

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

29 September 2016

By Electronic Lodgement

Dear Sir/Madam,

LODGE MENT OF ANNUAL REPORT

In accordance with the Listing Rules, please find attached the Annual Report for XTEK Limited (XTE) for the financial year ended 30 June 2016.

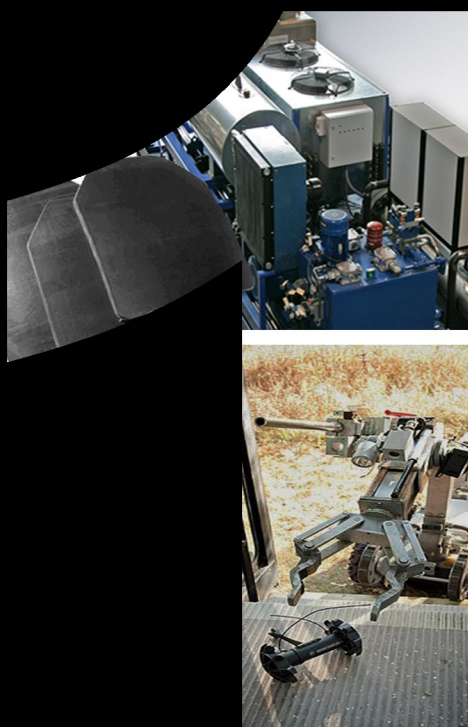
Should you require any further information in respect to this matter please contact the Chairman, Mr. Uwe Boettcher at Uwe.Boettcher@xtek.net or (02) 6232 0601 in the first instance.

Yours sincerely,

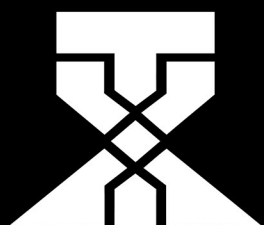


Lawrence A. Gardiner
Company Secretary

Attachment: 2016 Annual Report for XTEK Limited (ABN 90 103 629 107)



Annual Report



XTEK LTD
PROTECT AND SUSTAIN

Financial Calendar

**YEAR ENDED
30 JUNE 2016**

25 NOVEMBER 2016
Annual General Meeting

**YEAR ENDING
30 JUNE 2017**

28 FEBRUARY 2017*
Half year results

31 AUGUST 2017*
Preliminary full year results

30 SEPTEMBER 2017*
Full year results

*These dates are subject to change

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Corporate Directory

Directors	Uwe Boettcher (Appointed 28 April 2009 - Appointed Chairman 25 June 2009)
	Lawrence Gardiner (Appointed 3 December 2010 – Resigned 1 August 2016)
	Philippe Odouard (Appointed 1 August 2016)
	Robert Quodling (Appointed 1 March 2013)
	Ivan Slavich (Appointed 23 September 2013)

Secretary	Lawrence Gardiner (Appointed 17 August 2004)
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Principal Registered Office in Australia	3 Faulding Street Symonston ACT 2609
	Telephone: +61 2 6163 5588 Facsimile: +61 2 6280 6518



Australian Securities Exchange Listing	Australian Securities Exchange Limited Level 3, Securities Exchange Centre 530 Collins Street Melbourne VIC 3000 Australia



Auditor	Hardwicks Chartered Accountants Hardwicks House Level 1, 6 Phipps Close Deakin ACT 2600 Australia
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Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Australia



Solicitors	Minter Ellison Level 23, Rialto Towers 525 Collins Street Melbourne VIC 3000 Australia



Bankers	Bendigo Bank 161 London Circuit Canberra ACT 2600 Australia



Website Address	www.xtek.net
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OPERATING AND FINANCIAL REVIEW FROM OUR CHAIRMAN

Dear Shareholders,

The performance of the Company for the year was disappointing. The significant fall in revenue and the loss for the year was primarily due to a reduction in Agency business sales, particularly in the second half of the financial year. To a lesser extent lower revenue from the Logistics Engineering business and the Foreign Comparative Testing (FCT) project also contributed to the lower revenue for the year.

Following a successful capital raise of \$1.26m at the end of June 2016, the Company ended the financial year without debt.



Principal Activities

During the year the principal activities the Company focused on were:

- The supply of Homeland Security products and services to Defence and Law Enforcement agencies throughout Australasia.
- A particular focus was on the tender for the Small Unmanned Aerial Systems fleet to the Army.
- The continued development and commercialisation of XTclave™ isostatic Composite Consolidation Technology (armour) and XTatlas™ contextual video and mosaic mapping technology.
- Securing a range of new and enhanced products to assist Government in countering the terror threat.
- The acquisition of the business and assets of Simmersion Holdings Pty Ltd through the issue of 175,000 XTEK Ordinary Shares to Simmersion Holdings Pty Ltd shareholders.

Operating Results

Full year revenue for FY16 declined to \$3.4 million, which was largely driven by:

- deferral of some sales contracts;
- failing to win a large contract in that year; and
- investing to expand business opportunities.

A simplified Income Statement for XTEK Limited for financial year ended 30 June 2016 is outlined below:

	1 st Half				2 nd Half				Full Year			
	Dec-15 \$'000	Dec-14 \$'000	Change \$'000	%	Jun-16 \$'000	Jun-15 \$'000	Change \$'000	%	Jun-16 \$'000	Jun-15 \$'000	Change \$'000	%
Revenue: sale of goods and services												
Agency sales	1,515	515	1,000	194%	541	9,570	(9,029)	-94%	2,056	10,085	(8,029)	-80%
Logistics engineering revenue	355	490	(135)	-28%	463	578	(115)	-20%	818	1,067	(249)	-23%
FCT funding	250	565	(315)	-56%	130	284	(154)	-54%	380	850	(470)	-55%
R&D income	10	-	10	-	26	42	(16)	-38%	36	42	(6)	-14%
Total revenue	2,130	1,569	561	36%	1,160	10,474	(9,314)	-89%	3,290	12,044	(8,754)	-73%
Gross profit	639	643	(4)	-1%	604	2,105	(1,501)	-71%	1,243	2,748	(1,505)	-55%
Gross profit %	30%	41%	11%	27%	52%	20%	-32%	-160%	38%	23%	-15%	-64%
Other income	283	82	201	245%	299	506	(207)	-41%	582	588	(6)	-1%
Total expenses	(1,630)	(1,609)	(21)	1%	(1,783)	(1,495)	(288)	19%	(3,413)	(3,105)	(308)	10%
Group (loss)/profit before tax	(708)	(885)	177	-20%	(880)	1,116	(1,996)	-179%	(1,588)	231	(1,819)	-787%
Income tax	-	-	-	-	-	-	-	-	-	-	-	-
Total (loss)/profit after tax	(708)	(885)	177	-20%	(880)	1,116	(1,996)	-179%	(1,588)	231	(1,819)	-787%

Please refer to the commentary on results for the period and financial statements for further explanation regarding the above results.

Operating and Financial Review (continued)

A table highlighting the Group's overarching business trends from financial year 2013 to 2016 is shown below:

Performance Indicators	Financial Year			
	2013	2014	2015	2016
Revenue from sale of goods and services \$'000	4,326	5,318	12,044	3,353
Gross profit from sales of goods and services \$'000	1,856	2,488	2,748	1,270
Gross profit %	43%	47%	23%	38%
Net profit \$'000	(773)	(223)	231	(1,588)
Return on sales %	(18%)	(4%)	2%	(47%)
Net tangible asset backing per share \$	0.0610	0.0710	0.0799	0.076
Market Capital @ 30 June \$'000	4,227	8,856	7,850	8,871

Review of Operations

i. Agency Sales

The XTEK Agency business covers a range of products and equipment, operating under the following portfolios:

- Unmanned Aerial Systems (UAS)
- Weapons and Ancillaries
- Explosive Ordnance Disposal (EOD) equipment
- Protective Security equipment
- Forensics products

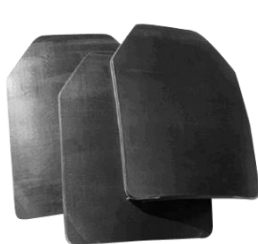
Traditionally, expenditure by the Federal Government in the last quarter of the financial year has been strong. However, the timing of the 2016 Federal Government election negatively influenced the Agency sales performance over the period.

In FY2015/2016, XTEK was unsuccessful in a significant New Zealand Defence Force tender for the supply of new rifles. Following this announcement, XTEK's agency agreement with Sig Sauer Inc was terminated, which adversely impacted on revenue throughout the year. The Company strengthened EOD revenue over the reporting period through the sale of one ICOR Caliber MkIV bomb disposal robot, a new product not previously sold in Australia. Further sales of this product are expected

In April 2016, the Company was selected by the Department of Defence as the preferred tenderer for the Land 129 Phase 4 project. This project involves the supply, maintenance and repair of a larger Small Unmanned Aerial Systems (SUAS) fleet. The Company is currently in negotiations with the Department of Defence to confirm the size and scope of the supply and maintenance contracts. XTEK expects to sign a commercial contract with the Federal Government in this financial year. The size of the contract cannot be determined until negotiations are complete and Government approval has been secured.

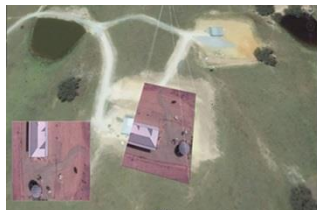
ii. XTEK Foreign Comparative Testing (FCT)

Significant XTclave™ development and testing work on advanced lightweight hard armour plate solutions for the United States Department of Defense FCT Office has progressed during the reporting period and XTEK is pleased with the results so far. The revenue from this project was lower due to the time extension of the project, but no increase in funding. XTclave™ product development opportunities continue to be investigated by the Company across the Global Composites Market.



iii. XTEK Innovations

XTEK continued development of the XTAtlas™ digital imagery technology (a UAS sub-system) to display a real-time video feed as a moving georeferenced image over a digital map and to create mosaic mapping on the fly. The first phase of this development (real-time video) was completed and integrated on an XTEK UAV. This has stimulated interest from a range of potential clients. There were no XTAtlas™ sales during the reporting period.



iv. *Simmersion Holdings Pty Ltd*

Simmersion Holdings Pty Ltd, a wholly owned subsidiary of XTEK from November 2015, produced a gross profit of \$27k, but a net loss of \$24k. The loss was primarily from the write down of assets. Simmersion Holdings Pty Ltd operates as a specialist service provider in the 3D modelling and simulation market focused on visual impact analysis, primarily for urban planning and mine site developments.

Financial Position

The Company ended the year with no debt and a working capital of \$1,519,308 as at 30 June 2016.

Significant Changes in State of Affairs

1. In November 2015, XTEK acquired the business and assets of Simmersion Holdings Pty Ltd through the issue of 175,000 XTEK Ordinary Shares to Simmersion Holdings Pty Ltd shareholders.

Matters subsequent to the end of the financial year

1. On 13 July 2016, the Company was awarded a number of purchase orders from the Australian Defence Force, with a total value of \$2m, for the upgrade and supply of Blaser Tactical 2 Long Range Weapons System ancillaries for the Australian Army.
2. On 1 August 2016, Mr. Philippe Odouard was appointed as a Non-Executive Director of the Company.
3. On 2 August 2016, Mr. Lawrence Gardiner resigned as an Executive Director of the Company
4. On 23 August 2016, the Company raised \$750,000 through a Share Placement to sophisticated investors with Patersons Securities Limited as the lead broker.
5. On 21 September 2016, the Company was awarded a support contract with the Australian Defence Force for the support of its existing Army fleet of Small Unmanned Aerial Systems.

Future Developments, Prospects and Business Strategies

Key Points:

- Purchase orders to the value of over \$2.3m already secured in the first quarter of FY17, with a number of other contracts expected to be signed in the coming months;
- XTEK is poised to deliver a significantly stronger result in FY17, underpinned by current orders;
- Commercialisation of XTEK innovations to the world market, and
- XTEK is diversifying its revenue and increasing margins through value adding and innovation.

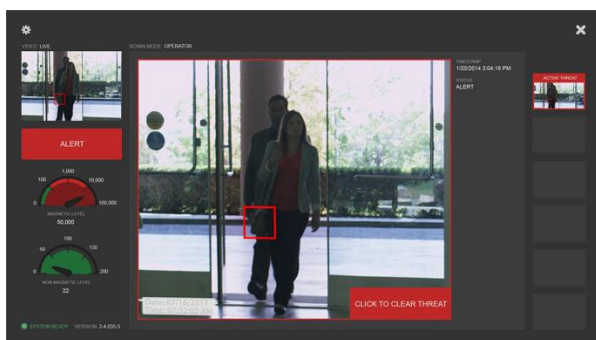
Operating and Financial Review (continued)

A much stronger FY17 result is expected. The Company is not only positioned to secure a number of significant contracts, but is expecting to achieve commercial milestones for its XTclave™ and XTatlas™ technologies. In July the Company was awarded a number of purchase orders from the Australian Defence Force, with a total value of \$2m, for the XTEK Long Range Weapon System for the Australian Army. This system has largely been designed, developed and will be manufactured by XTEK in Australia.

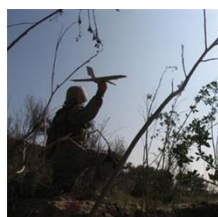
Furthermore, XTEK is well placed to benefit from increased defence spending by the federal government and its push to increase local content in defence procurement, as well as growing demand for the Company's products and services due to rising geopolitical tensions and the threat of terrorism.

To meet this anticipated security requirement, the Company has expanded its product range to include the latest technology in the homeland security market. The Company is now the supplier of the DetectaChem **SEEKERe** product range and the Broadband Discovery Systems (BDS) **RONIN** threat detection system. The DetectaChem **SEEKERe** is a portable handheld device to discreetly detect explosives and narcotics. It is ideally suited for use by police, venue security, detention centre and border control staff.

RONIN is a military tested threat detection system that is now available to provide advanced threat detection capabilities for commercial security applications at government facilities, airports, stadiums, museums and commercial/other premises with specific entrance security requirements. **RONIN** can be installed and operated in either an overt or covert manner, to suit the operational environment of the end user. The total available market for these products in Australia is assessed as being in excess of \$10m.



In April 2016, the Company was selected by the Department of Defence as the preferred tenderer for the Land 129 Phase 4 project. This project involves the supply, maintenance and repair of a larger SUAS fleet. The Company is currently in interactive contract negotiations with the Department of Defence to confirm the size and scope of the supply and maintenance contracts. XTEK expects to sign a commercial contract with the Defence Department in FY17. Although the value of the contracts will only be determined after further negotiations with Defence and after Government approval, they are expected to be worth many millions of dollars and will cover hardware sales and ongoing maintenance (through-life support) for the SUAS. Maintenance contracts will provide recurring revenue. Future performance should be underpinned by supply of SUAS under Land 129 Phase 4.



Uwe Boettcher
Chairman

Dated this 29th day of September 2016

XTEK LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

XTEK Limited and controlled entities is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's approach to corporate governance is to have a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing and protect security holder interests. This approach includes a commitment to best practice governance standards, which XTEK sees as being in the best interests of investors whilst ensuring full compliance with legal requirements.

The framework for XTEK's Corporate Governance Statement follows the Australian Securities Exchange (ASX) Corporate Governance Council's eight principles and recommendations for Corporate Governance (3rd Edition).

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Recommendation 1.1: A listed entity should disclose the respective roles and responsibilities of Board and Management and those matters expressly reserved to the Board and those delegated to Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has adopted a formal Charter that details functions and responsibilities of the Board and areas of authority as delegated to the senior executive. The Board Charter is supplemented by the Company Code of Conduct that is available to guide Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and other senior executives and employees in the performance of their roles.

Role of Chief Executive Officer and Executive

The Chief Executive Officer's role is to develop and agree with the Board the corporate strategy and vision and to oversee implementation of the strategy and management of the Company to achieve the agreed vision in accordance with the strategies, policies and programs set by the Board.

Responsibilities include:

- Formulating and reviewing, with the Board, the vision and strategy and developing actions and plans to achieve the vision and implement the strategy. Reporting to the Board on the progress against those plans;
- Appointing a management team and negotiating terms and conditions for approval by the Human Resource and Remuneration Committee or the Board. Providing leadership to and overseeing the senior management team, ensuring employees are properly instructed to achieve a safe workplace and ensuring compliance with laws and Company policies and that a high level of ethical behaviour is practiced;
- Reporting to the Board on various matters, including all matters requiring review or approval, significant changes to the risk profile, certification (with the CFO) to the Board on the fairness of the financial statements and adequacy of policies as regards risk management, monthly reporting on performance of businesses and continual education of Directors of the Company, its business environment and relevant changes of law;
- Acting within delegated authority levels for capital expenditure, sale of assets, appointment and termination of executives; and
- All other matters necessary for the day-to-day management of the Company and not reserved for the Board. Induction procedures are in place to allow new executive management personnel to participate fully and actively in management decision making at the earliest opportunity upon appointment. This induction process will take into account the individuals knowledge of the Company and the homeland security industry. The induction program for senior executives is designed to make available the Company's financial position, strategies, operations and risk management policies. Also, the respective rights, duties, responsibilities and roles of the Board and senior executives.

Corporate Governance Statement (continued)

Responsibilities of the Board of Directors

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- **Strategy Formulation:** working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- **Overseeing Planning Activities:** overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- **Monitoring, Compliance and Risk Management:** overseeing the Company's risk management, compliance, control and accountability systems and reviewing the effectiveness and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses in excess of those approved under the Company authorisations process and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Human Resources:** appointing, and, where appropriate, removing the Chief Executive Officer (CEO), Company Secretary and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Board has established the following Standing Committees, details of which are included later in this Corporate Governance Statement:

- Finance, Audit & Risk Management Committee;
- Human Resources and Remuneration Committee; and
- Nomination Committee.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of strategic plans designed to meet stakeholders' needs and manage business risk;
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- Ongoing development of strategic plans and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget. This is achieved by the establishment and reporting of both financial and non-financial key performance indicators.

Other matters expressly reserved for the Board of Directors

The following matters and responsibilities have been expressly reserved for the Board:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Ensuring that any significant corporate risks that arise are identified, assessed, appropriately managed and monitored;
- Ensuring appropriate resources are available to senior executives; and
- Reporting to security holders.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 1.1.

Council Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director and in addition should disclose all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company has adopted a policy as developed by the Nomination Committee for the selection and appointment of Directors. This policy defines procedural processes for the appointment of new Directors and the re-election of incumbent Directors. As part of this process, the Company undertakes appropriate background checks on all candidates being considered for appointment. Directors are appointed based on the specific governance skills required by the Company to fill Board vacancies when they arise. The Company discloses all material information to security holders in its possession relevant to a decision on whether or not to elect or re-elect a Director. This is achieved primarily through the release of information contained within the Notice of Annual General Meeting of the Company covering motions on the election and re-election of Directors. The Company complies with Recommendation 1.2.

Council Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment

All new Directors and Senior Executives are provided with a letter of appointment setting out terms of the appointment, which include the Company's expectations, their individual responsibilities, rights and terms and conditions of their employment. By way of induction, new Directors and Executives meet with the Chairman and Company Secretary upon appointment. These briefings cover the operation of the Board and its Committees and financial, strategic, operations and risk management issues. The Company complies with Recommendation 1.3.

Council Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board has designated the Company Secretary as the Officer responsible for overseeing all governance matters and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is responsible for ensuring that all Company announcements are made in a timely manner and are factual and do not omit any material information. In addition, the Company Secretary is also responsible for the following matters:

- advising the Board and its Committees on all governance matters;
- monitoring of Board policy and procedures to ensure compliance standards are met by the Company;
- ensuring the business of the Board/Committee meetings are accurately recorded in official Minutes and disseminated in a timely manner;
- overseeing and coordinating information disclosure to the ASX, security holders, analysts, brokers, the media and the public;
- advising Directors and staff on the Company's governance and disclosure policies and raising awareness of the principles underlying continuous disclosure; and
- facilitating the induction and professional development of new Directors and Executives.

The Company complies with Recommendation 1.4.

Corporate Governance Statement (continued)

Council Recommendation 1.5: A listed entity should have a disclosable diversity policy which includes requirements to set measurable objectives for achieving gender diversity.

The Company is committed to providing a safe working environment and equal employment opportunities for all Directors, executives and employees at all levels within the Company. Whilst the Company is not subject to the provisions of The Workplace Gender Equality Act, in that it employs less than 100 employees, it does recognise the importance of diversity within the workplace.

The Company operates as an equal opportunity Employer and selects personnel based upon the principle of the best person for the role/job, irrespective of gender, age, sexual orientation, ethnicity, marital or family status and religious or cultural background. The Company Code of Conduct emphasises that discrimination, harassment, vilification and victimisation cannot and will not be tolerated. Recruitment and selection practices at all levels are appropriately structured to ensure all candidates are considered and that no conscious or unconscious biases are applied against certain candidates.

Given that the Company is a small business enterprise with less than 30 personnel overall (inclusive of the Board). The Company has successfully employed a number of women to management roles in recent years. Whilst the Company does not comply with Recommendation 1.5 fully, it nonetheless applies many of the core principles through its Code of Conduct provisions.

Council Recommendation 1.6: A listed entity should have and disclose a process for periodically evaluating the board, Committees and individual Directors.

The Nomination Committee of the Board is responsible for the conduct of a performance review of the Board (both collectively and individually) and the Chief Executive Officer. This is an annual evaluation process and is based on a number of goals for the Board and the individual Directors that have been established in the preceding year. The goals are based on the role of the Board and individual Directors as well as corporate objectives and any areas for improvement identified in previous reviews. The assessment of the performance of individual Directors is undertaken by the Nomination Committee, with the Chairman meeting privately with each Director to discuss their annual assessment. The Company complies with Recommendation 1.6.

Council Recommendation 1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives.

The performance of senior executives is reviewed regularly through the application of a Performance Appraisal Program (PAP) that defines appropriate evaluation measures to be applied in the assessment process. Each year senior executives (including the CEO) establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements of the position. The PAP is administered annually for all senior executives with the Chief Executive Officer being responsible for their individual assessment and subsequent reporting of outcomes to the Board. The Nomination Committee of the Board is responsible for the performance assessment of the Chief Executive Officer in accordance with contractual performance measures and deliverables. An informal review of the PAP outcomes for other senior executives and staff is carried out annually by the Human Resource and Remuneration Committee.

A statement outlining specific matters reserved for the Board and Executive Management are contained in the Board Charter, a copy of which is posted on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 1.7.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

Council Recommendation 2.1: The Board of a listed entity should have a Nomination Committee

Nomination Committee

The role of the Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. Under the Company's Constitution, the Board shall be comprised of not less than three and no more than twelve Directors, unless otherwise determined by a general meeting. In consideration of the size of the Company and the Board, the Directors have resolved that the Board as a whole shall comprise the Nomination Committee.

Members of the Nomination Committee during the reporting period were:

- Mr. Uwe Boettcher (Chair);
- Mr. Lawrence Gardiner ;
- Mr. Robert Quodling; and
- Mr. Ivan Slavich.

Role of Nomination Committee

The role of the Nomination Committee is to:

- Review the structure, size and composition of the Board;
- Identify, consider and select candidates with appropriate capabilities, to fill Board vacancies when they arise;
- Ensure that candidates have adequate time available to fulfil their role as a Director;
- Undertake or arrange for annual performance evaluation of the Board, its committees and Directors, and
- Review the:
 - continuation of the Chairman after the initial term of appointment and subsequent re-appointments;
 - re-election of Directors who retire by rotation; and
 - membership of committees.

Director Selection and Appointment

The Board has adopted a policy as developed by the Nomination Committee for the selection and appointment of Directors. This policy defines procedural processes for the appointment of Directors and the re-election of incumbent Directors. Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the industry, appropriate to the Company's market. If the need for a new Board member is identified, the Board in its role as the Nomination Committee, may initiate a search or nominate eligible candidates, who are interviewed by the Chairman and considered by the Board. The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of the shareholders.

Access to independent Professional Advice

To ensure that Directors have access to independent expertise necessary to effectively carry out their role as a Director of the Company, the Board has adopted a policy to allow Directors to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. The Company complies with Recommendation 2.1.

Council Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is seeking to achieve in its membership.

The current Board is comprised of four Directors who possess a wide range of background skills, expertise and knowledge deemed appropriate for the Company's industry type. The Company Secretary maintains a Skills Matrix register for all Directors and senior executives. The names of Directors in office and their term in office at the date of this statement and their standing as Executive or Non-Executive and independence, are on the Board of Directors page of XTEK's website. The Company complies with Recommendation 2.2.

Council Recommendation 2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent.

The Board considers independent decision-making as critical to effective governance and to meet the ASX Corporate Governance Council Recommendations. Independent Directors are identified by their profiles in the 2016 Annual Report. These profiles detail the skills, experience, and expertise relevant to the position of Director, and the terms of office held by the Director and also the status of each Director in relation to the criteria listed below. Unless otherwise stated, the Board does not consider a Director to be an independent Director of the Company if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

Corporate Governance Statement (continued)

- is employed, or within the last three years, has been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years, been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company other than as a Director of the Company;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is not free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Similarly, the Board has adopted a policy that the Chair should be an independent Director. However due to changes to the Board in 2009, Mr. Boettcher was appointed as a Director (Non-executive) and Chairman. Mr. Boettcher, as a Director of a major shareholder of the Company, does not meet the Company's criteria for independence. The Company further recognises that Independent Directors are important in assuring shareholders that the Board is properly fulfilling its role, therefore, in addition to being a Non-executive Director, Mr. Slavich also met the criteria for independence during the reporting period for FY2016. The Company partially complies with Recommendation 2.3.

Council Recommendation 2.4: A majority of a Board of a listed entity should be independent Directors

Under the Company's Constitution, the Board is to be comprised of not less than three and no more than twelve Directors, unless otherwise determined by a general meeting. The Board currently consists of two Non-executive Directors and two Executive Directors.

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in their Director Profiles that form part of the 2016 Annual Report along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs Boettcher, Quodling and Slavich served as Non-Executive Directors during the reporting period for FY2016. The Company further recognises that Independent Directors are important in assuring shareholders that the Board is properly fulfilling its role, therefore, in addition to being a Non-executive Director, Mr. Slavich also met the criteria for independence during the reporting period for FY2016.

The Board has a specific Code of Conduct for Directors and Senior Management. As part of this, where any Director has a material personal interest in a matter, the Director will not be permitted to be present during discussions or to vote on the matter. The enforcement of this requirement should ensure that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent Directors. The independence of Non-Executive Directors is assessed annually by the Nomination Committee. The Company currently does not comply with Recommendation 2.4.

Council Recommendation 2.5: The Chairperson of a listed entity should be an independent Director and, in particular should not be the same person as the CEO of the entity.

Independence of Chairman

Whilst the Board recognises the importance of independence in decision-making, it does not comply with Recommendation

2.5 as Mr. Boettcher, as a Director of a major shareholder of the Company, does not meet the Company's criteria for independence as a Director (Non-executive) and Chairman. Although Mr. Boettcher has a substantial interest as a Director

of a major shareholder in the Company, the Board believes due to his extensive business experience and knowledge, the Board considers it appropriate for Mr. Boettcher to remain on the Board in his current position.

Roles of Chairman and Chief Executive Officer

The roles of Chairman and the Chief Executive Officer are not exercised by the same individual. The Company complies partially with Recommendation 2.5.

Council Recommendation 2.6: A listed entity should have a program for inducing new Directors and provide appropriate professional development opportunities for Directors to develop and maintain skills and knowledge needed to perform their role as Directors effectively.

The Board has designated the Company Secretary as the Officer responsible for facilitating the induction and professional development of new Directors. By way of induction, new Directors meet with the Chairman and Company Secretary upon appointment, whereby briefings are given on the operation of the Board and its Committees and financial, strategic, operations and risk management issues applicable to the Company. The Company Secretary provides all new Directors with a comprehensive induction package covering Company policies and procedures that are applicable to all Directors and employees. As part of their ongoing professional development, new Directors may be required to complete a Company Directors Course as conducted by the Australian Institute of Company Directors. The Company complies with Recommendation 2.6

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Council Recommendation 3.1: A listed entity should have and disclose a code of conduct for its Directors, senior executives and employees.

Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include shareholders, employees, customers, government authorities, creditors and the community as whole. All Directors, senior executives and employees are reminded annually of the existence of the Company Code of Conduct and are requested to confirm they have read it. The Company's Code of Conduct gives guidance on the following.

- *Ethical Standards:* All Directors, senior executives and employees are expected to act with the utmost honesty and integrity, striving at all times to enhance the reputation and performance of the Company.
- *Responsibilities to Shareholders and the Financial Community Generally:* The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.
- *Responsibilities to Clients, Customers and Consumers:* Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.
- *Employment Practices:* The Company is committed to providing a safe workplace environment in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.
- *Obligations Relative to Fair Trading and Dealing:* The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.
- *Responsibilities to the Community:* As part of the community the Company:
 - is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
 - encourages all employees to engage in activities beneficial to their local community.
- *Responsibility to the Individual:* The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.
- *Conflicts of Interest:* Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.
- *How the Company Complies with Legislation:* Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

Corporate Governance Statement (continued)

- *How the Company Monitors and Ensures Compliance with its Code of Conduct:* The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.
- *Whistleblower Protection:* The Company Code of Conduct provides for the reporting of unlawful and unethical behaviour by Directors, Senior Executives and Employees of the Company. These provisions allow for whistleblower protection in accordance with legislative requirements and good practice recommendations. The policy aims to provide a working environment that enables employees to voice genuine concerns in relation to:
 - breaches of relevant legislation;
 - breaches of the Company's Vision and Values;
 - financial misconduct or impropriety or fraud;
 - failure to comply with legal obligations;
 - danger to health and safety or the environment;
 - criminal activity; and
 - attempts to conceal any of the above.

The Company's Code of Conduct policy is posted on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 3.1.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Council Recommendation 4.1: The Board of a listed entity should have an Audit Committee.

Finance, Audit and Risk Management Committee

The Finance, Audit and Risk Management (formerly Audit) Committee was formed by resolution of the Board on 4 September 2006. Below is a summary of the role, composition and responsibilities of the Finance, Audit and Risk Management Committee.

Responsibilities

The Finance, Audit and Risk Management Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Finance, Audit and Risk Management Committee also recommends to the Board the appointment of the external auditor and the internal auditor and, each year, reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal. The Finance, Audit and Risk Management Committee is responsible for establishing policies on risk oversight and management. The responsibilities of the Finance, Audit and Risk Management Committee include:

- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with the auditors and ensuring that the annual statutory audits are conducted in an effective manner;
- Monitoring management efforts to improve continuously the quality of the accounting function;
- Reviewing the half-year and annual reporting and financial statements prior to lodgement of those documents with the Australian Securities Exchange and to make the necessary recommendations to the Board for the approval of these documents;
- Providing the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports;
- Recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing

the terms of their engagement the scope and quality of the audit;

- Assessing the attention being given by management to matters likely to impact on the financial performance of the Company, including monitoring of compliance with laws and regulations and monitoring and control of business risks;
- Management information and other systems of internal control and risk management; and
- Ethical policies and practices for corporate conduct are in place and being adhered to.

The auditors, the Chief Financial Officer and Company Managers may be invited to the Finance Audit and Risk Management Committee meetings at the discretion of the Committee Chair.

Composition

The Finance, Audit and Risk Management (FARM) Committee currently consists of four members. Members are appointed by the Board from amongst the Directors. Members of the FARM Committee during the reporting period were Messrs. Boettcher, Gardiner, Slavich and Quodling. Mr. Slavich is the current Chair. All members can read and understand financial statements and are otherwise financially literate. The details of the member's qualifications may be found in their Director Profiles that form part of the Annual Report.

Charter

A formal charter for the Finance, Audit and Risk Management (formerly Audit) Committee was established by resolution of the Board on 4 September 2006. This charter defines the role and responsibility of the Audit, Finance and Risk Management Committee together with procedures for the selection and appointment of external auditors and rotation of engagement partners and is posted on the Company's web site.

The Board, with the involvement of the Finance, Audit and Risk Management Committee, has established procedures in relation to the external auditor selection and appointment and for discussing with the auditor the rotation of the lead partner. The current external Auditor as appointed by the Board is Hardwicks Chartered Accountants.

Further details are contained in the Finance, Audit and Risk Management Committees Charter, which is available on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 4.1.

Council Recommendation 4.2: The Board of a listed entity should before it approves the entity's financial statements for a financial period, receive assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal compliance and that the system is operating effectively in all material respects in relation to financial reporting risks.

CEO and CFO Attestation

At the time the Board reviews the draft half year and full year financial statements and reports, the Chief Executive Officer and Chief Financial Officer are required to provide a signed declaration that the statements and reports are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

On 28 September 2016, the CEO and the CFO declared to the Board that the risk management and internal compliance and control systems were operating efficiently and effectively in all material respects. Their statement has assured the Board that the financial statements are founded on a sound system of risk management and internal compliance. The Company complies with Recommendation 4.2.

Council Recommendation 4.3: A listed entity that has an AGM should ensure that its external Auditor attend the AGM and is available to answer questions from security holders relevant to the audit.

The Company ensures the external Auditor is available to attend the Annual General Meeting (AGM) of the Company and is available to answer security holder questions about the conduct of the audit and the preparation and content of the Auditor's Report. The Company complies with Recommendation 4.3.

Corporate Governance Statement (continued)

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

Council Recommendation 5.1: A listed entity should have and disclose its written policy for complying with continuous disclosure obligations under ASX Listing Rules.

Continuous Disclosure

It is the policy of the Company to act at all times with integrity and in accordance with law, including the disclosure required of:

- Australian Securities Exchange (ASX) Listing Rules;
- ASX Guidance Notes;
- ASX Corporate Governance Council Recommendations; and
- Corporations Act 2001.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The only exception to this is where the ASX Listing Rules do not require such information to be disclosed. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is responsible for ensuring that all Company announcements are made in a timely manner and are factual and do not omit any material information. The Company Secretary is also responsible for ensuring that all announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

To assist the Company Secretary to fulfil the Company's disclosure requirements, all Divisional Heads are responsible for immediately communicating to the CEO and Company Secretary any possible continuous disclosure matter concerning their division. The Head of each division is required to promptly respond to requests from the Company Secretary for further information concerning possible continuous disclosure matters.

The Company Secretary's role includes:

- overseeing compliance with the continuous disclosure requirements in the ASX Listing Rules;
- overseeing and coordinating information disclosure to the ASX, shareholders, analysts, brokers, the media and the public; and
- advising Directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Price sensitive information is publicly released through the ASX before disclosing it to analysts or others outside the Company. Further dissemination to investors through the ASX website and other information providers is also managed through the ASX.

The Company's Continuous Disclosure policy is posted on the Company's web site at the Corporate Governance Section. The Company complies with Recommendation 5.1.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Council Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

The Company aims to ensure that investors are kept informed of all major developments affecting the state of affairs of the Company and its governance regime via its website. Information currently available to investors through the Company's website, which has a dedicated investor relations section, includes the following:

- the names, photographs and brief biographical information of Directors and senior executives;
- the Company Constitution, Board/Committee Charters and corporate governance policies;
- the Annual Report and the Interim Report;
- disclosures made to the Australian Securities Exchange;
- notices and explanatory memoranda of annual and extraordinary general meetings; and
- regular newsletters to security holders where appropriate.

The Company complies with Recommendation 6.1.

Council Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communications with investors.

The Company recognises the importance of effective communications with investors and recently introduced a new Investor Relation program to facilitate enhanced communication with both security holders and investors. The Board has subsequently approved the new position of Director Investor Relations to manage this program. Mr. Robert Quodling is currently appointed to this position. To facilitate the effective communication with investors, the Company is committed to:

- communicating effectively with investors and security holders through releases to the market via ASX, the Company's website and information mailed to security holders and the general meetings of the Company; and
- giving investors and security holders ready access to balanced and understandable information about the Company and corporate proposals.

The Company website also includes a feedback mechanism and an option for investors and security holders to register their email address for direct email updates of Company matters. The Company complies with Recommendation 6.2.

Council Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company encourages full participation of security holders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to security holders as single resolutions at general meetings. In order to make it easy for security holders to participate in general meetings of the Company, a direct voting facility has been put in place so as to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy. This service is currently provided through the Company's security registry. The Company complies with Recommendation 6.3.

Council Recommendation 6.4: A listed entity should give security holders the options to receive communications from, and send communications to, the entity and its security registry electronically.

The Company encourages all security holders to exercise their option of receiving communications electronically from the Company and its security registry. This allows for the dissemination of Company information to security holders in a timely and cost effective manner. The Company in conjunction with its contracted security registry routinely issues newsletters, notices and financial reports electronically to those security holders that have registered for this service.

The Company has developed formal policy for promoting communication with shareholders and this is publically available and published on the Company's website. The Company complies with Recommendation 6.4.

Corporate Governance Statement (continued)

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

Council Recommendation 7.1: The Board of a listed entity should have a committee to oversight material business risks and disclose the charter and policies of such a committee.

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing, assessing and managing risk. The Board has delegated certain responsibilities in these matters to the Finance Audit and Risk Management Committee. In compliance with the Board's approach, the Company has established specific policies and procedures to identify, assess and manage critical areas of financial and operating risk.

The Company's Risk Management policy is posted on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 7.1.

Council Recommendation 7.2: The Board or a committee of the Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and subsequently disclose findings of the review

Board Review

The Board has delegated the responsibilities of conducting an annual review of the entity's risk management to the Finance Audit and Risk Management Committee. All such reviews are conducted in accordance with established risk management policy and take into account the formal Management Statement as provided by the CEO and CFO on an annual basis.

Management Statement

The Chief Executive Officer and the Senior Executive are required to provide a signed Management Statement to the Board on an annual basis with regard to the risk management and internal control systems of the Company. This statement requires the CEO and Senior Executive to confirm or declare otherwise:

- that the risk management and internal compliance and control systems in all material respects implements the policies adopted by the Directors;
- that the risk management and internal compliance and control systems to the extent they relate to material business risks are operating effectively and efficiently in all material respects, based on the risk management framework adopted by the Company; and that nothing has come to their (CEO/CFO) attention that would indicate any material change to the statements as made in relation to risk management and compliance.

On 28 September 2016, the CEO and the CFO provided the Board with a written assurance that the risk management and internal compliance and control systems were operating efficiently and effectively in all material respects. Their statement has assured the Board that risk management and internal compliance and control systems are sound. The Company complies with Recommendation 7.2.

Council Recommendation 7.3: A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs.

The Company has established an internal audit function that applies a systematic and disciplined approach to evaluating and continually improving the effectiveness of quality systems covering risk management and internal control measures. All internal audit functions are conducted throughout the year on a program authorised by the CEO. Findings and observations from internal audits are reported to the CEO and Company Secretary for subsequent corporate and Board action as required. Internal audits performed by the Company are subject to an annual quality systems assurance review by an external service provider. Failure to meet the requisite audit standards could result in a loss of quality systems accreditation by the Company. The Company complies with Recommendation 7.3.

Council Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and how it manages or intends to manage those risks.

The Company manages material exposure concerns associated with economic, environmental and social sustainability risks as part of its overall risk management strategies as defined in relevant risk policy and procedures. In the course of conducting its business as a listed entity and recognising the legitimate interests of stakeholders, the Company also utilises policy contained within its Code of Conduct Policy to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include security holders, Directors, employees, customers, government authorities, creditors and the community as whole. The Company's Code of Conduct gives guidance on the following.

- *Ethical Standards:* All Directors, senior executives and employees are expected to act with the utmost honesty and integrity, striving at all times to enhance the reputation and performance of the Company.

- *Responsibilities to security holders and the financial community:* The Company complies with the spirit as well as the letter of all laws and regulations that govern business operations. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.
- *Responsibilities to Clients, Customers and Consumers:* Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.
- *Obligations Relative to Fair Trading and Dealing:* The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.
- *Responsibilities to the Community:* As part of the community the Company:
 - is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
 - encourages all employees to engage in activities beneficial to their local community.
- *How the Company Complies with Legislation:* Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

The Company has developed a formal policy for recognising and managing risk, this policy is publicly available and published on the Company's website. The Company complies with Recommendation 7.4

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Council Recommendation 8.1: The Board of a listed entity should have a Remuneration Committee.

Remuneration Committee

The role of the Committee is to review and make recommendations to the Board on remuneration packages for the Chief Executive Officer, senior executives and Directors. In addition the committee has an objective to ensure that the Company maintains a system of human resource management practices that recognises the Company's staff as an important asset of the Company and that HR practices meet legislative requirements for current and future business needs. This role also includes responsibility for share option schemes incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Committee may obtain independent advice on the appropriateness of remuneration packages.

Composition

The Human Resource and Remuneration Committee currently consists of the Board. Mr. Robert Quodling is the current Chair. The details of the member's qualifications may be found in their Director Profiles published on the Company's website. The Company complies with Recommendation 8.1

Council Recommendation 8.2: A listed entity should clearly distinguish the structure of Non-Executive Directors remuneration from that of Executive Directors and Senior Executives.

Remuneration Practice

The Board has determined that Non-Executive Directors will be remunerated differently from Executive Directors and senior executives in the following ways:

- Non-executive Directors will receive fees in the form of cash fees and statutory superannuation; Non-executive Directors may be issued options as approved by security holders, but will not participate in the XTEK Staff Share Option plan or receive bonus payments; and
- Non-executive Directors will not receive retirement benefits other than superannuation.

Corporate Governance Statement (continued)

The Board has determined that in general terms the remuneration of Non-Executive Directors, Executive Directors and senior executives, will be as follows:

Remuneration of Non-Executive Directors

Non-Executive Directors are remunerated by fixed annual fees, superannuation, and at various times may also be remunerated at agreed hourly rates, for additional time expended in the performance of authorised tasks that are in addition to their normal Director functions.

The level of annual Directors' fees is reviewed by the Human Resources and Remuneration Committee, taking into account a number of factors, including the range of Directors' fees paid in the market, and the Company's costs and operating performance. The maximum total for annual fees for Directors is approved from time to time by security holders in a general meeting. This is currently set at \$320,000 per annum.

Non-Executive Directors may also, in view of the Company's size and resources, from time-to-time be issued options as part of their remuneration in place of a higher cash fee. Options would be issued after consideration by the HR and Remuneration Committee and the Board and subject to security holder approval at a general meeting.

Executive Directors and Senior Executives.

Under the Company's constitution, remuneration of Executive Directors, subject to other provisions in any contract between these executives and the Company, may be by way of fixed salary or participation in the profits of the Company but may not be by way of commission on or percentage of operating revenue. Other senior executives, including the CEO, CFO and Company Secretary, may be remunerated by fixed salary and performance based bonuses. Remuneration packages will generally be set to be competitive to both retain and attract experienced executives to the Company.

Where packages comprise a fixed element and variable incentive components, the variable components will depend on Company and personal performance. Short term incentives may include annual cash incentives on meeting specific profit and performance criteria that have been agreed in plans set with the CEO and the Board. Criteria to be met may include Company and or business unit profit performance and personal Key Performance Indicators. The amount of the incentive will depend upon the extent that the measure is exceeded. These conditions help to ensure that the short term incentives are aligned with the interests of security holders in the current period.

The total cost of Directors and senior executive remuneration packages, including the fair value of options, is listed in the Directors Report and Financial Statements of the 2016 XTEK Annual Report, which is posted on the Company's website. The Company complies with Recommendation 8.2

Council Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should have and disclose policy on participation in such a scheme.

The Company does not have an equity-based remuneration scheme in place. Accordingly, Recommendation 8.3. is not applicable to the Company in this instance. The Company's Human Resources and Remuneration Committee policy and charter are posted on the Company's website.

XTEK LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of XTEK Limited and its controlled entity for financial year ended 30 June 2016. The information in the preceding operating and financial review forms part of this Directors' report for the financial year ended 30 June 2016 and is to be read in conjunction with the following information:

Directors

The following persons were Directors of XTEK Limited during the financial year ending 30 June 2016:

- Mr. Uwe Boettcher
- Mr. Lawrence Gardiner
- Mr. Robert Quodling
- Mr. Ivan Slavich

Particulars of each Director's experience and qualifications are set out later in this report.

Indemnifying Officers or Auditor

During the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has paid a premium \$12,325 to insure the Directors and Officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.
- No payment has been made to indemnify Hardwicks Chartered Accountants during or since the financial year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important but has not done so during this reporting period.

During the year the following fees were paid or payable for services provided by the auditor of the Company, Hardwicks Chartered Accountants in 2016 (2015: Hardwicks Chartered Accountants):

Assurance services	2016	2015
	\$	\$
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> .	54,900	53,500

Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 25 of the financial report.

Directors Report (continued)

Information relating to the Directors and Company Secretary during the reporting period

Mr. Uwe Boettcher	- Director & Chairman (Non-Executive)
Experience	- Mr. Boettcher is the Principal of the law firm, Boettcher Law, starting his career at the firm now known as King & Wood Mallesons and more recently having been a partner at Abbott Tout Lawyers. He is a Fellow of the Australian and New Zealand College of Notaries. In 2011 he was appointed as a Foundation Fellow of the Australian Association of Angel Investors. In 2005 he was appointed a Fellow of the Australian Institute of Banking and Finance. In 1996/97 he was the Treasurer of the ACT Law Society. Mr Boettcher has a special interest in commercialising new and innovative technologies and bringing them to market.
Interest in Shares/Options	- 4,900,878 ordinary shares at 30 June 2016
Special Responsibilities	- Chairman of the Nomination Committee
Other Directorships	- Chairman of Kord Defence Group of Companies, Lava Blue Limited and Griffin Accelerator Limited and Director of Greenmag Group Pty Ltd, Capital Angels Pty Limited; Manuka Corporate Pty Limited. He is an alternate Director of Mineral Carbonation International Pty Limited.
Mr. Robert Quodling	- Director (Executive)
Experience	- Mr. Quodling has extensive experience as a leader and motivator of high performance commerce teams in the defence and aerospace sectors at the operational and executive level. His skills have been gained in a diverse range of activities including corporate governance, corporate planning, financial planning, project management, marketing, sales and business development. Mr. Quodling as a former Army Officer held a range of command and operational appointments in the Australian Army between 1975 and 1994. He was awarded a Conspicuous Service Medal (CSM) for conspicuous service with the Special Air Service Regiment.
Interest in Shares/Options	- 115,360 ordinary shares at 30 June 2016
Special Responsibilities	- Chairman of the Remuneration and Human Resource Committee
Other Directorships	- Director of Simmersion Holdings Pty Ltd and Director of Asura Marketing Pty Ltd
Mr. Ivan Slavich	- Director (Non-Executive)
Experience	- Mr. Slavich has over 29 years of senior management and executive experience in the energy, banking, telecommunications and business consulting arena. He has a proven track record over numerous years of being an exceptional leader and motivator in developing and implementing strategic innovations, business process re-engineering and integration, resulting in substantial improvement of business sales and profitability. He was the CEO of TransACT communication P/L and has held an officers rank in the Australian Army Reserves. He is a Fellow of the Australian Institute of Company Directors.
Interest in Shares/Options	- 596,926 ordinary shares at 30 June 2016.
Special Responsibilities	- Chairman of Finance, Audit and Risk Management Committee
Other Directorships	- Director of Trident Corporate Services Pty Ltd and Director of Service One Members Banking.
Mr. Lawrence Gardiner	- Director & Company Secretary (Resigned as Director on 1 August 2016)
Experience	- Mr. Gardiner served with the Australian Army and specialised in the fields of logistic management and explosive ordnance disposal operations. In addition to his military service, Mr. Gardiner also served with the Australian Federal Police (AFP), performing senior executive roles in the areas of counter terrorist first response and protective security operations. Mr. Gardiner is a current member of the Australian Institute of Company Directors.
Interest in Shares/Options	- 70,482 ordinary shares at 30 June 2016
Special Responsibilities	- Corporate Governance
Other Directorships	- None

Meetings of Directors

	Directors Meetings		Audit Committee		Nomination Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr. Uwe Boettcher	12	12	2	2	1	1	1	1
Mr. Lawrence Gardiner	12	11	2	2	1	1	1	1
Mr. Robert Quodling	12	12	2	2	1	1	1	1
Mr. Ivan Slavich	12	11	2	1	1	0	1	0

Remuneration Report

Table 1: Benefits and Payments for the Year Ended 30 June 2016

		Short-term Benefits			Post-Employment Benefits		Long-term Benefits	Share-based Pmts	Total	% Perf. Related
		Salary, Fees and Leave *1 \$	Bonus \$	Non-monetary Benefits \$	Super-annuation \$	Other \$	LSL *2 \$	\$	\$	\$
KMP										
Mr. Uwe Boettcher	2016	64,167	-	-	-	-	-	-	64,167	-
	2015	60,000	-	-	-	-	-	-	60,000	-
Mr. Robert Quodling	2016	63,070	-	-	5,932	-	-	-	69,002	-
	2015	31,963	-	-	3,037	-	-	-	35,000	-
Mr. Ivan Slavich	2016	35,000	-	-	-	-	-	-	35,000	-
	2015	30,000	-	-	-	-	-	-	30,000	-
Mr. Lawrence Gardiner	2016	138,835	-	-	13,177	-	(1,209)	-	150,803	-
	2015	113,052	-	-	11,392	-	2,689	-	127,133	-
Mr. Brian Malcolm	2016	193,945	-	-	17,842	-	-	-	211,787	-
	2015	184,001	-	-	17,575	-	-	-	201,576	-
Ms. Megan Burgmann	2016	63,455	-	-	5,221	-	-	-	68,676	-
	2015	108,743	-	-	10,457	-	(3,382)	-	115,818	-
Mr David Brooking	2016	66,410	-	-	5,890	-	-	-	72,300	-
	2015	-	-	-	-	-	-	-	-	-
Total KMP	2016	624,882	-	-	48,062	-	(1,209)	-	671,735	-
	2015	527,759	-	-	42,461	-	(693)	-	569,527	-

*** Notes**

1. Salary, fees and leave are per payroll summary or actual invoices received. These payments may vary to contract due to employee benefits, voluntary salary reductions, additional pay, back pay and annual leave paid out. Amounts included for leave are movements in the accrued annual leave entitlements for the relevant 12 month period.

2. Amounts included above for long service leave are movements in accrued entitlements for the relevant 12 month period.

a) Options Rights Granted as Remuneration

There were no new issues of share options or share performance rights during the 2015-16 or the 2014-15 financial years. All share options and share performance rights issued by the Company have lapsed.

During the year no shares were issued as a result of the exercise of options or share performance rights.

b) Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer, Company Secretary and the other specified executives are formalised in individual service agreements. The major provisions relating to remuneration are set out below:

Mr. Brian Malcolm – Chief Executive Officer

- A written employment agreement is in place, effective from 4 February 2014.
- Base salary, exclusive of superannuation, to the value of \$187,775 per annum.
- Eligibility for Company Long Term Incentive Performance Rights Plan (LTIPRP).
- Eligibility for Company Short Term Incentive Plan (STIP).
- Qantas Club membership.

Mr. Lawrence Gardiner – Director (Executive) and Company Secretary

- A written employment agreement is in place, effective from 3 September 2011.
- Base salary, exclusive of superannuation, to the value of \$127,853 per annum.
- Eligibility for Company Long Term Incentive Performance Rights Plan (LTIPRP).
- Eligibility for Company Short Term Incentive Plan (STIP).
- Qantas Club membership.

Ms. Megan Burgmann – Chief Financial Officer (resigned 11 December 2015)

- A written employment agreement in place, effective from 12 October 2010.
- Base salary, exclusive of superannuation, to the value of \$107,590 per annum.
- Eligibility for Company Long Term Incentive Performance Rights Plan (LTIPRP).
- Eligibility for Company Short Term Incentive Plan (STIP).

Mr. David Brooking – Chief Financial Officer (appointed 12 January 2016)

- A written employment agreement in place, effective from 12 January 2016.
- Base salary, exclusive of superannuation, to the value of \$130,000 per annum.
- Eligibility for Company Long Term Incentive Performance Rights Plan (LTIPRP).
- Eligibility for Company ShortTerm Incentive Plan (STIP).

This Directors' Report and Remuneration Report is signed in accordance with a resolution of the Board of Directors.



Uwe Boettcher
Chairman

Dated this 29th day of September 2016



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Hardwickes Partners Pty Ltd
ABN 21 008 401 536

Liability limited by a scheme
approved under Professional
Standards Legislation

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of XTEK LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, 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

Hardwickes
Chartered Accountants

Robert Johnson FCA
Partner

28 September 2016

Canberra

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue	2	3,353,400	12,043,845
Changes in inventories of finished goods and work in progress		(2,083,366)	(9,295,757)
Gross profit		1,270,034	2,748,088
Other income	2	529,271	588,328
Employee benefits expense	3	(1,893,954)	(1,746,210)
Depreciation	3	(83,220)	(109,720)
Operational expenditure	3	(1,367,474)	(1,234,029)
Additional expenditure	3	(20,343)	(1,550)
Finance costs	3	(22,497)	(13,839)
Profit/(loss) from operations before income tax		(1,588,183)	231,068
Income tax expenses		-	-
Total comprehensive income/(loss) for the period		(1,588,183)	231,068

Profit/(loss) per share attributable to the ordinary equity holders of the company

	Notes	2016 \$	2015 \$
Basic profit/(loss) per share	8	(0.073)	0.011
Diluted profit/(loss) per share	8	(0.073)	0.011

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	549,517	890,314
Trade and other receivables	11	711,900	1,383,241
Inventories	12	769,232	609,869
Other	13	153,490	169,265
Total current assets		2,184,139	3,052,689
Non-current assets			
Property, plant and equipment	14	277,340	309,687
Intangible assets	15	71,225	56,082
Total non-current assets		348,565	365,769
TOTAL ASSETS		2,532,704	3,418,458
LIABILITIES			
Current liabilities			
Trade and other payables	16	507,526	717,405
Derivative financial liability		-	(5,698)
Provisions	17	154,395	148,962
Deferred income	18	2,910	849,785
Total current liabilities		664,831	1,710,454
Non-current liabilities			
Other payables	16	33,984	43,047
Provisions	17	15,314	-
Deferred income	18	78,900	680
Total non-current liabilities		128,198	43,727
TOTAL LIABILITIES		793,029	1,754,181
NET ASSETS		1,739,675	1,664,277
EQUITY			
Contributed equity	21	21,569,000	19,907,301
Reserves		516,110	514,228
Accumulated losses		(20,345,435)	(18,757,252)
TOTAL EQUITY		1,739,675	1,664,277

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from/(used in) operating activities			
Receipts from customers		4,120,090	11,690,334
Payments to suppliers and employees		(6,068,998)	(11,642,729)
		(1,948,908)	47,605
Receipt of grants		45,013	307,411
Interest received		8,640	8,018
Borrowing costs		(22,498)	-
Net cash flows from operating activities	25	(1,917,753)	363,034
Cash flows (used in)/from investing activities			
Cash acquired from Simmersion Holdings Pty Ltd		51,178	-
Payments for property plant and equipment	14	(50,776)	(78,115)
Payment for intangible assets	15	(15,142)	(8,823)
Net cash flows (used in) investing activities		(14,740)	(86,938)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	21	1,799,982	-
Payment of transaction costs associated with issued share capital		(208,286)	(35,555)
Proceeds from short term loans	19	550,000	250,000
Repayments of short term loans	19	(550,000)	(250,000)
Net cash flows (used in)/from financing activities		1,591,696	(35,555)
Net increase (decrease) in cash and cash equivalents		(340,797)	240,541
Cash and cash equivalents at beginning financial year		890,314	649,773
Cash and cash equivalents at end of year		549,517	890,314

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

	Note	Issued capital	Equity-based payments reserve	Accumulated losses	Total Equity
		\$	\$	\$	\$
Balance at 1 July 2014		19,942,856	514,228	(18,988,320)	1,468,764
Profit for the year		-	-	231,068	231,068
Total income and expense for the period		-	-	231,068	231,068
Issues of ordinary shares during the year:					
Issue of share capital		-	-	-	-
Transaction costs associated with issued share capital		(35,555)	-	-	(35,555)
Transfer between categories of equity		-	-	-	-
Balance at 30 June 2015	21	19,907,301	514,228	(18,757,252)	1,664,277
 Balance at 1 July 2015		 19,907,301	 514,228	 (18,757,252)	 1,664,277
Loss for the year		-	-	(1,588,183)	(1,588,183)
Total income and expense for the period		-	-	(1,588,183)	(1,588,183)
Issues of ordinary shares during the year:					
Issue of share capital		1,970,067	-	-	1,970,067
Transaction costs associated with share capital		(308,368)	-	-	(308,368)
Transfer between categories of equity		-	1,882	-	1,882
Balance at 30 June 2016	21	21,569,000	516,110	(20,345,435)	1,739,675

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2016

These financial statements and notes represent those of XTEK Limited and controlled entities.

The financial statements were authorised for issue on 28 September 2016 by the Directors of the Group.

1. Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied.

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of XTEK Limited and its 100% owned subsidiary – Simmersion Holdings Pty Limited. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(a) New Accounting Standards and Interpretations

i. Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year.

ii. Adoption of new Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations issued or amended that are applicable to the current reporting period did not have a financial impact in the financial statements or performance of the Company, and are not expected to have a future financial impact on the Company.

iii. Future Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2016. It is anticipated that the new requirements will have no material financial impact on future reporting periods.

(b) Significant Accounting Judgment, Estimates and Assumptions

No accounting judgements, estimates or assumptions have been made that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next annual reporting period.

(c) Foreign Currency Translation

i. Functional and presentation currency

The financial statements are presented in Australian dollars, which is XTEK Limited's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(d) Property, Plant and Equipment

i. Cost and valuation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

ii. Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Major depreciation periods are:

- plant and equipment 3 - 15 years

i. Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Notes to the Financial Statements (continued)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. XTEK Limited does not currently hold any qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing costs.

(f) Intangible Assets

i. Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable. Where recognition criteria are not met, development costs are recognised in the statement of comprehensive income as incurred.

Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(g) Recoverable Amount of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which

case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first in, first out basis; and
- Finished goods and work-in-progress cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Trade Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable amounts. Receivables are non-interest bearing and are generally on 30 day terms, unless otherwise agreed with the customer. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

Receivables from related parties are recognised and carried at amortised cost, with interest recognised using the effective interest rate method.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash flows, cash and cash equivalents consist of cash and equivalents as defined above, net of outstanding bank overdrafts.

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The

expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Share Based Payment Transactions

The Company has an ability to provide benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions').

There are currently two plans in place to provide such benefits:

- the XTEK Long Term Incentive Performance Rights Plan (LTIPRP); and
- the Employee Share Ownership Plan (ESOP), which provides benefits to all employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to either the Black Scholes valuation or by an external valuer using a binomial model.

In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of XTEK Limited ('market conditions') if applicable. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of, (i) the grant date fair value of the award; (ii) the current best estimate of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is also a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of

modification. If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as an additional share dilution in the computation of diluted earnings per share.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

ii. Rendering of Services

Revenue is recognised by reference to the stage of completion of a contract.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

iii. Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

iv. Deferred Income

Deferred income consists of customer deposits received and government grants. Deferred income relating to customer deposits is not recognised as revenue until such time when the ownership of the goods is transferred to the customer. In the case of Government grants, grants are recognised in accordance with the accounting policy outlined in note 1(w).

(n) Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts

Notes to the Financial Statements (continued)

in the financial statements, and to unused tax losses. Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised;

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(o) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements, are charged against surpluses on a net basis in their respective categories.

The contributions made to superannuation funds are charged to the statement of profit or loss and other comprehensive income.

i. Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

i. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(p) Earnings Per Share

i. Basic earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element

ii. Diluted earnings per share

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary charges in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(q) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

(r) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net

of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Dividends

No dividends were declared on or before or subsequent to the end of the financial year.

(u) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(v) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

i. Impairment of Loans

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

(w) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

Notes to the Financial Statements (continued)

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

i. Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the

remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

ii. Company as a lessor

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Income from leases relates only to property which is sub-let by the Company.

2. Revenue and Other Income

	2016	2015
	\$	\$
Sales revenue	2,574,594	10,976,389
Revenue from repairs	759,156	1,025,796
Revenue from services	19,650	41,660
	3,353,400	12,043,845
Interest	8,640	8,018
R&D tax incentive (refer note 24(a))	468,479	498,035
Grant income (refer note 24(b))	45,013	65,233
Other	7,139	17,042
	529,271	588,328

3. Expenses

Profit/(loss) before income tax from continuing operations includes the following specific expenses:

	2016	2015
	\$	\$
(a) Employee Benefits		
Salaries and wages	1,615,342	1,465,298
Superannuation	187,128	184,878
Redundancy payments	29,597	20,342
Payroll tax	46,167	50,188
Workers compensation	15,720	25,504
Total Employee Benefits	1,893,954	1,746,2
(b) Depreciation		
Plant and equipment	41,264	40,292
Motor vehicles	911	6,147
Office furniture and equipment	28,034	26,067
Computer software	538	9,191
Demonstration equipment	8,342	23,451
Leasehold property improvements	4,131	4,572
Total Depreciation	83,220	109,720
(c) Operational Expenditure		
Accounting fees	19,496	10,690
Audit fees	54,900	50,532
Advertising and conferences	50,451	88,984
Bank charges	8,653	7,769
Consultancy fees	240,136	159,599
Directors fees	99,167	125,136
Insurance	134,246	108,113
FBT	4,423	10,265
Legal fees	1,604	3,877
Office administrative costs	503,570	440,296
Operating lease charges	16,081	18,364
Share registry fees	47,856	46,719
Travel and entertainment	82,569	87,699
Staff training	4,166	1,402
R&D project expenses	4,393	7,900
Net foreign currency losses	21,342	(46,891)
Other expenses	74,421	113,575
Total Operational Expenditure	1,367,474	1,234,029
	2016	2015
	\$	\$
(d) Additional Expenditure		
Restructure costs	-	1,550
Loss on disposal of asset	20,343	-
Total Additional Expenditure	20,343	1,550
(e) Finance Costs		
Interest	22,497	13,839
Total finance costs	22,497	13,839

Notes to the Financial Statements (continued)

4. Tax Expense

(a) Income Tax Expense

The major components of the income tax expense are:

	2016 \$	2015 \$
Statement of Comprehensive Income		
<i>Current income tax</i>		
- Current income tax charge	(330,030)	210,088
- Adjustment in respect to income tax of previous years	-	-
- Loss used not recognised	330,030	(210,088)
<i>Deferred income tax</i>		
- Relating to origination and reversal of temporary differences	7,791	(8,634)
- Timing differences not recognised	(7,791)	8,634
Income tax expense in the Statement of Comprehensive Income	-	-

(b) Numerical Reconciliation between Aggregate Tax Expense Recognised in the Statement of Comprehensive Income and Tax Expense Calculated per the Statutory Income Tax Rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:

	2016 \$	2015 \$
Account profit /(loss) before tax from operations	(1,588,183)	231,068
Total account profit/(loss) before income tax	(1,588,183)	231,068
At the Company's statutory income tax rate of 30% (2015: 30%)	(476,454)	69,320
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
- Capital raising cost amortised	(17,250)	(9,207)
- Entertainment	597	1,610
- Losses brought to account	330,030	(218,723)
- Timing differences not brought to account	(7,791)	8,634
- Research and development expenditure	311,412	297,368
- Research and development offsets	(140,544)	(149,002)
Aggregate income tax expense	-	-

(c) Recognised Deferred Tax Assets and Liabilities

Deferred income tax relates to the following:

	2016	2015
	\$	\$
<i>i. Deferred tax liabilities</i>		
Unrealised gains	35	(2,229)
Gross deferred tax liabilities	35	(2,229)
Deferred tax liability not recognised	35	(2,229)
Gross deferred tax liabilities	-	-
<i>ii. Deferred tax assets</i>		
Accrued expenses	22,461	44,030
Superannuation	16,462	15,414
Employee leave entitlements	85,250	74,714
Impaired assets	259,878	259,878
Potential tax losses	5,387,652	5,502,205
Potential capital tax losses	488,457	488,457
Deferred differences and losses not recognised	(6,260,160)	(6,384,698)
Gross deferred tax asset	-	-
Deferred tax assets not recognised	-	-
Net deferred tax assets	-	-

(d) Tax Losses

The Company has capital tax losses for which no deferred tax asset is recognised on the balance sheet that arise in Australia of \$1,628,190 (2015: \$1,628,190) and are available indefinitely for offset against future capital gains of a similar nature subject to continuing to meet relevant statutory tests.

The Company has accumulated tax losses for which no deferred tax asset has been recognised of \$17,958,841 (2015: \$16,882,533). The deferred tax asset associated with the loss will only be realisable in the future in the event of sufficient taxable profits being available to utilise the losses, subject to loss recoupment rules.

(The 2015 Annual Report listed the accumulated tax losses for which no deferred tax asset has been recognised as being \$18,340,682. The restated number, as shown above, is \$16,882,533.)

(e) Unrecognised Temporary Differences

At 30 June 2016, there are no unrecognised temporary differences associated with the Company's investments in subsidiaries as the Company has no liability for additional taxation should unremitted earnings be remitted (2015: Nil).

5. Key Management Personnel

Refer to the remuneration report in the Directors' report for details of remuneration paid or payable to each member of the groups key management personnel (KMP) for the year ended 30 June 2016.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	2016	2015
	\$	\$
Short-term employee benefits	624,882	527,759
Post-employment benefits	48,062	42,461
Other long-term employee benefits	(1,209)	(693)
Total KMP compensation	671,735	569,527

Notes to the Financial Statements (continued)

6. Remuneration of Auditors

Amounts received or due and receivable by Hardwicks Chartered Accountants in 2016 and 2015 for assurance services are as follows:

	2016	2015
	\$	\$
Audit Services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	54,900	53,500
Total remuneration for audit services	54,900	53,500

7. Dividends

Ordinary shares

There were no dividends paid or proposed for the period to 30 June 2016 (2015: Nil).

Franked dividends

The franked portions of future dividends will be franked out of existing franking credits.

	2016	2015
	\$	\$
Franking credits available for subsequent financial years based on a Tax rate of 30% (2015: 30%)	981,110	981,110

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

8. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company (after declaring interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential shares into ordinary shares.

	Notes	2016	2015
		\$	\$
Basic loss per share*			
Profit/(loss) attributable to the ordinary equity holders of the Company	21	(0.073)	0.011
Diluted loss per share*			
Profit/(loss) attributable to the ordinary equity holders of the Company	21	(0.073)	0.011

Reconciliations of earnings used in calculating basic and diluted earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations for both the basic and diluted earnings per share.

	2016	2015
	\$	\$
Profit/(loss) from continuing operations	(1,588,183)	231,068
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(1,588,183)	231,068

Weighted average number of shares used as the denominator

	Notes	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	21	21,850,707	20,127,233
Adjustments for calculation of diluted earnings per share:			
Options and share performance rights		-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share		21,850,707	20,127,233

i. Options and share performance rights

Options and share performance rights granted to employees and Directors that are considered to be potential ordinary shares have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and share performance rights have not been included in the determination of basic earnings per share.

ii. Share Issuance

The issued capital of XTEK Ltd now comprises 25,713,393 fully paid Ordinary Shares with 500,000 unlisted options currently on issue.

500,000 unlisted options with an exercise price of \$0.45 per option, expiring on 15 July 2018 were allotted and issued on 15 July 2015. This share issue is pursuant to the Kentgrove Equity Placement Agreement.

9. Operating Segments

Identification of reportable segments

The Company 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.

The Company 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.

Reportable Segment

The homeland security agency business remains XTEK's major reportable segment and includes the supply of homeland security equipment and services to predominantly government customers in the Australasian region. The CEO reviews internal management reports for the strategic business unit on a monthly basis.

i. Major Customers

The Company has a number of customers to whom it provides both products and services. The Company supplies a number of Australian Government Agencies that combined account for 74% of revenue (2015: 90%). Sales to the federal and state police forces account for 57% of the Government Agency revenue for financial year 2016 (2015: 84%).

Notes to the Financial Statements (continued)

ii. Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer.

	2016	2015
	\$	\$
Australia	2,924,133	11,174,061
New Zealand	13,582	12,374
United States of America	380,567	852,870
Other	35,118	4,540
Total revenue	3,353,400	12,043,845

10. Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash at bank and in hand	549,517	890,314
	549,517	890,314

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of Cash: for the purpose of the Statement of Cash Flows, cash and cash equivalents comprise of the above listed amounts.

11. Trade and Other Receivables

	2016	2015
	\$	\$
Trade receivables	228,510	857,031
Other receivables	483,390	526,509
Total trade and other receivables	711,900	1,383,240

Terms and conditions

Trade and other receivables are non-interest bearing and generally on 30 day terms.

Allowance for impairment losses

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There was no impairment loss recognised in 2016 (2015: Nil). Receivables past due date and considered impaired are Nil (2015: Nil).

At 30 June 2016, the ageing analysis of trade receivables is as follows:

	Total	Past Due but Not Impaired			
		(Days)			
		< 30	31-60	60-90	> 90
	\$	\$	\$	\$	\$
2016	228,510	201,743	26,767	-	-
2015	857,031	767,035	89,996	-	-

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Company's policy to transfer (on-sell) receivables to special purpose entities.

12. Inventories

	2016	2015
	\$	\$
Products and spare products	561,472	520,835
Work in progress	207,760	89,034
	769,232	609,869

There were no inventory write downs recognised as an expense for the year ended 30 June 2016 for the Group (2015: \$49,779). Any expense would be included in the changes in inventories of finished goods and work in progress line in the Statement of Comprehensive Income.

13. Other Current Assets

	2016	2015
	\$	\$
Prepayments	153,490	169,265
	153,490	169,265

14. Property, Plant and Equipment

	2016	2015
	\$	\$
Plant and Equipment		
Demonstration Equipment:		
At cost	124,247	118,283
Accumulated depreciation	(104,389)	(96,047)
	19,858	22,236
Motor Vehicles:		
At cost	58,011	58,011
Accumulated depreciation	(50,273)	(49,362)
	7,738	8,649
Office Furniture and Equipment:		
At cost	212,760	194,567
Accumulated depreciation	(116,114)	(88,013)
	96,646	106,554
Computer Software:		
At cost	67,114	67,114
Accumulated depreciation	(67,114)	(66,740)
	-	374
Plant and Equipment:		
At cost	237,129	236,975
Accumulated depreciation	(122,869)	(81,605)
	114,260	155,370
Property Improvements:		
At cost	61,272	61,272
Accumulated depreciation	(48,899)	(44,768)
	12,373	16,504
UAS:		
At cost	26,465	-
Accumulated depreciation	-	-
	26,465	-
Total Plant and Equipment:		
At cost	786,998	736,222
Accumulated depreciation	(509,658)	(426,535)
	277,340	309,687

Notes to the Financial Statements (continued)

Movements in Carrying Amounts

	Demo. Equipt \$	MV's \$	Office Furnit. and Equipt \$	Computer Software \$	Plant and Equipt \$	Leasehold Property Improv. \$	UAS \$	Total \$
Balance at 30 June 2014	34,539	5,714	78,071	9,566	191,136	21,076	-	340,102
Additions	9,956	9,082	54,550	-	4,527	-	-	78,115
Transfers to and from assets	1,190	-	-	-	-	-	-	1,190
Disposals	-	-	-	-	-	-	-	-
Depreciation expense	(23,449)	(6,147)	(26,067)	(9,192)	(40,293)	(4,572)	-	(109,720)
Balance at 30 June 2015	22,236	8,649	106,554	374	155,370	16,504	-	309,687
Additions	5,964	-	18,193	-	154	-	26,465	50,776
Transfers to and from assets	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Depreciation expense	(8,342)	(911)	(28,101)	(374)	(41,264)	(4,131)	-	(83,123)
Balance at 30 June 2016	19,858	7,738	96,646	-	114,260	12,373	26,465	277,340

15. Intangible Assets

	2016 \$	2015 \$
Patents		
At cost	71,225	56,082
	71,225	56,082

During the full year ended 30 June 2016, the Company recognised \$15,143 for patent application costs associated with the Intellectual Property of the process for the manufacture of multilayer articles (2015: \$8,823). These costs have an indefinite useful life.

Movements in Carrying Amounts

	Patents \$
Balance at 30 June 2015	56,082
Additions	15,143
Balance at 30 June 2016	71,225

16. Trade and Other Payables

	2016 \$	2015 \$
CURRENT		
Trade creditors	147,011	114,603
Accrued expenses	201,846	426,981
Employee entitlements (Annual Leave)	123,994	100,086
Rent payable	9,063	9,063
GST payable	25,612	66,672
	507,526	717,405
NON-CURRENT		
Rent payable	33,984	43,047
	33,984	43,047

17. Provisions

	\$
CURRENT	
Employee benefits (long service leave):	
Balance at 1 July 2015	148,962
Additional provisions	20,455
Amounts used	(30,336)
Amounts transferred from Emp/Benefits (long service leave - non-current)	15,314
Balance at 30 June 2016	154,395
NON-CURRENT	
Employee benefits (long service leave):	-
Balance at 1 July 2015	-
Additional provisions	-
Amounts transferred to Employee Benefits (long service leave - current)	15,314
Balance at 30 June 2016	15,314

Nature and timing of provisions

(a) Employee Benefits (long service leave)

Refer to note 1 (o) for the relevant accounting policy and discussion of the significant estimations and assumptions applied in the measurement of this provision.

18. Deferred Income

	2016 \$	2015 \$
CURRENT		
Customer Deposits	2,910	848,424
Government Grants (note 24)	-	1,361
	2,910	849,785
NON-CURRENT		
Customer Deposits	78,900	-
Government Grants (note 24)	-	680
	78,900	680

Notes to the Financial Statements (continued)

19. Interest bearing liabilities

In April 2016, an unsecured loan of \$300,000 was made available to the Company by related parties and in May 2016 an additional \$250,000 was made available. The loans had an interest rate of 14.5%. These loans were to fund a short term cash flow deficit. The full amount of \$550,000 was repaid in June 2016.

In February 2015, an unsecured loan facility of \$250,000 was made available to the Company by a related party (UDB Pty Ltd) for a four month period with an interest rate of 14.5%. This loan facility was to fund any short term cash flow deficit and was structured to allow for partial or full draw down by the Company during the term of the loan. In February 2015 \$50,000 of this loan was drawn upon, in March 2015 \$150,000 of this loan was drawn upon and in April 2015 \$50,000 was drawn upon. The full amount drawn upon was repaid in April 2015.

20. Impairment Testing of Non Current Assets

All non-current assets are reviewed twice yearly. In June 2016, management reviewed the carrying value of all XTEK non-current assets. Following the review, management determined the following impairment charges.

	2016	2015
	\$	\$
Office Furniture and Equipment	-	-
Plant and Equipment	-	-
Leasehold property improvements	-	-
	-	-

21. Issued Capital

	2016	2015
	\$	\$
25,713,393 (2015: 20,127,233) (refer note 22)		
Fully paid ordinary shares	21,569,000	19,907,301

500,000 unlisted share options were on issue at 30 June 2016.

Movements in ordinary shares

	2016 No.	2016 \$	2015 No.	2015 \$
Opening balance	20,127,233	19,907,301	201,271,652	19,942,856
Shares issued	5,586,160	1,970,067	-	-
Share consolidation (refer note 22)	-	-	(181,144,419)	(3,263)
Transaction cost in relation to capital	-	(308,368)	-	(32,292)
Balance	25,713,393	21,569,000	20,127,233	19,907,301

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

No dividends were declared on or before or subsequent to the end of the financial year.

22. Share Consolidation

XTEK Limited completed a one for ten share consolidation in December 2014 following approval by shareholders in November 2014. The share consolidation involved the conversion of every ten fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in December 2014, the number of XTEK Limited shares on issue reduced from 201,271,652 shares to 20,127,233 shares as at that date. The cost associated with the share consolidation was \$3,263.

23. Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

	2016 \$	2015 \$
Payable – minimum lease payments		
- not later than 12 months	271,290	206,556
- between 12 months and 5 years	604,813	587,160
- later than 5 years	142,077	326,708
Minimum lease payments	1, 018,180	1,120,425

24. Government Grants

(a) AusIndustry's R&D tax incentive

Income of \$468,479 was recognised in financial year 2016 from AusIndustry's R&D Tax Incentive. Of this, \$467,118 was recognised in relation to R&D expenses incurred in financial year 2016 and \$1,361 was recognised in relation to R&D expenses incurred in financial year 2015.

(b) Other grants

Income was recognised and funds were received to the value of \$45,013 for other grants. The breakup of which is:

- \$34,219 from the Austrade's Export Marketing and Development Grant in financial year 2016.
- \$10,794 from Department of Defence's Skilling Australia Defence Industry Grant in financial year 2016.

25. Cash Flow Information

Reconciliation of Cash Flow from/(used in) Operations with (Loss) after Income Tax

	Note	2016 \$	2015 \$
Profit / (loss) for the year		(1,588,183)	231,068
<i>Adjustments for:</i>			
Depreciation	14	83,220	109,720
Loss on derivative		5,698	(5,698)
Loss on sale of asset		20,343	-
<i>Changes in assets and liabilities</i>			
(Increase) in trade debtors		671,341	(370,554)
Decrease in inventory		(159,363)	133,607
(Increase) in prepayments and other assets		15,775	(57,336)
Increase/(decrease) in trade and other payables		(260,861)	96,897
Increase in deferred income		(850,465)	204,357
Increase in provisions		144,741	20,973
Net cash flows from/(used in) operating activities		(1,917,754)	363,034

Non-cash Financing and Investing Activities

On the 9th of November 2015, XTEK Ltd acquired 100% of Simmersion Holdings Pty Ltd. The purchase consideration consisted of 175,000 ordinary shares in XTEK Ltd. Information regarding the acquisition, including the profit since acquisition is disclosed at Note 31.

Notes to the Financial Statements (continued)

26. Share-based Payments

There were no expenses recognised for employee services received during the year (2015: nil).

Employee Share Ownership Plans

The Company provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions').

There are currently two plans in place to provide these benefits:

- I. The XTEK Long Term Incentive Performance Rights Plan (LTIPRP), this replaced the Senior Executive Share Ownership Plan (SESOP).
- II. The Employee Share Ownership Plan (ESOP), which provides benefits to all employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they were granted.

Share Options and Share Performance Rights

There were 500,000 unlisted options at 30 June 2016. There were no options or share performance rights in the hands of staff issued at the start of financial year 2016 or the prior year. There were no options or share performance rights in the hands of staff exercisable at the end of the year or any prior year. As at 30 June 2016, there were no unissued shares.

Share Options and Share Performance Summary

There were no options or share performance rights in the hands of staff exercisable at the end of the year or any prior year.

Employee Share Issue

There were no shares issued to employees under the Employee Share Ownership Plan (ESOP) in 2016 or 2015.

Weighted Average Share Price

The weighted average market price at 30 June 2016 was 41.6 cents

27. Events after the Reporting Period

In August 2016, the Company raised \$750,000 through a Share Placement to sophisticated investors with Patersons Securities Limited as the lead broker.

28. Related Party Transactions

Related Parties

(a) The Company's main related parties are as follows:

i. Entities

The entity is XTEK Limited and its wholly owned subsidiary Simmersion Holdings Pty Ltd. The financial details are at Note 31.

ii. Directors

Details of all Directors can be found in the Directors' Report.

iii. Key management personnel

Disclosures relating to key management personnel are set out in the remuneration report.

(b) Transactions with Related Parties

Transactions with related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- In April 2016, an unsecured loan of \$300,000 was made available to the Company by related parties and in May 2016 an additional \$250,000 was made available. The loans had an interest rate of 14.5%. These loans were to fund a short term cash flow deficit. The full amount of \$550,000 was repaid in June 2016.
- In order to cover various staff absences, XTEK Ltd contracted services from a business owned by one of the company's Directors. Over a seven month period, a total of \$36,255 was paid for contract staff services.
- In February 2015, an unsecured loan facility of \$250,000 was made available to the Company by a related party (UDB Pty Ltd) for a four month period with an interest rate of 14.5%. This loan facility was to fund any short term cash flow deficit and was structured to allow for partial or full draw down by the Company during the term of the loan. In February 2015 \$50,000 of this loan was drawn upon, in March 2015 \$150,000 of this loan was drawn upon and in April 2015 \$50,000 was drawn upon. The full amount drawn upon was repaid in April 2015.

29. Financial Risk Management

Financial Risk Management Policies

The Company manages its exposure to key financial risks, including interest rate risk and currency risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting the future financial security.

The Company's principal financial instruments comprise receivables, payables, finance leases, short term loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Company operations.

Specific Financial Risk Exposures and Management

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign Currency Risk

The Company has transactional currency exposures. Such exposure arises from sales or purchases by the Company in currencies other than the Company's functional currency. Approximately 23% (2015: 67%) of the Company's purchases are denominated in currencies other than the functional currency of the operating entity making the purchase whilst 87% of sales are denominated in the unit's functional currency.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the statement of financial position date.

	2016 \$	2015 \$
Post tax profit/(loss) higher/(lower)		
AUD/GBP +10%	473	39
AUD/GBP -10%	(579)	(48)
AUD/EUR +10%	1,724	3,756
AUD/EUR -10%	(2,107)	(4,590)
AUD/USD +10%	3,433	(16,193)
AUD/USD -10%	(4,196)	19,791
AUD/NZD +10%	108	-
AUD/NZD -10%	(133)	-

Notes to the Financial Statements
(continued)

Notes to the Financial Statements (continued)

(b) Interest Rate Risk

The Company's exposure to market interest rates relates primarily to the cash at bank. At reporting date, the Company had financial assets comprising cash and cash equivalents totalling \$549,517 (2015: \$890,314) exposed to Australian variable interest rate risk that are not designated in cash flow hedges.

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post-tax net profit/(loss) for the period and equity would have been affected as follows:

	2016	2015
	\$	\$
Post tax (loss)/profit higher/(lower)		
+1% (100 basis points)	5,495	8,903
-1% (100 basis points)	(5,495)	(8,903)

The movements in the post-tax profit/(loss) for the period are due to higher/lower interest income from variable rate cash balances. The sensitivity is lower in 2016 than in 2015 because of lower cash balances in 2016.

There is no exposure to market interest rates as there is no current finance.

(c) Liquidity Risk

The Company objective is to maintain a balance between continuity of funding and flexibility. The Company's financial liabilities comprise trade and other payables.

The table below reflects all contractually fixed repayments and interest resulting from recognised financial liabilities. The amounts below reflect the undiscounted cash flows for the respective upcoming fiscal year.

The remaining contractual maturities of the Company's financial liabilities are:

	2016	2015
	\$	\$
6 months or less	221,261	449,074
6-12 months	4,531	4,531
1-5 years	-	-
Over 5 years	-	-
	225,792	453,605

The carrying amounts of the Company's financial liabilities approximate their net fair value. There are no unrecognised financial instruments.

(d) Credit Risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure being equal to the carrying amount of these instruments. Exposure at statement of financial position date is addressed in each applicable note.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. The Company minimises concentrations of credit risk in relation to trade and other receivables by undertaking transactions with a large number of government entities. The majority of customers are concentrated in Australia.

It is the Company's policy that all non-government customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their financial position, past experience and industry reputation.

In addition, receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

30. Reserves and retained (losses)/profits

Equity Based Payment reserve

Equity based payments reserve consists of:

- premium paid on the purchase of Simmersion Holdings Pty Ltd during 2016;
- share performance rights granted to Executives and Management during 2008, and
- options and share performance rights granted to Directors and Executives during 2007 credited against equity during the year.

Movement in reserves:

	2016 \$	2015 \$
Balance at the beginning of the year	514,228	514,228
Movements	1,882	-
Balance at the end of the year	516,110	514,228

Accumulated Losses

Movement in accumulated profit/(losses) were as follows:

	2016 \$	2015 \$
Balance at the beginning of the year	(18,757,252)	(18,988,320)
Profit/(losses) for the year	(1,588,183)	231,068
Balance at the end of the year	(20,345,435)	(18,757,252)

31. Wholly owned subsidiary

On 9 November 2015 XTEK Ltd bought 100% of issued shares of Simmersion Holdings Pty Ltd. It did so in consideration of 175,000 ordinary XTEK shares.

The accounts of Simmersion Holdings Pty Ltd are fully consolidated into the Group accounts of 30 June 2016 but are not reflected in the comparative figures of 30 June 2015.

The following information relates to the subsidiary's trading for the period from its purchase until 30 June 2016.

Profit and Loss for the period ended 30 June 2016

Revenue	\$61,867
Cost of sales	(\$34,849)
Gross Profit	\$27,018
Trading and administration costs	(\$30,844)
Other income	\$376
Loss on disposal of assets	(\$20,343)
Net Profit / (Loss)	(\$23,793)

At 30 June 2016 Simmersion Holdings Pty Ltd had the following Statement of Financial Position

Current and Non-current Assets	
Cash	\$42,076
Trade debtors and prepayments	\$34,683
Plant and Equipment	\$1,933
Total Assets	\$78,692
Current Liabilities	
Trade and other creditors	\$30,604
Net Assets	\$48,089

Directors' Declaration

In accordance with a resolution of the Directors of XTEK Limited, the Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS) and;
 - (b) Give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date for the consolidated group;
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 fall due; and
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Uwe Boettcher', with a long horizontal stroke extending to the right.

Uwe Boettcher
Chairman

Dated this 29th day of September 2016



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Hardwickes Partners Pty Ltd
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Independent Audit Report to the members of XTEK LIMITED & CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of XTEK LIMITED & CONTROLLED ENTITIES, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independence

In conducting our audit, 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 & CONTROLLED ENTITIES, would be in the same terms if given to the directors as at the time of this auditor's report.





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Independent Audit Report to the members of XTEK LIMITED & CONTROLLED ENTITIES

Opinion

In our opinion:

- (a) the financial report of XTEK LIMITED & CONTROLLED ENTITIES is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*; and

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23-24 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of XTEK LIMITED & CONTROLLED ENTITIES for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Hardwickes

Hardwickes
Chartered Accountants

Robert Johnson FCA
Partner

Canberra

28 September 2016



Additional Information

The following information set out below was applicable as at 29 September 2016:

1. Shareholding

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary Shares
1 – 1,000	54,609
1,001 – 5,000	946,786
5001 – 10,000	1,084,042
10,001 – 100,000	6,800,849
100,001 and over	19,050,601
	27,972,429

(b) 20 Largest Shareholders – Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. UDB PTY LIMITED <THE BOETTCHER FAMILY A/C>	3,731,935	13.34
2. FAIRLANE MANAGEMENT PTY LTD	2,096,097	7.49
3. UDB PTY LIMITED <BOETTCHER SUPER FUND ACCOUNT>	1,203,943	4.30
4. BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	823,860	2.95
5. ADVANCER PTY LIMITED <THE GENCO S/F A/C>	800,000	2.86
6. MR BEREND JOHN PHILIP HOFF + MRS PETA LINDSAY HOFF <BEREND HOFF SUPER FUND A/C>	800,000	2.86
7. MR NICHOLAS HENRY WEBER <MAJURA FAMILY A/C>	675,804	2.42
8. DWKJSK PTY LTD <SEAWEED INVESTMENT A/C>	603,090	2.16
9. MR IVAN SLAVICH	596,998	2.13
10. ANWAT MARKETING PTY LTD	558,807	2.00
11. CHIMAERA PTY LTD <CHIMAERA SUPER FUND A/C>	480,120	1.72
12. MR ALLEN JOHN TAPP + MS MARIA POLYMENEAS <SUPER ACCOUNT>	429,594	1.54
13. ATECH GROUP PTY LIMITED <ATECH GROUP SUPER FUND A/C>	360,000	1.29
14. MR THOMAS BRUESSEL	345,180	1.23
15. MR DAVID JOHN PEACHEY + MRS SARAH PEACHEY <THE PEACHEY SBF A/C>	312,594	1.12
16. O R SUPER PTY LTD <OR SYSTEMS SUPER FUND A/C>	300,000	1.07
17. APAM HOLDINGS PTY LTD <HECTOR SUPER FUND A/C>	291,174	1.04
18. MR NIGEL JAMES FRENCH	286,161	1.02
19. MRS DONNA CECILIA CAHILL	265,144	0.95
20. MR DIMITRIOS PILIOURAS + MRS KONSTANTINA PILIOURAS <ENERGIA SUPER FUND A/C>	245,180	0.88
	15,205,681	54.36

2. The name of the Company Secretary is Mr Lawrence A. Gardiner.

3. The address of the Principal Registered Office of XTEK Limited in Australia is 3 Faulding Street, Symonston ACT 2609. Telephone +61 2 6163 5588.



XTEK Limited is Australia's
homeland security specialist,
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