

Release to the Australian Securities Exchange

Market Update: Profitable Preliminary Final Report for FY18

Canberra – Friday 31 August 2018: XTEK Limited (ASX: XTE, 'XTEK', the 'Company') is pleased to provide shareholders and investors with a market update to accompany the lodgment of its preliminary (unaudited) accounts for FY18.

Key highlights

- **Achieved FY18 revenue of A\$17.3m and a strong cash balance of A\$5.9m**
- **Achieved a net profit for FY 18 of A\$139k while heavily investing in R&D**
- **Contracted revenue of approximately \$38m in place at the end of June 2018**
- **Received first domestic purchase order for XTEK's proprietary XTclave™ technology**
- **Commenced demonstrations of XTatlas™ technology with potential clients**
- **Confirms FY19 revenue guidance of A\$17 to A\$26m**

XTEK Managing Director Philippe Odouard commented:

"Progress during FY18 has been pleasing, culminating in the recent receipt of our first domestic purchase order for XTclave™ products. Further, with an encouraging product launch of our XTatlas™ technology in June, the Company continues to execute on its proprietary product commercialisation strategy. Our proven track record in winning contracts, combined with strong domestic and international customer relationships, resulted in FY18 revenue of approximately A\$17.3m. XTEK is profitable despite heavy investment in the future. Available cash and significant contracted revenue places XTEK in an exciting position for FY19."

Financial and corporate overview

In the twelve months to 30 June 2018, XTEK achieved preliminary (unaudited) revenue of approximately A\$17.3m. This is at the upper end of the Company's guidance range and represents a significant increase from FY17 revenue (A\$9.0m). XTEK was profitable again in FY18, achieving a preliminary (unaudited) net profit of approximately A\$139k in FY18 (FY17: A\$61k). At the end of the financial year, XTEK held a cash balance of A\$5.9m and no debt. This result was achieved despite an investment in R&D of \$1.2m, expensed during the year to prepare the future of XTEK new products.

The Company notes that all outstanding XTEK options were exercised recently by small cap investment management firm Kentgrove Capital. XTEK received A\$225,000 from this option exercise.

Operational overview

During 4QFY18, XTEK received the first domestic purchase order from the Australian Defence Force (ADF) for its proprietary Small Arms Protective Insert (SAPI) plates manufactured with its proprietary patented XTclave™ process. The purchase order is to supply a sample of XTclave™ SAPI plates to the ADF's Diggerworks for evaluation purposes.

In April 2018, XTEK received a A\$1.4m purchase order from the ADF for WASP AE Small Unmanned Aerial Systems (SUAS) and associated after-market services including technical support, training and spare equipment. This order represents a separate and different requirement to XTEK's initial A\$42m SUAS contract with the ADF.

XTEK is well positioned to deliver the full contracted range of SUAS products to the ADF in the next three years, which positions the Company as a leader in the Australian Homeland Security Market.

In June 2018, XTEK launched its XTatlas™ "Actionable Intelligence" software product following the end of the development phase. It was launched simultaneously in the US (at Hexagon Live in Las Vegas) and in Europe (at the Eurosatory Army exhibition in Paris). The product launch created a large amount of interest from end users as well as SUAS suppliers worldwide.

The continued execution of purchase orders and recent contract wins positions XTEK very well for further contract wins across the entirety of its distributor and proprietary product ranges, both from the ADF and international customers.

Outlook

The operational progress achieved in FY18 has placed the Company in a strong position to build on its momentum in FY19, with A\$38m of contracted revenue already in place. XTEK confirms its FY19 revenue guidance of A\$17m to A\$26m.

Given XTEK's status as an ADF Recognised Supplier and a member of the Defence Industry Security Program, further defence contract wins are expected. Following delivery of WASP AE SUAS, correlated SUAS maintenance revenues are expected to follow in FY19 and beyond.

XTEK remains focused on the production and commercialisation of its ballistic products, expanding the applications of the Company's range of SUAS and proprietary XTclave™ technology, and the continued progress towards the commercialisation of its XTatlas™ technologies.

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
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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 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