

Release to the Australian Securities Exchange

Quarterly Market Update

Canberra – Wednesday, 25 October 2017: XTEK Limited (ASX: XTE) is pleased to provide a market update for the three months to 30 September 2017.

XTEK entered the FY18 financial year off the back of a strong year in FY17 with the Company returning to profitability and a number of significant contracts secured building a strong platform for growth over the near to medium term.

Operational overview

XTEK signed the contract to provide Small Unmanned Aerial Systems for the ADF, as part of the Government's planned A\$101 million investment in this capability. This contract is worth \$42m for the supply of the equipment over 3 years. Maintenance of this capability may represent an additional up to \$50m over the next 5 to 7 years. This contract represented a major step-change for XTEK in regard to sales and has the Company strongly placed for future contract wins.

XTEK continues to generate revenues across a range of other sources and has also booked additional orders of rifle parts and tools to the value of \$866,000 in the first quarter of FY18.

Post the reporting period, XTEK announced that it had been awarded an additional \$2.4m purchase order for the supply of X-Ray equipment to the Australian Defence Force (ADF).

The contract is for a variety of X-Ray equipment for Army Explosive Ordnance Disposal (EOD) purposes and was awarded under a project for XTEK to supply X-Ray and forensics equipment and consumables to the ADF.

Commercialisation of in-house products

The Company continues to receive significant interest for its ballistic products and is building a strong pipeline of potential new clients as it works towards the commissioning of its new generation XTclave™ manufacturing plant which will be used for the commercial scale production of composite body armour plates and shells for helmets. The plant is expected to be commissioned before the end of the current financial year.

Strong interest is also being generated in XTEK's XTatlas™ digital imagery technology with a number of commercial pathways identified across UAV operators and defence and homeland security agencies.

Financial and corporate overview

XTEK is well funded to pursue its growth strategy across FY18, in particular the commercialisation of its in-house products, following the completion of its Share Purchase Plan in July which raised an additional \$1.5 million off the back of a \$3 million capital raising to sophisticated investors in June 2017.

The Company finished the September quarter with a cash balance of \$4.8million. The strong finish to FY17 also means the Company is without debt as it enters the new financial year.

Outlook

XTEK has a strong sales pipeline that is expected to drive further revenue growth for the Company in FY18. The revenue contribution for FY18 should include contributions from across the Company's three key revenue sources. Sales will be built on the growing spending by Australian State and Federal Governments on defence and tactical capabilities as well as the focus on commercial opportunities for the in-house XTatlas™ and XTclave™ technologies.

"The current financial year is about ensuring our Company can further capitalise on the continued expansion of defence and security budgets in Australia and the emphasis that governments both state and federal are placing on local design expertise," said XTEK Managing Director Philippe Oduard.

"We are also rapidly progressing the development and commercialisation of our in-house technologies, with the highlight being the development of our new commercial scale XTclave™ plant which is expected to be commissioned in the current financial year."

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
25 October 2017

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About XTEK Limited

XTEK Limited (XTEK) 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