

Release to the Australian Securities Exchange

Quarterly Market Update

- **FY17 revenue expands significantly due to a strong fourth quarter.**
- **Income at as June 30 was A\$8.93m (unaudited), compared to A\$4.1m as at the end of the March quarter.**
- **XTEK selected to supply Small Unmanned Aerial Systems (SUAS) to the Australian Defence Force under an A\$101m investment by the Australian Government.**
- **Orders in hand at the end of June of A\$2.95m excluding the SUAS contract, with significant new orders expected in the September quarter.**
- **Successfully completed an oversubscribed placement to raise A\$3.1m with an SPP currently underway targeting an additional A\$0.5m.**

Canberra – Thursday, 20 July 2017: XTEK Limited (ASX: XTE, 'the Company') is pleased to provide a quarterly market update following a strong June quarter which saw the Company secure a number of new sales contracts.

Strong sales pipeline including major contract with the Australian Government

During the quarter, the Australian Government announced an investment of A\$101 million for the acquisition of new Small Unmanned Aerial Systems (SUAS) for use by the Australian Defence Force (ADF) and that XTEK had been selected as the supplier of the new SUAS capability.

Following execution of the SUAS Contract, the Company could generate revenues of up to A\$40 million in the acquisition of the systems over the next three years and up to A\$9 million per annum through the provision of maintenance and support activities over the next five to seven years for the SUAS capability. This is in addition to the supply of 14 systems, spare parts and maintenance worth A\$10 million over the past two years.

XTEK is well placed for further defence contract wins with the Australian Government which also recently announced it will commit A\$200 billion towards growing Australia's defence capability over the next decade.

In late June, the Company was also awarded an A\$1.7 million contract for the supply of two Explosive Ordnance Disposal (EOD) robots to an Australian State police force. The agreement is the second EOD contract that XTEK has secured this calendar year following the agreement to supply one ICOR Caliber T5 robot to another Australian police force in January. This latest contract involves the supply of one Telerob Telemax robot and one Telerob tEODor robot which will primarily be used for bomb disposal operations. As with most of XTEK's equipment sales, the contract includes the option of including a maintenance component.

XTEK remains well placed to secure additional sales contracts as robots used by Australian law enforcement agencies are approaching the end of their useful lifecycle and will need to be either upgraded or replaced. Federal and state governments are also increasing their spending on security equipment during these uncertain times.

Post quarter end, the Company also supplied the ADF with portable EOD radiographic inspection systems for use by the Australian Army. The order for the procurement of specialist EOD equipment is valued at A\$1.1 million.

Total orders on hand as at June 30 were A\$2.95 million (excluding the SUAS acquisition contract) with the Company expecting significant new orders in the September quarter. Sales for the quarter totaled A\$4.81 million, including Tac 2 Sniper rifles and spare parts as well as test equipment for WASP AE SUAS.

Second agreement with US military to evaluate XTclave™ technology

During the quarter, XTEK secured a second agreement with the US military to test flat ballistic-resistant panels and combat helmets produced using XTEK's XTclave™ composite consolidation technology.

The agreement, with the US Government's Combating Terrorism Technical Support Office (CTTSO), will see the CTTSO cover the costs related to this 18-month project, which aims to create advanced, lightweight combat helmets capable of defeating more serious battlefield threats. The value of the agreement is US\$644,000.

The move confirms the U.S. military's interest in the Company's patent protected technology, which can not only produce stronger and lighter ballistic-resistant composites, but is also ideally suited to complex shaped geometries like helmets.

This second agreement follows an earlier test program undertaken under the US Foreign Comparative Testing (FCT) program with the U.S. Army to test XTclave™ manufactured rigid armour inserts used in body armour.

Successful placement and launch of SPP

Also during the quarter, XTEK launched and subsequently completed an oversubscribed placement to institutional and sophisticated investors to raise A\$3.1 million.

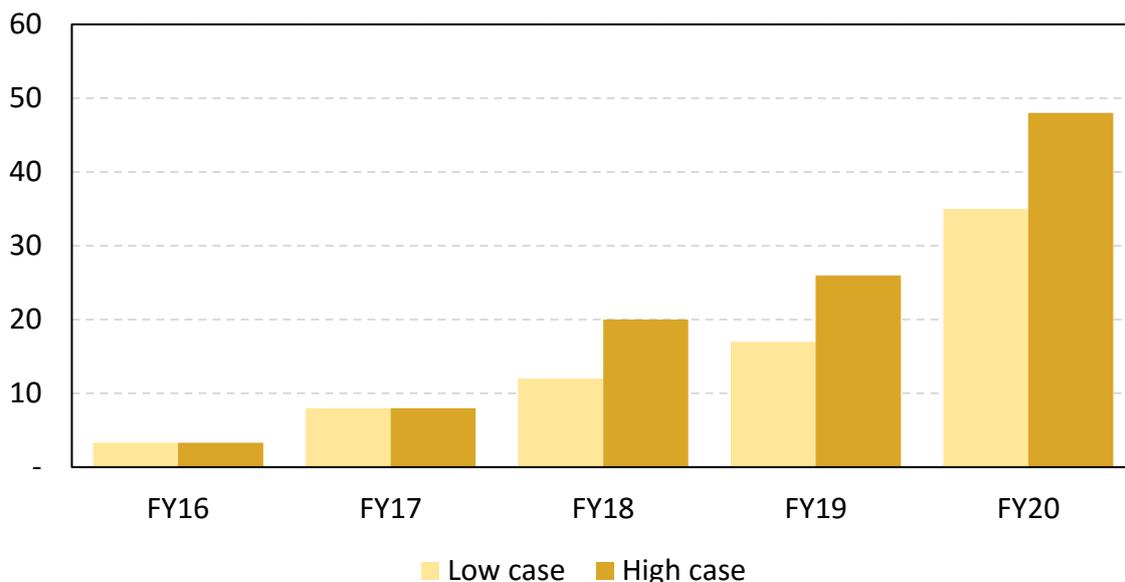
Subsequent to quarter end, the Company opened a Share Purchase Plan (SPP) to existing shareholders of XTEK which is targeting to raise A\$0.5 million. The SPP closing date is 24 July 2017.

Funds raised through the placement and SPP will be used to accelerate the development and commercialisation of XTEK's XTclave™ and XTatlas™ technologies, and to provide working capital to support the growth from recent major contract wins.

Outlook

The Company has provided updated revenue guidance for FY2018 onwards during the quarter which represents an upgrade from the forecasts previously disclosed to the market.

Forecast XTEK revenues (A\$m)¹



Note: Forecast assumes the execution of SUAS contract with ADF as announced by the Minister of Defence on 1 June 2017

At the same time, XTEK expects to secure additional contracts for the supply of Tac 2 sniper rifle parts and EOD equipment as defence and law enforcement agencies increase spending and continue to upgrade tactical and defence systems.

“The SUAS agreement represents a milestone for XTEK in terms of contracts with the Australian Government and we are well placed to secure additional government contracts over the near-to-medium term,” said XTEK Managing Director Philippe Oduard.

“This is augmented by the continued opportunities presented by the increase in Australian Government spending on defence in the face of global uncertainty which should give XTEK a strong contract pipeline and continued robust revenue growth. At the same time, we expect to continue to achieve a number of key milestones on the path to commercialising our XTclave™ and XTatlas™ technologies on the world market over the next twelve months.”

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, maintenance and value adding to Small Unmanned Aerial Systems 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

Signed for and on behalf of XTEK Limited:



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20 July 2017

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