

Release to the Australian Securities Exchange

**CONTINUED STRONG GROWTH EXPECTED IN 2018
Managing Director's Letter to Shareholders**

Canberra – Thursday, 20 December 2017: XTEK Limited (ASX: XTE, 'the Company') is pleased to provide investors with a market update.

Dear Shareholders,

I would like to take this opportunity to wish you and your family a Merry Christmas and Happy New Year.

The past 12 months have been momentous for our Company with the achievement of significant milestones, including a return to profitability and the signing of the landmark contract to supply Small Unmanned Aerial Systems (SUAS) to the Australian Defence Force (ADF).

The awarding of the SUAS contract, which will generate approximately \$42 million in revenue for the supply of SUAS over three years, has been supported by a number of other purchase orders from the ADF, driven by increased spending by the Australian Government on defence needs.

Just this week, XTEK received an order from the ADF for the supply of more specialist weapons and ancillaries for the Australian Army. The Company has also recently delivered bomb disposal robots to a State Police Force and has been selected to supply similar equipment to another Police Force in FY18.

Also of note is our recent purchase order from FY Composites, a leading ballistic plate supplier to the Finnish Army, for our in-house produced rigid body armour inserts – the first commercial order that we have received for this product which has been produced using our in-house XTclave™ technology.

XTclave™ is XTEK's composite manufacturing process which produces advanced armour plates and helmets with a high level of protection and a substantial reduction in weight. This purchase order from the FY Composites represents a significant milestone for our Company as it demonstrates the important diversification of our contract book, towards indigenous solutions, and adds to our solid foundation to continue accelerating sales and revenue growth.

The purchase order also follows the signing of a second agreement with the US military to evaluate the XTclave™ technology for advanced lightweight personal protection solutions.

It also comes as XTEK is in the process of building a new commercial scale armour manufacturing business, which will include a large XTclave™ machine and other equipment. This investment will allow XTEK to produce up to 50,000 plates per year, with potential to generate up to \$20 to \$30m p.a. The plant is expected to be completed by the end of Q1 FY19 and will be a key catalyst for XTEK's next phase of growth.

There are a number of opportunities to further advance the commercialisation of XTclave™ in 2018 with a number of potential clients currently testing or having recently tested SAPI plates.

During the year, the Company has also devoted resources to the continued development of XTEK's other in-house developed technology, XTAtlas™, which provides real-time contextual video and near real time mosaic mapping. We plan to start demonstration of the latest version of this product early in the new calendar year. This will lead to proposing digital targeting solutions using SUAS, providing a major enhancement to the capability of the warfighter. This will ensure that we are ideally placed to further progress the commercialisation of this technology as we seek to partner with SUAS suppliers and other airborne sensor players in that field.

The funding for the development of our two key technologies has been made possible by the \$4.6 million we raised through an oversubscribed placement and share purchase plan during the year and we are thankful to our existing and new investors for the strong support that they have showed us.

As we move into 2018 and reflect on the past 12 months, I am extremely proud of what our team has achieved. While there is much hard work still to be done, I am very excited about the prospects for our Company in the next 12 months both in Australia as well as in international markets and I look forward to keeping you all updated with our progress.

Phillipe Odouard
Managing Director

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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