

## Release to the Australian Securities Exchange

### Market Update: March 2018 Quarter

**Canberra – Thursday 26 April 2018:** XTEK Limited (ASX: XTE, 'XTEK', the 'Company') is pleased to provide shareholders and investors with a market update for the three months to 31 March 2018.

#### Key highlights

- Finalised multiple orders during the quarter and well positioned for additional purchase orders
- Maintained a healthy contract revenue pipeline of A\$41m
- Currently holds a strong cash balance of A\$3.6m
- Achieved YTD revenue of A\$8.3m and FY2018 revenue guidance maintained
- Favourable macroeconomic tailwinds guided by rising global defence expenditure

#### **XTEK Managing Director Philippe Odouard commented:**

*"We are excited with our continued progress, accelerating the commercialisation of our world-class product suite. Strong growth is forecast across all our capabilities as we further develop our product pipeline and endeavor to leverage increased defence spending both in Australia and internationally. Our standing with the ADF, and a number of key international customers, positions us well for rapid near-term revenue growth."*

#### Operational overview

During the quarter, XTEK finalised multiple purchase orders from the Australian Defence Force ('ADF'). The purchase orders include a range of Explosive Ordnance Disposal equipment, new high-performance x-ray equipment and helmets for various police forces.

At the end of the quarter, XTEK retained a healthy contract revenue pipeline of A\$41m, which underpins XTEK's revenue growth expectations previously disclosed to the market.

Following the quarter, the ADF placed a purchase order, worth A\$1.4m, for WASP AE Small Unmanned Aerial Systems ('SUAS') and associated support for a novel concept demonstration. This concept demonstration represents a separate and different requirement to XTEK's initial A\$42m SUAS contract with the ADF (announced to the ASX on 1 June 2017 and 25 July 2017). New drone applications are continually being developed, as deployed SUAS provide existing operators the opportunity to implement innovative ideas on how to optimise their usage. This is expected to expand the potential market opportunity for XTEK as the incumbent supplier.

The continued execution of purchase orders and recent contract wins position XTEK very well for further contract wins across the entirety of its distributor and proprietary product ranges, both from the ADF and internationally.

#### Financial overview

At the end of the quarter, XTEK held a cash balance of A\$3.6m and no debt. In the nine months to 31 March 2018, XTEK achieved revenue of A\$8.3m, which compares favorably to full-year revenue of A\$9.0m in FY2017.

XTEK remains on track to achieve its FY2018 revenue guidance of A\$11m to A\$18m. Given the seasonality of the business, as previously reported, there remains a number of key contracts on track for delivery before the end of the current financial year.

## Outlook

XTEK expects its strong performance to continue in the near term, given its status as an ADF Recognised Supplier and a member of the Defence Industry Security Program. Further defence contract wins are expected with the expansion of applications of the Company's range of SUAS, and the continued progress towards the commercialisation of its XTclave™ and XTAtlas™ technologies.

Initial delivery of WASP AE SUAS remains on track for July 2018, with correlated SUAS maintenance revenues to follow in FY19 and beyond. Worldwide military interest in drone investment is forecast to increase exponentially in the coming years. This expectation is underpinned by the US Department of Defense's request for triple the number of drones for 2019 (compared to 2018), announcing approximately US\$9.4bn in proposed unmanned systems defense spending in their FY2019 Defence budget. With the expansion of its SUAS applications, XTEK is optimally positioned to be at the forefront of this domestic market demand, should the ADF follow global trends to acquire significantly greater drone capacity.

XTEK is now primarily focused on the production and commercialisation of its ballistic products. XTEK continues to progress the development of commercial-scale XTclave™ manufacturing and production capabilities, which represents a key catalyst for the Company's next phase of growth. Commercialisation of its proprietary technology continues to accelerate with the expansion of XTEK's knowledge and technical capabilities, with the employment of additional staff and consultants. Given XTEK's primary focus, ongoing R&D activities will be prioritised based on the Company's strategic objectives. Further, strategic discussions and product testing continue with several potential clients worldwide who have shown interest in the XTclave™ technology.

XTEK also plans to demonstrate the new functionalities of XTAtlas™ with a number of customers during the next quarter. This software product provides digital targeting from SUAS video stream, real-time contextual video and near real time mosaic mapping. XTEK is ideally placed to develop this technology, as it seeks to partner with leading SUAS suppliers and other airborne sensor players in the field.

**Signed** for and on behalf of XTEK Limited:



Lawrence A Gardiner  
Company Secretary  
26 April 2018

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## 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 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](http://www.xtek.net)