

Release to the Australian Securities Exchange

Market Update: December 2017 Quarter

Canberra – 1 February 2018: XTEK Limited (ASX: XTE, 'XTEK', the 'Company') is pleased to provide shareholders and investors with a market update for the three months to 31 December 2017.

Key highlights

- Record contract revenue pipeline of A\$42m in place (based on current order book)
- Received first European order for products using XTEK's proprietary XTclave™ technology
- Received orders for x-ray equipment, weapons and ancillaries from the ADF
- Strong cash balance of A\$4.1m and FY2018 revenue guidance maintained

XTEK Managing Director Philippe Odouard commented:

"Our prospects are looking increasingly strong both here in Australia as well as on the international market with our business continuing to benefit from increased defence spending across the globe. We expect further purchase orders under projects with the Australian Defence Force as well as strong progress with commercialising our XTclave™ and XTatlas™ technology,"

Operational overview

XTEK finished the 2017 calendar year with a record contract revenue pipeline of A\$42m, the highest in the history of the Company. This strong pipeline of contracted revenue underpins the high expectations of growth XTEK has disclosed to the market.

During the quarter, XTEK achieved a significant milestone towards the commercialisation of its in-house XTclave™ technology, with the first European purchase order for its personal Small Arms Protective Insert (SAPI) plates in December 2017.

The order was with Finnish group, FY Composites, a major supplier for the Finnish Defence Force and other European defence customers. The purchase order was for a sample of two types of SAPI plates for qualification purposes and marks the first step towards larger orders. The order was a significant milestone ahead of construction being completed on the latest iteration of XTEK's commercial-scale XTclave™ plant by the end of 1Q FY2019.

Both types of the SAPI plates ordered were produced with XTEK's proprietary XTclave™ technology. These plates are significantly lighter than existing SAPI plates while offering the same level of protection. The two plates types are also buoyant in water which means they can be used in a variety of demanding combat situations.

During the quarter, XTEK received a A\$2.4m purchase order from the Australian Defence Force (ADF) for the supply of a variety of x-ray equipment for Army Explosive Ordnance Disposal (EOD) purposes. The contract was awarded under a project for XTEK to supply x-ray and forensics equipment and consumables to the ADF.

Further, XTEK received orders totaling A\$1.3m from the ADF for the supply of more specialist weapons and ancillaries for the Australian Army.

In addition, the Company also delivered bomb disposal robots to a State Police Force and has been selected to supply similar equipment to another Police Force in FY2018.

Financial overview

The Company finished the December quarter with no debt.

As at 24 January, XTEK's cash balance was A\$4.1m.

First half year financial performance considerably improved from first half of last year.

Outlook

XTEK expects its strong performance to continue for the remainder of FY2018 with further defence contract wins with the Australian Government and the achievement of several milestones in terms of the commercialisation of its XTclave™ and XTatlas™ technologies globally.

The A\$3.8bn Australian government defence export strategy, announced in January, plans to make Australia one of the top 10 defence exporters in the world. This, coupled with increasing global defence expenditure, positions XTEK favorably with international suppliers for major projects.

XTEK is continuing to progress construction on its commercial-scale XTclave™ production plant, which is a key catalyst for the Company's next phase of growth. The plant provides the Company with the ability to meet large-scale orders for its personal ballistic armour plates and also allows XTEK to make a wide variety of products for the global composites market.

The plant production capacity is expected to be up to 50,000 plates per annum. Production at full capacity is estimated to provide additional turnover of A\$20m to A\$30m per annum for XTEK. The Company continues to progress strategic discussions and product tests with several potential clients worldwide, who have expressed interest in the XTclave™ technology (including SAPI plates, helmet shells and ballistic protection for vehicles).

Concurrently, XTEK plans to commence demonstration of the latest version of XTatlas™, which provides real-time contextual video and near real time mosaic mapping, early in the 2018 calendar year. Demonstrations are expected to highlight digital targeting solutions using Small Unmanned Aerial Systems (SUAS), providing a major enhancement to the existing military capabilities. These developments ensure XTEK is ideally placed to further progress the commercialisation of this technology as it seeks to partner with SUAS suppliers and other airborne sensor players in that field.

The Company confirms that the initial delivery of WASP AE Small Unmanned Aerial Systems ('SUAS') remains on track for July 2018, with correlated SUAS maintenance revenues to follow in FY19 and beyond.

As such, XTEK remains on track to achieve its FY2018 revenue guidance of A\$11m to A\$18m. 1H FY2018 will be affected by reduced deliveries due to seasonality of the business.

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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 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

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
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