

Release to the Australian Securities Exchange

2017 Full Year Results Market Update

- XTEK returns to profitability on strong second half.
- FY17 net profit after tax of A\$61,225 compared to net loss of A\$1.5m in FY16, surpassing previously communicated expectations.
- Increased Government spending drives significant sales of EOD equipment and tactical weapon systems.
- XTEK expects continued profit and revenue growth in FY18.

Canberra – 31 August 2017: XTEK Limited (ASX: XTE, 'the Company') is pleased to provide a market update in conjunction with its Preliminary Annual Report (Appendix 4E) for the period ended 30 June 2017.

Financial Results

XTEK returned to profitability in FY17, posting a net profit after tax of A\$61,225 compared to its FY16 net loss of A\$1.5 million and a loss of \$1.3 million in the first half of FY17. The result was helped by the Company's very strong performance in the second half and surpasses previously communicated expectations for FY17.

Revenue for the full-year period increased to A\$9.02 million, almost tripling from FY16's level of A\$3.3 million, reflecting increased sales for both XTEK's reseller and in-house manufactured products.

The Company had a successful capital raise of A\$3.1 million during June 2017. The Company also ended the financial year without debt as a result of its successful trading performance.

Business Sales

XTEK secured significant sales of EOD equipment and tactical weapon systems over the reporting period due to an increase in Federal and State Government expenditure to meet upgraded defence and homeland security requirements. This included the sale of unmanned ground vehicles, bomb detection and response equipment and Tac2 Sniper Rifle Systems.

Post the reporting period, XTEK signed the contract for the supply of the Small Unmanned Aerial Systems (SUAS) capability for the Australian Defence Force (ADF) as part of the Government's planned A\$101 million investment in this capability.

The SUAS contract represents a major step-change for XTEK in terms of sales. The Company expects to generate revenue of up to A\$40 million from the acquisition of the systems over a three year period and up to A\$9 million per annum through the provision of maintenance and support activities over a five to seven year period for sustainment of the SUAS capability. This is in addition to the supply of SUAS, spare parts and maintenance worth A\$10 million over the past three years.

In addition, XTEK secured a number of further contracts with the ADF as well as two contracts to supply EOD equipment to State police forces, during FY17.

Engineering Development

During the reporting period, XTEK continued to achieve key milestones on the path to commercialising its XTclave™ and XTatlas™ technologies. The Company has identified global demand for the XTatlas™ technology from Unmanned Aerial Vehicle (UAV) operators, defence and homeland security agencies and this demand has stimulated interest from a range of potential clients.

The Company undertook significant XTclave™ development and testing work on advanced lightweight hard armour body plate solutions for defence applications during the FY17 year. In March 2017, the Company announced it had successfully produced and tested polyethylene body armour plates that it believes to be approximately 30% lighter than existing body armour plates and able to protect against the 7.62x39mm Mild Steel Core projectile threat, which is typically fired from AK47 assault rifles.

Outlook

XTEK expects a strong performance in FY18, with continued profit and revenue growth based on delivery under recent major contract wins, and a strong pipeline of opportunities for both value added reseller and in-house manufactured product sales. The Company remains well placed for further contract wins due to ongoing increased spending by Australian State and Federal Governments on defence and tactical capabilities.

A new commercial scale XTclave™ plant will be built in FY18 following XTEK's approval of plans during FY17. This development will assist XTEK as it continues to focus on commercialising the technology globally over the next 12 months.

"The 2017 financial year has been a transformational one for XTEK, with a return to profitability, solid sales momentum, high revenue growth and a groundbreaking transaction in terms of the SUAS contract with the ADF. We look forward to a strong contract pipeline again in FY18 due to the continued opportunities presented by the increase in Government spending on defence," said XTEK Managing Director Philippe Odouard.

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
31 August 2017

Media enquiries:
Alexander Liddington-Cox
alex.liddingtoncox@mcpartners.com.au
M: +61 474 701 469

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