Australian Government for use at the Magistrates Court

Total orders on hand as at March 31 were \$4.4m, all of which should be invoiced this FY.

Sales for the quarter amounted to \$3 million including Tac 2 Sniper rifle parts and spare parts for WASP AE Small Unmanned Aerial Systems (SUAS).

#### **Commercialisation of XTclave™ takes a big step forward**

XTEK has taken a number of significant steps during the last quarter in the commercialisation of its proprietary XTclave™ technology. During the period, the Company announced the production of rigid body armour inserts that are up to 30% lighter than existing body armour and offering the same level of threat protection. XTEK's lighter all polyethylene rigid body armour was shown to protect against the 7.62x39mm Mild Steel Core (MSC) threat, which is typically fired from AK 47 rifles.

The XTclave™ technology can also be used to create polyethylene body armour with a ceramic core, which can offer an even higher level of protection. Several potential licensees have been approached and are willing to undertake their own testing after successful presentations of the potential performance of the ballistic plates. XTEK expects to ship trial plates to them, mainly in Europe, in the next few weeks.

As XTclave™ can be used to create complex shaped objects, the Company is confident that the technology can also be used to produce lighter and more protective equipment, such as ballistic helmets.

The XTclave™ process allows for lower levels of resin content in the manufacture of carbon fibre parts with similar mechanical characteristics and lighter weight than other processes. XTEK is undertaking tests along those lines with a leading supplier of pre-impregnated carbon fibre materials. This opens a new and significant market opportunity for XTEK.

### Positive Outlook

XTEK expects to deliver a positive finish to FY17 off the back of a strong pipeline of sales opportunities. The Company believes it will be able to announce additional sales contracts in the near term as Defence and law enforcement agencies are expected to increase spending to acquire new capabilities and upgrade tactical and surveillance systems.

The Defence Land 129 Ph4 (SUAS) contract signing is expected within the next few weeks.

XTEK is also well placed to secure additional EOD and tactical robot contracts as current ones in use by security forces across the country need to be either replaced or upgraded.

Another key milestone on the path to commercialisation of its XTclave™ technology is expected within the next quarter.

“XTEK is uniquely placed to benefit from the global trend of increased government spending on security equipment and technology in the face of growing global uncertainty. We expect this trend to persist over the next few years as Australia is committed to keeping pace with its allies and regional neighbours in this area,” said XTEK Managing Director Philippe Odouard.

“At the same time, we are set to achieve additional milestones for our unique and innovative technologies in the near term, which will give investors several things to look forward to as we widen the field of application of our technology to new fields beyond ballistic protection.”

### About XTEK Limited

XTEK Limited is a leading company in the Australian Homeland Security Market. XTEK’s knowledge and expertise is focused on the delivery of protection and sustainment solutions for the government, law enforcement, military and commercial sectors.

The supply and maintenance of Small Unmanned Aerial Systems (SUAS) is becoming a major focus for XTEK.

In addition, XTEK has developed a range of new technologies which it is now commercialising for the international market. XTclave composite protection products and XTatlas real time contextual video provide novel solutions for western military forces.

For more information visit the XTEK website at [www.xtek.net](http://www.xtek.net)

**Signed** for and on behalf of XTEK Limited:



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