

Release to the Australian Securities Exchange

Market Update: First Half of FY2019

Canberra – Thursday 21 February 2019: XTEK Limited (ASX: XTE, 'XTEK', the 'Company') is pleased to provide shareholders and investors with a market update for the six months to 31 December 2018.

Key highlights

- **First order received for XTatlas™ technology**
- **XTclave™ production plant engineering on track**
- **Completed first delivery of WASP AE systems and received A\$6.3m order for spare SUAS parts**
- **Completed installation of SUAS maintenance facility in Canberra, and well placed to capture ongoing repair and maintenance revenue streams**
- **FY2019 revenue guidance maintained**
- **Outlook remains favorable, underpinned by a ~A43m future revenue contract pipeline**

XTEK Managing Director Philippe Odouard commented:

“Our team is pleased with our progress for the first half of the financial year. We have made significant progress towards commercialising our in-house products, including receiving the first order for our XTatlas™ technology. Significant commercialisation progress has been made with our armour plates and helmet shells, including the engineering design of our production facilities. Strong performance in recent evaluation assessments positions us well across key global markets, with orders from law enforcement agencies and defense clients in sight.”

Operational overview

In October 2018, XTEK received the first order for its proprietary technology, XTatlas, from the Australian Defence Force (ADF). This allows the ADF to complete a full evaluation of the capabilities of XTatlas. The latest version of the software, which offers new functionalities, will be provided to the ADF this month. XTatlas is an application that provides real-time, accurate geo-referenced mapping from Full Motion Video (FMV) streamed from a Small Unmanned Aerial System (SUAS).

XTEK is bidding in multiple Government and Defence tenders as the prime or as armour supplier to the prime with XTclave™ produced hard armour ballistic plates. These plates are state of the art, ultra lightweight and the lightest in their class. Recent test results have shown significant weight and thickness reduction with uncompromised performance of XTclave produced plates. XTEK is also continuing development of its products both in composite only and hybrid material solutions including ceramics, metallics and composite hybrid constructions.

XTEK has also continued its development of ballistic helmet shells demonstrating they can successfully meet Defence performance targets at significantly lighter weights and reduced thicknesses. XTEK's ballistic helmet shell development has also included process improvement and production line equipment for the ultimate commercialisation and production of shells for market launch. These improvements have not only improved helmet performance and repeatability but also production rate, quality and the final business case for the shells.

In November 2018, XTEK received an order from the ADF for SUAS spare parts. The order, worth A\$6.3m, follows the initial delivery of WASP AE systems to the Army. In addition, XTEK completed the installation of a comprehensive SUAS repair and maintenance facility in Canberra. This facility is well placed to capture ongoing SUAS repair and maintenance revenue streams. Further, XTEK received orders for the supply of specialist weapons parts for XTEK's Tactical 2 Sniper Rifle. As at 31 December 2018, the Company held A\$6.6m in cash.

Seasonal trends in procurement are well established in the defence sector with XTEK customers consistently requiring deliveries in the second half of each financial year, to fully utilise their budget. This has been reflected in XTEK's financial performance in historical years. XTEK seeks to mitigate this seasonality where possible through the delivery of long-term contracts e.g. the SUAS deliveries in the first half of FY2019.

Outlook

XTEK expects a stronger second half and confirms FY2019 revenue guidance, of A\$20m-\$30m contracted for FY2019. XTEK has a contracted future revenue pipeline of ~A\$43m in place which includes SUAS parts and numerous orders for additional SUAS. Many of the existing orders are expected to be renewed in forward years based on customer requirements.

XTEK remains actively engaged in discussions with selected distributors and partners in Europe and the USA in order to offer XTclave produced armour products in these markets. Likewise, the engineering design of XTEK's new commercial-scale XTclave facility to manufacture ballistic products is progressing satisfactory and remains on track to deliver products in the second half of calendar year 2019 as targeted.

XTatlas continues to attract attention from leading SUAS manufacturers and operators. Further enhancements have been made, with the 3D modelling in near real time now fully operational. In addition, the Sensor and Radiation Broad-band Interface (SARBI) application allows accurate and near real time mapping from chemical, biological, nuclear and radiological sources. This application is gaining momentum among first responder teams in both the military and commercial sectors.

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
21 February 2019

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 key 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