

Manager,
Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

27 February 2020

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF HALF YEAR REPORT (APPENDIX 4D)

In accordance with the Listing Rules, please find attached the Half Year Report (Appendix 4D) for XTEK Ltd (XTE) for the half-year period ended 31 December 2019. The information contained in this report should be read in conjunction with the 2019 Annual Report.

Should you require any further information in respect to this matter please contact the Chairman, Mr. Uwe Boettcher by email on Uwe.Boettcher@xtek.net or telephone 02 6232 0601 in the first instance.

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Limited Half Year Report for half-year ended 31 December 2019.

**XTEK Limited
and Controlled Entities**

APPENDIX 4D

HALF YEAR REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

SUMMARY OF RESULTS FOR ANOUNCEMENT TO THE MARKET

Key Information	Half Year 2019 \$'000	Half Year 2018 \$'000		Change %
Revenue from ordinary activities	16,040	8,413	↑	91%
Loss after tax from ordinary activities	(2,294)	(1,774)	↑	29%
Loss attributable to members	(2,294)	(1,774)	↑	29%

Note: XTEK recorded a loss for the current half year period of \$2,293,740 and a loss of \$1,772,692 in the comparative period to 31 December 2018.

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to dividend		Not applicable

Profit / (loss) per share attributable to the ordinary equity holders of the company	Half Year 2019 \$	Half Year 2018 \$
Basic profit/(loss) per share	(0.043)	(0.044)
Diluted profit/(loss) per share	(0.043)	(0.044)

Net tangible asset backing per share	Half Year 2019 \$	Half Year 2018 \$
Net tangible asset backing per share	0.223	0.147



XTEK LIMITED

and

Controlled Entities

HALF YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

This Half Year Report incorporating Appendix 4D is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

The information contained in this report is to be read in conjunction with XTEK Limited's 2019 Annual Report and any announcements to the market by XTEK Limited during the half-year period ending 31 December 2019.

Current period:	1 July 2019 to 31 December 2019
Prior corresponding period:	1 July 2018 to 31 December 2018

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

XTEK Limited and Controlled Entities

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XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Directors' Report

Half-year Ended 31 December 2019

Your Directors submit the financial report for the half-year ended 31 December 2019.

Directors

The names of Directors who held office during the half-year ended 31 December 2019, are:

Mr. Uwe Boettcher	Mr. Robert Quodling
Mr. Philippe Odouard	Mr. Ivan Slavich
Mr. Christopher Fullerton	

Financial Review

XTEK achieved record revenue of A\$16m for the half-year ended 31 December 2019 (1H FY19: A\$8.4m). This was double the revenue compared to the prior corresponding period.

The reported first half net loss is A\$2.3m (1H FY19: net loss of A\$1.8m). This incorporated R&D investment of A\$1.4m) double the previous corresponding period (1H FY19: A\$0.7m). In addition, the fit-out of the manufacturing centre represented a further ~A\$250k non-recurring expense. Adjusting for these expenses, this represents an underlying net loss of A\$650k, compared to the previous corresponding period of ~A\$1m. The Company will continue to invest heavily in the R&D of its proprietary products which it is starting to commercialise.

As with the previous period, the half year saw significant investment into XTEK's proprietary technology capabilities. This included the construction and commissioning of the advanced ballistics XTclave™ manufacturing centre in Adelaide as well as new development capabilities in Canberra, which include a solar wing for PUMA SUAS (Small Unmanned Aerial Systems) and a Sensor and Radiation Broadband Interface (SARBI) payload for the Recon Robotics Inc Throwbot 2.

Consistent with the seasonality experienced by the company in previous years, the second half year is expected to produce more revenue than the first half of FY20.

As at 31 December 2019, the Company held A\$4.1m cash (30 June 2019: A\$5.3m), despite heavy capital expenditure on the manufacturing centre and R&D during this period. This places the business in a strong position going forward.

XTEK's strategic acquisition of HighCom and US expansion

On 29 September 2019, XTEK completed the acquisition of leading US based provider of body armour and personal protective equipment, HighCom Armour Solutions, Inc ("HighCom").

XTEK acquired the HighCom business for ~A\$3.9m with a combination of cash and scrip, representing an Enterprise Value/EBITDA transaction multiple of 3.4x. XTEK is working to realise synergies through marketing and technology co-operation.

HighCom operates a profitable ballistics business servicing various US and overseas Law Enforcement Agencies and has designed, developed, tested and manufactured several National Institute of Justice (NIJ) compliant hard and soft armour products. HighCom contributed ~A\$3.7m revenue for the 3 months ending the first half, generating a net profit of ~A\$0.26m.

The strategic benefits of the acquisition included:

1. Access to the lucrative US market.
2. An established nationwide distribution network reaching major government and law enforcement agencies providing a cross-selling opportunity for XTEK's range of proprietary products.
3. Leverage of goodwill to drive growth in new clients, markets and product sales.



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4. Strategic benefits with a combination of existing manufacturing capability for XTclave technology at the facility in Columbus, Ohio.
5. Improve sales cycle with multiple clients outside of major government agencies.
6. Securing the required licences to distribute product into the US market.

Subsequent to the period, on 22 January 2020, XTEK launched three new ballistic products at the 42nd Shooting, Hunting and Outdoor Trade Show (SHOT Show®) in Las Vegas, USA. This included two XTclave manufactured products and a soft armour designed for females. The market reaction from presentations to XTEK's distributor network was very positive with distributors expressing interest to start delivering to their own clients as soon as the products are available.

XTEK executes on strategy to commercialise proprietary technologies

XTclave ballistic solutions: Significant progress was made towards commercialising XTEK's XTclave technology, underpinned by the progress towards a commercial scale manufacturing capability and the HighCom acquisition enabling direct access to the US market. On 18 February 2020, XTEK opened its new advanced ballistics manufacturing centre in Adelaide, following successful testing and validation of a number of XTclave based products such as hard armour plates and helmets. This represents a significant milestone for the Company, enabling commercial scale production of its advanced ballistic solutions starting this financial year. XTEK will have a 40k - 50k plate per annum capacity providing an expected turnover of +A\$20m a year. The Company will continue to focus on its relationships with potential major customers globally.

Over the 2018-2028 forecast period, the market is expected to reach more than US\$30bn¹ in total. The global body armour and personal protection market is expected to be worth US\$3.5bn per annum by 2028, growing at a CAGR of 4.6%¹. The soft armour accounts for 36% of the market. The hard armour segment is expected to be the second largest segment over the forecast period over 2018-2028 with a compound annual growth rate more than 6%.

Two hard armour plates are required per soldier and the US defence market alone requires 1.5m ballistic protection plates, demonstrating the magnitude of the opportunity. A breakdown of the geographical markets show that North America will lead the market with a share of 29.1% over the forecast period ¹. This is an opportunity for XTclave armour given the Foreign Comparative Testing (FCT) results which have been undertaken by the US Department of Defense over the last few years.

XTatlas: XTatlas is the Small Unmanned Aerial Systems (SUAS) software application that provides real time intelligence from low cost UAS Full Motion Video (FMV). Development of the product was completed in June 2018. Commercialisation pathways for XTatlas™ include UAS operators, defence and homeland security agencies. The Company continues to work with a number of international customers to drive sales of XTatlas™.

During the year there has also been continual product development of the SARBI products which allow accurate detection and mapping from chemical, biological, nuclear and radiological sources, and development and testing of a solar wing for Puma.

Further growth in other products and services

SUAS supply and maintenance: XTEK remains focused on growing its strong SUAS business. During the half, XTEK secured an exclusive support contract for repair and maintenance services of ADF's WASP AE SUAS fleet for a duration of up to 7 years, representing a revenue opportunity of up to A\$35m. This activity generated in excess of A\$5m of revenue for 1H FY20. As the Company strengthens its position as a key, full-service SUAS provider with broad and growing networks, it furthers

¹ The Global Body Armour and Personal Protection Market 2018-2028



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the opportunities to provide XTatlas™ technology to be retrofitted to SUAS and other hardware for the ADF.

XTEK’s advanced composite solutions for applications in space: In July 2019, XTEK entered into a Joint Statement of Strategic Intent with the Australian Space Agency to leverage the capabilities of XTEK’s advanced composite materials, which have unique advantages for applications in space. This agreement follows on from the previous formalisation of the Skykraft relationship, demonstrating XTEK’s commitment to exploring new opportunities for its advanced composites for space applications.

Continued business from value-added reseller products: XTEK delivered an Explosive Ordnance Disposal robot to a state police force and a number of X-Ray products to various clients in Australia, generating ~A\$2m revenue.

Corporate Update

Oversubscribed placement and share purchase plan: In July 2019, XTEK successfully raised ~A\$3.5m via a placement and share purchase plan. Funds raised were used to finance the HighCom acquisition and to continue with other growth opportunities, including accelerating growth in the US market and commercialisation of XTEK’s proprietary technologies.

Outlook

XTEK has historically focused on supplying clients with value added reseller products and maintenance services. This has allowed the Company to fund the major developments of its own innovative proprietary products.

XTEK is now in a strong position and remains focused on opportunities enabled by its US expansion and achieving key milestones relating to the commercialisation of its proprietary technologies globally.

With the completion of the XTclave advanced ballistics manufacturing centre in Adelaide, the Company is focused on commercialisation, with numerous strategic discussions underway with distributors, suppliers and government agencies globally. In addition, potential major clients who have expressed interest in the XTclave technology, are nearing the end of product validation and testing process. Demonstrations, marketing presentations and ongoing business development opportunities will continue to be a focus for the Company to explore new opportunities. The Company is well placed to secure further contract wins to provide XTclave manufactured armour plates and helmets, and the first export of XTclave manufactured products to the US is expected in the first half of CY2020 and into Europe in the second half of CY2020.

XTEK expects a stronger second half in line with the typical seasonality of the business, enhanced by a full contribution of HighCom, exports of XTclave manufactured products, the impending delivery of another 20 WASP SUAS to Army, and the supply of further UAS to the ADF and other government agencies.

Auditor’s Independence Declaration

The lead auditor’s independence declaration under s 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2019.

This Directors’ Report is signed in accordance with a resolution of the Board of Directors



Mr. Uwe Boettcher
Chairman
27 February 2020



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Liability limited by a scheme
approved under Professional
Standards Legislation

**Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001 to the Directors of Xtek Limited and Controlled
Entities**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hardwickes
Chartered Accountants

Bhaumik Bumia CA
Partner

Canberra

27 February 2020



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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2019

	Note	Half-year ended 31 December 2019 \$	Half-year ended 31 December 2018 \$
Revenue	3	16,040,437	8,413,443
Changes in inventories of finished goods and work in progress		(13,174,035)	(6,648,048)
Gross profit		2,866,402	1,765,395
Other income	3	206,160	31,894
Corporate and administrative expenses – XTEK	4	(3,295,759)	(2,849,854)
Corporate and administrative expenses – HighCom	4	(697,730)	-
Research and development expenses – XTEK	4	(1,372,813)	(720,127)
(Loss) from operations before income tax		(2,293,740)	(1,772,692)
Income tax expense		-	-
(Loss) from operations		(2,293,740)	(1,772,692)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(2,293,740)	(1,772,692)



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Financial Position

As At 31 December 2019

	Note	As at 31 December 2019 \$	As at 30 June 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	4,126,589	5,349,874
Trade and other receivables	7	2,503,727	19,858,111
Inventories	8	3,177,782	1,750,673
Other assets	9	3,596,786	989,543
TOTAL CURRENT ASSETS		13,404,884	27,948,201
NON-CURRENT ASSETS			
Intangible assets	11	1,511,585	155,891
Property, plant and equipment	10	3,516,683	2,308,194
TOTAL NON-CURRENT ASSETS		5,028,268	2,464,085
TOTAL ASSETS		18,433,152	30,412,286
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	3,377,095	18,773,301
Employee benefits	13	383,222	348,035
Other financial liabilities	14	1,174,835	1,963,855
TOTAL CURRENT LIABILITIES		4,935,152	21,085,191
NON-CURRENT LIABILITIES			
Trade and other payables	12	1,553,078	1,077,931
Employee benefits	13	48,493	31,857
Other financial liabilities	14	65,255	521,366
TOTAL NON-CURRENT LIABILITIES		1,666,826	1,631,154
TOTAL LIABILITIES		6,601,978	22,716,345
NET ASSETS		11,831,174	7,695,941
EQUITY			
Issued capital	16	33,748,132	27,312,482
Equity-based payments reserves		8,775	8,775
Foreign exchange translation reserve		(6,677)	-
Accumulated losses		(21,919,056)	(19,625,316)
TOTAL EQUITY		11,831,174	7,695,941



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2019

	Note	Issued Capital \$	Equity based payments Reserve \$	Accumulated losses \$	Foreign exchange translation reserve \$	Total \$
Balance at 1 July 2019	16	27,312,482	8,775	(19,625,316)	-	7,695,941
Loss for the half-year		-	-	(2,293,740)	-	(2,293,740)
Foreign exchange translation reserve		-	-	-	(6,677)	(6,677)
Shares issued during the year		6,663,012	-	-	-	6,663,012
Transaction costs associated with share capital		(227,362)	-	-	-	(227,362)
Balance at 31 December 2019		33,748,132	8,775	(21,919,056)	(6,677)	11,831,174

	Note	Issued Capital \$	Equity based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2018	16	27,196,530	516,110	(20,144,986)	7,567,654
Restatement due to adoption of AASB 16		-	-	(162,991)	(162,991)
Balance at 1 July 2018 restated		27,196,530	516,110	(20,307,977)	7,404,663
Profit for the year		-	-	168,433	168,433
Total income and expenses for the period		-	-	168,433	168,433
Transferred to retained earnings		-	(514,228)	514,228	-
Shares issued during the year		249,736	-	-	249,736
Transaction costs associated with share capital		(133,784)	-	-	(133,784)
Share based payment reserve		-	6,893	-	6,893
Balance at 30 June 2019		27,312,482	8,775	(19,625,316)	7,695,941



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2019

	Half-year Ended 31 December 2019	Year Ended 30 June 2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	15,685,297	28,395,763
Payments to suppliers and employees	<u>(19,545,247)</u>	<u>(27,850,955)</u>
	(3,859,950)	544,808
Interest received	16,946	52,252
Borrowing costs	-	(2)
Net cash provided by/ (used in) operating activities	<u>(3,843,004)</u>	<u>597,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(438,467)	(994,207)
Cash acquired from subsidiary	180,312	-
Purchase of goodwill	<u>(59,610)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(317,765)</u>	<u>(994,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares ²	3,669,643	180,000
Payment of transaction costs associated with issued share capital	(227,362)	(133,784)
Repayment of lease liability	(141,295)	(243,813)
Repayment of loan	<u>(356,825)</u>	<u>-</u>
Net cash provided by/ (used in) financing activities	<u>2,944,161</u>	<u>(197,597)</u>
Net increase/(decrease) in cash and cash equivalents held	(1,216,608)	(594,746)
Effect of exchange rate changes on cash	(6,677)	-
Cash and cash equivalents at beginning of the half year	5,349,874	5,944,620
Cash and cash equivalents at end of the half year	<u>6</u> <u>4,126,589</u>	<u>5,349,874</u>

Note 2:

During the half year the Group acquired 100% ownership of HighCom Armor; 4,000,000 shares were issued as a part of consideration. The share issue for the acquisition is not reflected in the statement of cash flows.

In December 2019 a total of 432,467 shares were provided to staff members as a part of the staff incentive plan (December 2018: 232,228 shares). These issues are not reflected in the statement of cash flows.



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Notes to the Financial Statements

Half-year Ended 31 December 2019

The consolidated financial report covers XTEK Limited and Controlled Entities (XTEK). XTEK is a for-profit company limited by shares, incorporated and domiciled in Australia.

Each of the entities within XTEK prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency (unless stated otherwise).

The financial report was authorised for issue by the Directors on 27 February 2020

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed consolidated half year financial report for the reporting period ending 31 December 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The half year financial report is intended to provide users with an update on the latest annual financial statements of XTEK Limited and controlled entities and controlled entities (XTEK). As such it does not contain information that represents relatively insignificant changes occurring during the half year within XTEK. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of XTEK for the year ended 30 June 2019, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this half year financial report as were applied in the most recent annual financial statements.

2 Summary of Significant Accounting Policies

(a) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

XTEK has incurred a loss of \$2,293,740 for the half-year ended 31 December 2019 (full year ended 30 June 2019: Profit of \$168,433 and half-year ended 31 December 2018: Loss of \$1,772,692).

Accumulated losses to 31 December 2019 total \$21,919,056 (accumulated losses to 30 June 2019 of \$19,625,316 and accumulated losses to 31 December 2018 total \$21,917,678).

The balance of cash and cash equivalents was \$4,126,589 as at 31 December 2019 (as at 30 June 2019: \$5,349,874 and as at 31 December 2018: \$6,613,676).



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Notes to the Financial Statements

Half-year Ended 31 December 2019

The Directors have reviewed XTEK's financial position and cash flow forecasts for the next twelve months, which show that XTEK will be able to meet its debts as and when they fall due and payable and are, therefore, of the opinion that the use of the going concern basis of accounting is appropriate. This is based on the expectation that XTEK will meet projected revenue from its value added reseller and product development businesses and that XTEK will be able to retain overheads at budgeted levels.

(b) Derivative financial instruments

XTEK uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Changes in fair value are recognised immediately in profit or loss in income or expenses. Forward currency contracts are recognised as an asset when their value is positive and as a liability when their value is negative.

3 Revenue and Other Income

	Half-year ended 31 December 2019 \$	Half-year ended 31 December 2018 \$
Revenue from continuing operations	16,040,437	8,413,443
	16,040,437	8,413,443
Interest	16,946	29,532
Gain on foreign currency exchange	164,437	-
Other	24,777	2,362
	206,160	31,894
Total Revenue and other income	16,246,597	8,445,337



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Half-year Ended 31 December 2019

4 Expenses

Research and Development Expenses and Corporate and Administrative Expenses include the following.

	Half-year ended 31 December \$	Half-year ended 31 December \$
Employee benefits		
Salaries and wages	2,533,541	1,563,911
Superannuation	213,683	163,331
Payroll tax	141,404	72,227
Workers compensation	59,205	32,254
	<hr/>	<hr/>
Depreciation		
Plant and equipment	44,282	31,057
Motor vehicles	876	458
Office furniture and equipment	40,588	18,131
Computer software	77,549	5,303
Demonstration equipment	10,983	4,374
Leasehold property improvements	25,201	5,751
Operational expenditure		
Accounting fees	15,743	7,619
Audit fees	51,123	27,500
Bank charges	13,513	3,464
Directors fees	130,000	130,000
Operating lease charges	15,709	8,389
Finance costs		
Interest on lease liabilities	68,603	-
Other interest expense	-	1
Total finance costs	<u>68,603</u>	<u>1</u>

(The “Interest on lease liabilities” refers not to borrowings but is the application of AASB16. It is the internal interest component of the lease on rented properties.)



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Notes to the Financial Statements

Half-year Ended 31 December 2019

5 Government Grants

(a) AusIndustries R&D Tax Incentive

An R&D tax incentive estimate of \$528,533 has been made for the half year to date. No cash back is expected to be received for the full 2019-20 year due to revenue threshold restrictions. The full year claim is still to be granted approval from the Department of Industry, Science, Energy and Resources on lodgement of an R&D tax incentive return.

For the comparative period an R&D tax incentive estimate of \$313,255 was made. No cash back is received due to revenue threshold restrictions.

6 Cash and Cash Equivalents

	Half-year ended 31 December 2019	Year ended 30 June 2019
	\$	\$
Cash at bank and in hand	4,126,589	5,349,874
	<u>4,126,589</u>	<u>5,349,874</u>

7 Trade and Other Receivables

	Half-year ended 31 December 2019	Year ended 30 June 2019
	\$	\$
CURRENT		
Trade receivables	1,739,091	2,696,230
Other receivables	692,026	17,161,881
GST receivable	72,610	-
Total current trade and other receivables	<u>2,503,727</u>	<u>19,858,111</u>



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Notes to the Financial Statements

Half-year Ended 31 December 2019

8 Inventories

	Half-year ended 31 December 2019	Year ended 30 June 2019
	\$	\$
CURRENT		
Product and inventory	1,278,869	571,914
Work in progress	1,898,913	1,178,759
	<u>3,177,782</u>	<u>1,750,673</u>

9 Other Assets

	Half-year ended 31 December 2019	Year ended 30 June 2019
	\$	\$
CURRENT		
Prepayments	3,521,728	964,454
Short term loan	75,058	25,089
	<u>3,596,786</u>	<u>989,543</u>



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Notes to the Financial Statements

Half-year Ended 31 December 2019

10 Property, plant and equipment	Half-year ended 31 December 2019	Year ended 30 June 2019
	\$	\$
Plant and equipment		
At cost	1,307,184	723,127
Accumulated depreciation	(332,367)	(249,891)
Total plant and equipment	974,817	473,236
Office Furniture and Equipment		
At cost	452,498	388,325
Accumulated depreciation	(209,133)	(209,840)
Total office furniture and equipment	243,365	178,485
Motor vehicles		
At cost	71,168	42,554
Accumulated depreciation	(38,417)	(37,540)
Total motor vehicles	32,751	5,014
Demonstration Equipment		
At cost	214,795	194,231
Accumulated depreciation	(145,486)	(134,503)
Total demonstration equipment	69,309	59,728
Computer software		
At cost	244,976	195,222
Accumulated depreciation	(105,873)	(87,046)
Total computer software	139,103	108,176
Leasehold Improvements		
At cost	358,208	229,828
Accumulated depreciation	(107,328)	(82,127)
Total leasehold improvements	250,880	147,701
Composite plant		
At cost	235,070	235,070
Total composite plant	235,070	235,070
UAS		
At cost	81,312	81,312
Total UAS	81,312	81,312



XTEK LIMITED & CONTROLLED ENTITIES
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Half-year Ended 31 December 2019

10 Property, plant and equipment	Half-year ended 31 December 2019 \$	Year ended 30 June 2019 \$
Right of use, lease assets		
At cost	1,736,072	1,170,299
Accumulated depreciation	<u>(245,996)</u>	<u>(150,827)</u>
Total Right of use, lease assets	<u>1,490,076</u>	<u>1,019,472</u>
Total property, plant and equipment	<u>3,516,683</u>	<u>2,308,194</u>



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Half-year Ended 31 December 2019

11 Intangible Assets

	Half-year ended 31 December 2019 \$	Year ended 30 June 2019 \$
Intangibles		
Patents cost	199,831	155,891
Goodwill	1,311,754	-
	<u>1,511,585</u>	<u>155,891</u>

Goodwill has been brought to account for the first time as a result of the consolidation of the HighCom accounts.

12 Trade and Other Payables

	Half-year ended 31 December 2019 \$	Year ended 30 June 2019 \$
CURRENT		
Trade payables	1,196,070	16,014,663
GST payable	66,464	216,724
Sundry payables and accrued expenses	1,871,349	349,920
Derivative financial liability	69,350	208,638
Lease liability: AASB 16	173,862	1,974,293
Rent payable	-	9,063
	<u>3,377,095</u>	<u>18,773,301</u>
NON-CURRENT		
Rent payable	2,266	6,797
Sundry payables and accrued expenses	19,405	-
Lease liability: AASB 16	1,531,407	1,071,134
	<u>1,553,078</u>	<u>1,077,931</u>



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Half-year Ended 31 December 2019

13 Employee benefits

	Half-year ended 31 December 2019 \$	Year ended 30 June 2019 \$
CURRENT		
Annual leave provision	203,926	161,650
Long service leave	179,296	186,385
	<u>383,222</u>	<u>348,035</u>
NON-CURRENT		
Long service leave	48,493	31,857
	<u>48,493</u>	<u>31,857</u>

14 Other financial liabilities

	Half-year ended 31 December 2019 \$	Year ended 30 June 2019 \$
CURRENT		
Customer Deposits	1,174,835	1,963,855
Total	<u>1,174,835</u>	<u>1,963,855</u>
NON-CURRENT		
Customer deposits	65,255	81,366
Government grant	-	440,000
Total	<u>65,255</u>	<u>521,366</u>



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Half-year Ended 31 December 2019

15 Business Combinations

On 29 September 2019, the parent company acquired a 100% interest in HighCom Armor Solutions Inc and resulted in XTEK Inc (US incorporated, acquisition vehicle 100% owned by XTEK Ltd) obtaining control of HighCom Armor Solutions Inc. This acquisition is expected to increase XTEK's share of this market and also provide an easy segue to sell XTEK's novel and high value products into the USA.

For the acquisition of HighCom Armor, the following table (all in USD) shows the purchase consideration. The value of assets acquired and liabilities assumed are from the audited Balance Sheet.

	Fair value \$
	USD
Purchase consideration	
Purchase consideration in cash and scrip (note 3)	3,234,103
	<u>3,234,103</u>
Total purchase consideration to end of Half Year Accounts	<u>3,234,103</u>
Assets or liabilities acquired at September 2019:	
Cash	126,331
Trade receivables	1,034,200
Inventory and other current assets	1,824,192
Plant and equipment and other non-current assets	376,125
Trade and other payables	(948,836)
	<u>2,412,012</u>
Total net identifiable assets	<u>2,412,012</u>
Goodwill on acquisition - September 2019	<u>822,091</u>
Capital Reserve	<u>822,091</u>

Note 3:

Under the terms of the acquisition contract, separate remittances constituted payment for HighCom:

- September 2019 USD 2,659,064 cash and scrip, this harks back to the Directors' Report (p1) consideration for the purchase of the business (~A\$3.9)
- December 2019: USD 561,442 acquisition of target working capital USD2m.
- January 2020: USD 75,583 purchase of working capital in excess of target amount.



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Notes to the Financial Statements

Half-year Ended 31 December 2019

16 Issued Capital

		Half-year ended 31 December 2019	Year ended 30 June 2019
Ordinary shares	31 Dec 19: 53,167,209	\$	\$
	(30 Jun 19: 40,579,906)	33,748,132	27,312,482
Total		33,748,132	27,312,482

Movement in ordinary shares on issue

	No.	\$
At the beginning of the reporting period	40,579,906	27,312,482
Shares issued during the year	12,498,667	6,616,026
Shares issued, held in escrow	88,636	46,986
Transaction cost on share issued	-	(227,362)
At the end of the reporting period	53,167,209	33,748,132

In December 2019 a total of 432,467 shares were provided to staff members as a bonus. Of these shares 38,016 are held in escrow for a period of three years. The capital value of the shares will be taken up progressively as they vest in the hands of their recipients.

In the comparative period 400,000 unlisted options, with an exercise price of \$0.45 each, were exercised prior to their expiration on 15 July 2018.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are no options on issue at 31 December 2019 or at 31 December 2018.



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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Notes to the Financial Statements

Half-year Ended 31 December 2019

17 Operating Segments

The XTEK Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and allocation of resources.

XTEK is managed primarily on the basis of product category and service offerings as the diversification of the Company's operations inherently have different risk profiles and performance assessment criteria.

(a) Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Half-year Ended 31 December 2019	Half-year Ended 31 December 2018
	\$	\$
Australia	11,708,461	8,395,042
United States of America	4,146,842	-
New Zealand	171,501	14,278
Other	13,633	4,123
	-	-
	<u>16,040,437</u>	<u>8,413,443</u>

(b) Major customers

The largest customers remain the Australian and allied departments of defence (NZ, USA) at 72% (half year ended 31 Dec 18: 98% Australia only).

For the first time, a significant percentage of sales 22% was made to private businesses. This is predominantly as a result of the distribution network serviced by HighCom Armor (half year ended 31 Dec 18: 4% Australia only).

18 Contingencies

In the opinion of the Directors, XTEK did not have any contingencies at 31 December 2019 (30 June 2019: None).



XTEK LIMITED & CONTROLLED ENTITIES
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19 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of XTEK, the results of those operations, or the state of affairs of XTEK in future financial years.

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on page 5 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Uwe Boettcher
Director



Lawrence A. Gardiner
Company Secretary

Dated this 27th day of February 2020



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019



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Liability limited by a scheme
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Standards Legislation

Independent Auditor's Review Report to the Directors of Xtek Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Xtek Limited and Controlled Entities, which comprises the consolidated condensed statement of financial position as at 31 December 2019, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors' determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Xtek Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019



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Independent Auditor's Review Report to the Directors of Xtek Limited and Controlled Entities

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Xtek Limited and Controlled Entities, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Xtek Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Hardwickes
Chartered Accountants

Bhaumik Bumia CA
Partner

Canberra

27 February 2020



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

