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

29th August 2007

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF PRELIMINARY FINAL REPORT

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30th June 2007.

Should you require any further information in respect to the this matter please contact the Company Secretary, Mr. Lawrence Gardiner at Laurie@xtek.net or (02) 6280 6321 in the first instance.

Yours sincerely,

Lawrence A. Gardiner
Company Secretary

Attachment: Appendix 4E – Preliminary Final Report for XTEK Ltd.

XTEK LIMITED
ACN: 103 629 107

Appendix 4E

Preliminary Final Report

Name of Entity

XTEK Limited

Australian Business Number	Financial year ended (current period)
90 103 629 107	**30 June 2007**

Results for announcement to the market

				$A'000
Revenue from operations	Down	37%	to	12,798
Loss from ordinary activities after tax	Down	81%	to	(2,118)
Net Loss for the period attributable to members	Down	81%	to	(2,118)

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend. - Not applicable		

Earnings per share

(a) Basic earnings per share

	2007 **$**	2006 $
Loss from continuing operations attributable to the ordinary equity holders	(0.03)	(0.29)
Loss attributable to the ordinary equity holders of the company	(0.03)	(0.32)

(b) Diluted earnings per share

Loss from continuing operations attributable to the ordinary equity holders	(0.03)	(0.29)
Loss attributable to the ordinary equity holders of the company	(0.03)	(0.32)

Net Tangible Asset Backing	**2007**	2006
	$	$
	0.09	0.05

Explanation of dividends

The entity declared no dividends in 2007.

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Comments by Directors

XTEK PERFORMANCE SUMMARY 2005-2007

	1st Half Dec 06 $'000	Dec 05 $'000	Var %	2nd Half Jun 07 $'000	Jun 06 $'000	Var %	Full Year Jun 07 $'000	Jun 06 $'000	Var %
Total Revenue	5,655	6,891	(18%)	7,143	13,496	(47%)	12,798	20,387	(37%)
Gross Profit %	34%	22%	53%	36%	23%	57%	35%	23%	55%
Agency Business Loss	(808)	(2,235)	64%	(177)	(127)	(39%)	(985)	(2,362)	58%
Total Loss	(1,512)	(1,896)	20%	(606)	(9,136)	93%	(2,118)	(11,032)	81%

XTEK Limited has continued to build on the progress made in the first half of the financial year and has focussed on growth in agency sales and cost reduction and control initiatives.

Total Revenue

Agency sales fell 37% from $20.387m to $12.798m which was largely due to the sales of the tEODor robots in 05/06 and also a delay in weapons sales which has slipped into 07/08. Overall sales were behind plan, however there was significant growth in the EOD sales (explosive ordnance disposal) up 49% on 05/06, forensics sales up 29% on 05/06 and logistics engineering sales up 170% on 05/06. Please see the table on page 6 for further details.

Gross Profit Margin

Gross profit margin increased from 23% in June 2006 to 35% in June 2007.

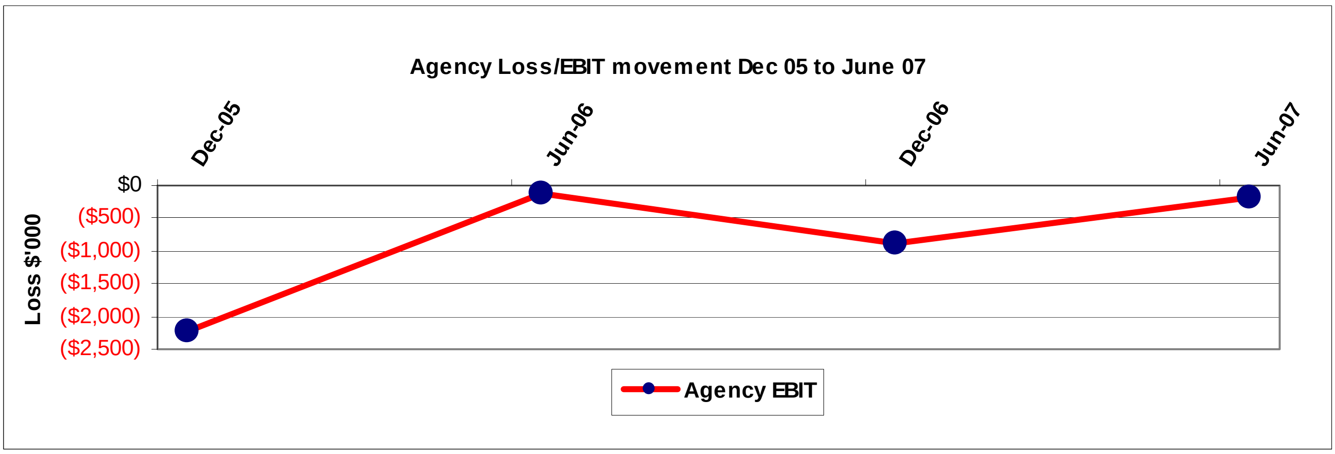
Agency Business Loss

The loss from the agency business is down 58% from $2.362m in 2006 to $0.985m in 2007.

The overall decline in agency revenues has also been offset by an improvement in gross margins from 23% to 35% and a reduction in overhead expenditure relating to agency business of approximately $1m or 14%.

Total Loss

The year on year loss has reduced from $11.032m in 2006 to $2.118m in 2007.

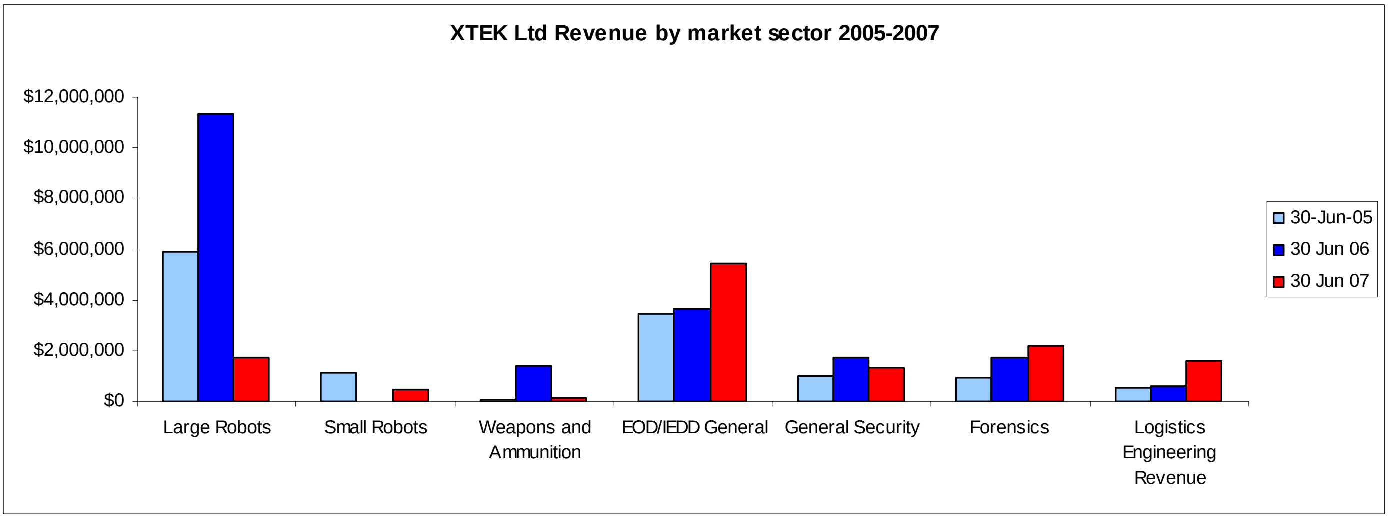


Explanation of Revenue

- Total revenues decreased from $20.4 million in 2006 to $12.8 million in 2007.

XTEK Revenue Summary FY05 to FY07

Market Sector	FY07 $'m	FY06 $'m	Var % 07 to 06		FY05 $'m
Explosive Ordnance Disposal large robots	$1.7	$11.4	(85%)		$5.8
Explosive Ordnance Disposal small robots	$0.5	-	-		$1.1
EOD general	$5.4	$3.6	49%		$3.5
Forensics	$2.2	$1.7	29%		$0.9
General Security	$1.3	$1.7	(22%)		$1.0
Weapons & Ammunition	$0.1	$1.4	(90%)		$0.1
Logistics Engineering	$1.6	$0.6	170%		$0.5
Total	**$12.8**	**$20.4**	**(37%)**		**$12.9**



The decline in agency revenues was largely attributable to the 05/06 sale of the large bomb disposal robots (tEODor) to Defence and Police agencies ($11.4m) which was not repeated in the same scale in 06/07. This is evident in the market sector variance (85%) in the table above.

It should be noted that there have been some delays in the progressing of key Defence Projects that have impacted the 2007 agency revenues (large & small robots, UAV's and training ammunition). These delays are not lost opportunities and are expected to occur in the 2007/2008 financial year as there are clear indications of a re-focus by Defence on these projects.

However, XTEK did experience solid growth in EOD general and forensics categories and the restructuring of the logistics engineering division has seen the division grow 170% on the previous year.

Unmanned Ground Vehicles

After the significant purchases of the tEODor systems in 2005/6, there were only two further systems sold in the year which completes the inventory requirements of Defence and Law Enforcement agencies for a large system but it is anticipated that budgetary approval is being sought for further quantities in 2009. This year saw a focus on small robots with a number of government agencies looking at acquiring systems over the next two years. During 2007, the first orders were received for the new generation of PackBot robots from iRobot in the USA and we also completed our first sale of the medium sized robot from Telerob called Telemax.

Weapons and Ammunition

The company experienced delays in anticipated customer orders for weapons systems that were planned in 2007 and did not achieve repeat sales of ammunition that occurred in 2006 which lead to the year on year decline of this category. Purchases of sniper systems have now been approved for FY 2008 for use in various Law Enforcement and Defence agencies which will also lead to further procurement of specialist ammunition for these systems. A number of trials of the UTM and Bioval training systems were not completed in 2007 and are still underway to evaluate the benefits for adoption as “Force on Force” live weapon training system. Due to the safety implications, these trials have taken longer than anticipated but there is optimism they will be completed early in 2008 for introduction into service later in the year.

EOD

After the previous year’s acquisition of new robots, many customers focussed on upgrading their EOD team equipment with the purchase of a variety of ancillary systems to improve capability and standardise inventories across the teams. This resulted in a healthy increase of 49% in general EOD equipment which is forecast to continue into FY 2008.

Forensics

Forensics sales continue to grow as laboratories continue to purchase systems to upgrade their facilities including the first Microspectrophotometers from CRAIC Technologies to improve analysis of material samples.

General Security

While sales of general security equipment were down 22% year on year, there were encouraging signs in some lines of new technology with good growth opportunities. There were increased sales of Personal Protection Equipment to Law Enforcement including helmets and riot shields from our new range of equipment and there have been successful trials of the new ThruVision Terahertz screening technology to provide real time imaging of concealed objects on personnel for use by Customs, Police and security agencies.

Logistics Engineering Division

The company has invested significant resources in developing and expanding our logistics engineering capability in order to meet customer requirements for Integrated Logistics Support through the provision of Through Life Support for acquisition sales. This included accreditation of XTEK as a Registered Training Organisation and being accredited by CBRNE SPO to provide maintenance and repair services. Since achieving accreditation in the second half of the year, revenue from service and maintenance has increased noticeably with a full year on year revenue increase of 170%. The provision of spares for tEODor robots also contributed to the full year result.

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Explanation of Loss from ordinary activities

XTEK's full year loss as reported is $2,117,597. On an earnings per share basis this is a loss of 3 cents per share compared to a loss of 32 cents per share in 2006. The directors and management are focussed on addressing the core reasons and returning the business to profitability as the highest priority. The discussion below when read with the accompanying charts provides details on the loss and operating expenses.

<u>Agency Business</u>

Whilst total sales year on year are down 37%, the gross margin on sales has increased from 23% in 2006 to 35% in 2007 and the gross profit on this year's sales ($4.493m) is only $132k less than the previous year ($4.626m) which was achieved on a revenue base of $20.3m.

In addition the agency operating expenses are down 14% on 2006 (over $1m) as a result of improved cost control measures and decreased headcount (down from 51 in June 2006 to 43 at the end of June 2007). The overall saving has been offset by a strategic initiative to increase expenditure in the logistics engineering division which has increased the capability of the company and has seen revenues increase by 170% (approximately $1m in revenue).

Overall, the combination of improved gross margins and cost controls has seen the agency loss fall from $2.362m in 2006 to $0.985m in 2007, an improvement of 58%. The second half performance has resulted in a loss for the agency business of $177k on a revenue base of $7.1m and the company is focussed on a profit for this segment in 2007-2008.

<u>Non Agency Related Expenses</u>

The only non agency related expenses incurred in the financial year were the notional interest charges on the convertible notes ($104,500) included in finance costs in the table on page 6 and a fair value adjustment for the $2m reconstituted convertible notes of $73,067. The 2006 non agency expenses have been disclosed in detail in the 2006 annual report.

<u>R&D Expenditure</u>

Total expenditure at the R&D facility was down 7% from $1.126m to $1.045m before any capitalisation of development expenses. The 2007 financial year was the first full year for the R&D facility after it was officially opened in March 2006 and the 14% reduction in expenses highlights the improvements in cost controls and focus of the division.

The R&D facility has made significant progress in the commercialisation of two development projects that began in the first half. These are the level III and level IV ballistic protection plates and small arms armour piercing ammunition. Samples of the ammunition have been sent to RUAG in Switzerland for testing with the aim of possible manufacture under licence if tests are successful. The company is also actively seeking markets for the ballistic protection plates.

Development expenses capitalised at 30 June 2007 amount to $217,563 and commercial activities are being actively pursued. The R&D facility remains subject to an ongoing review as part of the FY08 strategy as the company focuses on targeted development of intellectual property as well as revenue growth and cost control.

<u>Discontinued Operation</u>

The XTEK UK operation has been closed and the company is in the process of being wound up.

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XTEK Ltd Business Analysis

	1st Half Dec 06 $'000	1st Half Dec 05 $'000	%	2nd Half Jun 07 $'000	2nd Half Jun 06 $'000	%	Full Year Jun 07 $'000	Full Year Jun 06 $'000	%	
Agency Sales										
EOD/IEDD General	2,291	985	133%	3,128	2,659	18%	5,419	3,644	49%	
EOD Robots	1,222	4,257	(71%)	932	7,094	(87%)	2,154	11,351	(81%)	
General Security	630	505	25%	697	1,201	(42%)	1,327	1,706	(22%)	
Forensics	465	311	50%	1,738	1,391	25%	2,203	1,702	29%	
Weapons and Ammunition	40	591	(93%)	94	810	(88%)	134	1,401	(90%)	
Logistics Engineering Revenue	1,007	241	318%	554	338	64%	1,561	579	170%	
Other Product/Service sales					4			4	(100%)	
Total Sales	**5,655**	**6,890**	**(18%)**	**7,143**	**13,497**	**(47%)**	**12,798**	**20,387**	**(37%)**	
Cost of Goods Sold	(3,724)	(5,353)	(30%)	(4,580)	(10,408)	(56%)	(8,304)	(15,761)	(47%)	
Gross Profit	**1,931**	**1,537**	**26%**	**2,563**	**3,089**	**(17%)**	**4,494**	**4,626**	**(3%)**	
Gross Profit %	**34%**	**22%**		**36%**	**23%**		**35%**	**23%**		
Other Income										
Interest	75	75		63	10	530%	138	85	62%	
Hire and Rent of Equipment	49	33		88	37	138%	137	70	96%	
Grant Income	70			32			102			
Currency Gains	38			(40)	40	(200%)	(2)	40	(105%)	
Other	5			1			6			
Other Income	237	108	119%	144	87	66%	381	195	95%	
Agency Expenses	(2,955)	(3,428)	14%	(2,837)	(3,304)	14%	(5,792)	(6,732)	14%	
Agency Share Based Payments	(21)	(451)	95%	(47)			(68)	(451)	85%	
Total Agency Expenses	**(2,976)**	**(3,879)**	23%	**(2,884)**	**(3,304)**	13%	**(5,860)**	**(7,183)**	18%	
Agency EBIT	**(808)**	**(2,234)**	**64%**	**(177)**	**(128)**	**(38%)**	**(985)**	**(2,362)**	**58%**	
Other Non Agency Related Expenses										
IP					(2,410)		-	(2,410)		
WIP Expensed					(1,420)		-	(1,420)		
Assets attached to new products w-down					(245)		-	(245)		
Australian component of costs relating to UK acquisition					(427)		-	(427)		* 1
Goodwill on acquisition of XTEK UK					(320)		-	(320)		
Restructure Costs					(460)		-	(460)		
Restructure Costs (UK)					66		-	66		
Loss on Investment					(350)		-	(350)		
C-N Commisions					(200)		-	(200)		
Other incl QMS, ILS capability, other etc					(658)		-	(658)		
Convertible Notes FV Adjustment	(73)						(73)	-		
Total Other Non Agency Expenses	**(73)**				**(6,424)**		**(73)**	**(6,424)**		
R&D Expenditure										
R&D Divisional Expenses	(598)	(299)	(100%)	(447)	(827)	46%	(1,045)	(1,126)	7%	
R&D Development Expenditure capitalised	217	159	27%				217	159	27%	* 2
Total R&D Facility Expenses	**(381)**	**(140)**	**(172%)**	**(447)**	**(827)**	**46%**	**(828)**	**(967)**	**14%**	
Finance Costs (incl Notional finance costs)	(125)	(25)	(400%)	(46)	(110)	58%	(171)	(135)	(27%)	
Loss before Tax on continuing operations	**(1,387)**	**(2,399)**	**42%**	**(670)**	**(7,489)**	**91%**	**(2,057)**	**(9,888)**	**79%**	
Income Tax Benefit		667			(734)			(67)		
Loss after Tax on continuing operations	(1,387)	(1,732)	20%	(670)	(8,223)	92%	(2,057)	(9,955)	79%	
Discontinued operation (XTEK UK)	(126)	(164)	23%	65	(913)	107%	(61)	(1,077)	94%	
Total Loss	**(1,513)**	**(1,896)**	**20%**	**(605)**	**(9,136)**	**93%**	**(2,118)**	**(11,032)**	**81%**	

Note
* 1 The 2006 expenses not incurred in previous years amount of $7,952,899 is made up of the discontinued operation ($1.077m), the non agency expenses ($6.425m) and the share based payments ($0.451m).
* 2 The R&D 2006 expenditure capitalised in 2006 was expended as part of WIP ($1,420m).

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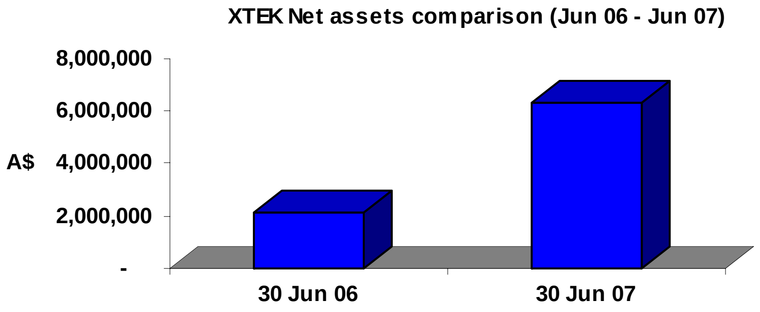
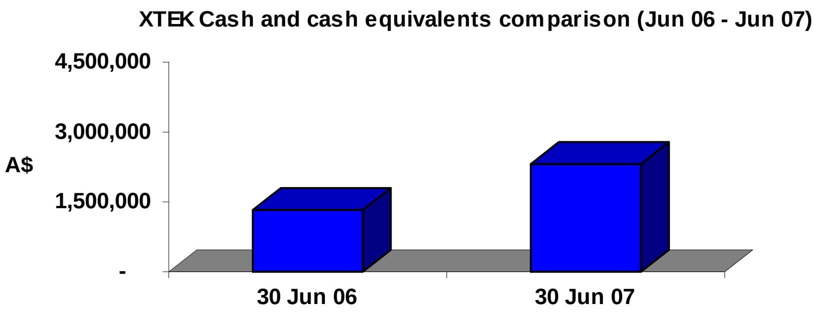
Balance Sheet Commentary

There has been a significant improvement in the net asset position of XTEK over the last year by $4.2m from $2,138,411 to $6,335,004. This is largely due to the injection of cash through a new share issue and further issue of convertible notes as well as a reduction in payables and conversion of convertible notes to equity. Other significant movements are listed below.



Cash and Cash Equivalents (up from $1,335,543 to $2,305,358)

- Reflects the result of the convertible notes issued in July 2006 ($3,000,000) and the issue of new shares in September 2006 ($1,180,000).



Receivables / Payables

- The reduction in both receivables and payables year on year is due to the higher revenue in May and June 2006 translating into larger trade receivables and payables at 30 June 2006. The third tranche of the tEODor robots ($3.574m) was delivered in May 2006 with no matching sale of the same significance in the same period of 2007.

Inventories

- Inventory in transit at June 2006 was higher than at June 2007 by approximately $855k with the shipment of the first batch of tEODor spares and two tEODors for delivery in July 2006.

Deferred Income

- The balance at 30 June 2006 included down payments for two tEODor robot ($390k) which were sold in July 2006.

Intangible assets

- The intangible assets consist of capitalised development expenses on the ballistic protection plate inserts and armour piercing ammunition.

Interest bearing liabilities

- Reduction due to conversion of convertible notes ($1.926m at 30 June 2006) and the closure of XTEK UK and payment of the UK leases.

Provisions

- Reduction primarily due to the payment of redundancy provisions ($254k at 30 June 2006) and lower employee entitlements (long service leave) as a result of reduction in staff numbers.

List of abbreviations and acronyms

AP	Armour Piercing
AS/NZS	Australian Standard/New Zealand Standard
EOD	Explosive Ordnance Disposal
CBRNE	Chemical, Biological, Radiological, Nuclear, Explosive
ESAPI	Enhanced Small Arms Protective Insert
IEDD	Improvised Explosive Device Disposal
R&D	Research and Development
ROV	Remotely Operated Vehicle
RTO	Registered Training Organisation
TSV®	Tactical Simulation Vest®
tEODor®	telerob Explosive Ordnance Disposal and observation robot®
UAS	Unmanned Aircraft System
UTM®	Ultimate Training Munitions®

Significant changes in the state of affairs

Significant changes in the state of affairs of the entity during the financial year were as follows:

(a) In September 2006 the entity reconstituted the convertible notes issued on 17 February 2006. On 15 July 2006, it was resolved that 3,636,364 notes of $0.55 each would be redeemed and re-issued as interest free notes at $0.20 each (10,000,000 notes; $2,000,000), convertible to fully paid ordinary shares at the option of XTEK Limited or the Noteholder no later than 31 March 2007. No money changed hands.

(b) On 15 July 2006 it was resolved to issue 15,000,000 interest free notes at $0.20 each ($3,000,000), convertible to fully paid ordinary shares at the option of XTEK Limited or the Noteholder no later than 31 March 2007. This money was received on 24 July 2006.

All the notes were converted to ordinary shares by March 2007.

(c) In addition to the issue of convertible notes, a share placement of 5,900,000 shares at $0.20 to sophisticated investors was completed and $1,180,000 was raised by 29 September 2006.

(d) On 26 April 2007, Brigadier James Wallace AM (Rtd) resigned as Chairman and was succeeded as Chairman by Mr Bruce Higgins. On 25 May 2007, Brigadier Wallace resigned as a Non-Executive Director of XTEK. There has been no addition to the Board of Directors since this departure.

(e) The dividend policy as set out in the IPO prospectus has been suspended and will be reviewed at a future date.

(f) In December 2006, 1,080,000 performance rights were issued to key executives under the XTEK Long Term Incentive Rights Plan (LTIRP) for executives of the company. The performance rights were issued in three equal tranches to participants and are subject to the achievement of performance hurdles, one third of the number to vest at the end of financial years 2007, 2008 and 2009 respectively. The first tranche of performance rights did not vest at 30 June 2007 and were forfeited. In addition, in January 2007, Mr Stephen Thompson was issued with 1,200,000 performance rights when he was appointed as Chief Executive Officer of XTEK. These performance rights were cancelled on his departure in March 2007.

Matters subsequent to the end of the financial year

Matters subsequent to the end of the financial year for the entity are as follows:

(a) On 16 August 2007 the company granted 2,190,000 performance rights to key management and staff at an exercise price of $0.1761. These options have a term of five years and performance measures over 1 to 3 years. The ASX appendix 3B issued on 29 August 2007 provides details on the breakdown and performance periods.

(b) On 06 August 2007 1,110,000 options held by previous directors and related parties, as described in the Prospectus, lapsed.

(c) On 1 July 2007, 360,000 performance rights issued to executives lapsed without performance measures being met.

(d) Mr David Jarvis, acting CEO, has been appointed CEO effective 29 August 2007. Mr Jarvis base compensation has been increased to $247,600 with a short term incentive plan of up to 30% additional compensation based on meeting financial and non financial performance measures set by the directors. In addition, Mr Jarvis has 1,200,000 performance rights with an average exercise price of $0.187 over terms of one to three years.

Likely future developments

The company is focussed on returning to profitable trading in the agency business, before research and development expenditure, and to continue constraints on operating costs. The Directors are not able to provide a forecast of the revenue and profitability for 2008 at this time. However, market conditions for XTEK products indicate strong demand for Forensics, Explosive Ordnance Disposal Equipment, Ammunition and Weapons, Unmanned Aerial Vehicles and general security equipment. Recent and continuing security concerns both globally and within Australia are expected to create opportunities for profitable growth for XTEK.

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Income Statement for the year ended 30 June 2007

		Consolidated		Parent	
		2007	**2006**	**2007**	2006
	Notes	**$**	**$**	**$**	$
Revenue from continuing operations	2	**12,798,176**	20,387,454	**12,798,176**	20,388,754
Other income	3	**381,100**	194,258	**592,574**	194,090
Changes in inventories of finished goods and work in progress		**(8,304,508)**	(15,755,557)	**(8,304,508)**	(15,755,285)
Employee benefits expense	4	**(3,302,872)**	(5,030,107)	**(3,302,872)**	(5,034,937)
Depreciation and Impairment	4	**(588,969)**	(3,356,220)	**(588,969)**	(5,168,699)
Operational expenditure	4	**(2,795,467)**	(4,102,942)	**(2,795,467)**	(4,109,863)
Additional expenditure	4	**(73,067)**	(1,770,110)	**(73,067)**	(1,770,110)
Goodwill Impairment Loss		**-**	(320,324)	**-**	-
Finance costs	4	**(170,681)**	(134,121)	**(170,681)**	(133,918)
Loss before income tax		**(2,056,288)**	(9,887,669)	**(1,844,814)**	(11,389,968)
Income tax expense		**-**	(66,900)	**-**	(60,516)
Loss from continuing operations		**(2,056,288)**	(9,954,569)	**(1,844,814)**	(11,450,484)
Loss from discontinued operations	7	**(61,309)**	(1,077,007)	**-**	-
Loss for the year		**(2,117,597)**	(11,031,576)	**(1,844,814)**	(11,450,484)
Loss attributable to members of XTEK Limited		**(2,117,597)**	(11,031,576)	**(1,844,814)**	(11,450,484)

Earnings per share for loss for the year attributable to the ordinary equity holders of the company:		**$**	$
Basic earnings per share	8	**(0.03)**	(0.32)
Diluted earnings per share	8	**(0.03)**	(0.32)
Earnings per share for loss from continued operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	8	**(0.03)**	(0.29)
Diluted earnings per share	8	**(0.03)**	(0.29)

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Balance Sheet as at 30 June 2007

		Consolidated		Parent	
		2007	2006	**2007**	2006
	Notes	**$**	$	**$**	$
ASSETS					
Current assets					
Cash and cash equivalents		**2,305,358**	1,335,543	**2,305,358**	976,871
Trade and other receivables		**1,808,690**	3,426,772	**1,808,690**	3,397,795
Inventories		**1,675,879**	2,594,633	**1,675,879**	2,594,633
Current tax receivables		**-**	66,515	**-**	66,515
Other		**304,235**	332,410	**304,235**	332,410
Total current assets		**6,094,162**	7,755,873	**6,094,162**	7,368,224
Non-current assets					
Property, plant and equipment		**2,016,966**	2,342,059	**2,016,966**	2,299,703
Intangible assets		**217,563**	-	**217,563**	-
Total non-current assets		**2,234,529**	**2,342,059**	**2,234,529**	**2,299,703**
Total assets		**8,328,691**	10,097,932	**8,328,691**	9,667,927
LIABILITIES					
Current liabilities					
Trade and other payables		**1,176,741**	4,206,371	**1,175,031**	4,067,492
Interest bearing liabilities		**78,360**	215,233	**78,360**	128,027
Provisions		**89,200**	560,830	**89,791**	560,830
Deferred income		**105,039**	480,427	**105,039**	480,427
Other		**336,766**	202,378	**336,766**	202,378
Total current liabilities		**1,786,106**	5,665,239	**1,784,987**	5,439,154
Non-current liabilities					
Interest bearing liabilities	10	**202,229**	2,195,206	**202,229**	2,195,206
Provisions		**5,352**	99,076	**5,352**	99,076
Total non-current liabilities		**207,581**	2,294,282	**207,581**	2,294,282
Total liabilities		**1,993,687**	7,959,521	**1,992,568**	7,733,436
Net assets		**6,335,004**	2,138,411	**6,336,123**	1,934,491
EQUITY					
Contributed equity	11	**16,826,955**	10,648,056	**16,826,955**	10,648,056
Reserves		**338,836**	203,545	**338,836**	271,289
Retained losses		**(10,830,787)**	(8,713,190)	**(10,829,668)**	(8,984,854)
		6,335,004	2,138,411	**6,336,123**	1,934,491
Total equity		**6,335,004**	2,138,411	**6,336,123**	1,934,491

Statement of Cash Flows for the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Cash flows used in operating activities					
Receipts from customers		**16,023,355**	22,616,300	**13,723,001**	22,155,707
Payments to suppliers and employees		**(18,727,047)**	(26,352,185)	**(16,113,010)**	(24,149,222)
		(2,703,692)	(3,735,885)	**(2,390,009)**	(1,993,515)
Receipt of grants		**101,789**	-	**101,789**	-
Interest received		**138,963**	89,465	**138,136**	84,068
Borrowing costs		**(59,893)**	(138,043)	**(58,927)**	(133,918)
Income taxes paid		**-**	(612,347)	**-**	(612,347)
Net cash outflow used in operating activities	5	**(2,522,833)**	(4,396,810)	**(2,209,011)**	(2,655,712)
Cash flows used in investing activities					
Payments for property, plant and equipment		**(339,310)**	(1,691,165)	**(339,310)**	(1,686,886)
Payments for investments		**-**	(1,000,000)	**-**	(1,000,000)
Payments for capitalised development expenditure		**(217,563)**	-	**(217,563)**	-
Proceeds from sale of investments		**-**	650,000	**-**	650,000
Advances to related parties		**-**	-	**-**	(2,101,429)
Acquisition of Subsidiary		**-**	-	**-**	49,316
Loan to third party		**-**	(250,000)	**-**	(250,000)
Purchase of intellectual property		**-**	(2,096,771)	**-**	(2,096,771)
Proceeds from sale of property, plant and equipment		**52,521**	96,335	**10,164**	96,335
Net cash outflow used in investing activities		**(504,352)**	(4,291,601)	**(546,709)**	(6,339,435)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**1,180,000**	8,031,959	**1,180,000**	8,031,959
Payments of Finance Lease		**(183,000)**	(84,433)	**(95,793)**	(81,911)
Proceeds from borrowings converted into ordinary shares during the year		**3,000,000**	-	**3,000,000**	-
Proceeds from borrowings		**-**	2,000,000	**-**	2,000,000
Costs associated with borrowings		**-**	(200,000)	**-**	(200,000)
Payment of dividends on ordinary shares		**-**	(300,000)	**-**	(300,000)
Net cash inflow from financing activities		**3,997,000**	9,447,526	**4,084,207**	9,450,048
Net increase in cash and cash equivalents		**969,815**	759,115	**1,328,487**	454,901
Cash and cash equivalents at the beginning of the financial year		**1,335,543**	576,428	**976,871**	521,970
Cash and cash equivalents at end of year		**2,305,358**	1,335,543	**2,305,358**	976,871

XTEK LIMITED
ACN: 103 629 107

Appendix 4E
Preliminary Final Report – 30 June 2007

Statement of Changes in Equity

For the year ended 30 June 2007	Attributable to equity holders of the parent					
CONSOLIDATED	Issued Capital	Other Equity Securities	Equity-based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
	$	$	$	$	$	$
At 1 July 2006	10,574,138	73,918	271,289	(67,744)	(8,713,190)	2,138,411
Currency translation differences	-	-	-	57,884	-	57,884
Transfer to income statement	-	-	-	9,860	-	9,860
Total income and expense for the period recognised directly in equity	-	-	-	67,744	-	67,744
Loss for the year	-	-	-	-	(2,117,597)	(2,117,597)
Total income and expense for the period	-	-	-	67,744	(2,117,597)	(2,049,853)
Issues of ordinary shares during the year:						
Issue of share capital (note 11)	1,180,000	-	-	-	-	1,180,000
Transaction costs associated with issue of share capital (note 11)	(17,776)	-	-	-	-	(17,776)
Conversion of Convertible Notes (note 11)	5,111,755	-	-	-	-	5,111,755
Consideration for cancellation of Convertible Notes equity component (note 11)	-	(851)	-	-	-	(851)
Cost of share based-payments (note 9)	-	-	67,547	-	-	67,547
GST adjustment on transaction costs associated with IPO (note 11)	(94,229)	-	-	-	-	(94,229)
At 30 June 2007	16,753,888	73,067	338,836	-	(10,830,787)	6,335,004

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Appendix 4E
Preliminary Final Report – 30 June 2007

Statement of Changes in Equity

For the year ended 30 June 2007	Attributable to equity holders of the parent					
PARENT	Issued Capital	Other Equity Securities	Equity-based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
	$	$	$	$	$	$
At 1 July 2006	10,574,138	73,918	271,289	-	(8,984,854)	1,934,491
Currency translation differences	-	-	-	-	-	-
Transfer to income statement	-	-	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,844,814)	(1,844,814)
Total income and expense for the period	-	-	-	-	(1,844,814)	(1,844,814)
Issues of ordinary shares during the year:						
Issue of share capital (note 11)	1,180,000	-	-	-	-	1,180,000
Transaction costs associated with issue of share capital (note 11)	(17,776)	-	-	-	-	(17,776)
Conversion of Convertible Notes (note 11)	5,111,755	-	-	-	-	5,111,755
Consideration for cancellation of Convertible Notes equity component (note 11)	-	(851)	-	-	-	(851)
Cost of share based-payments (note 9)	-	-	67,547	-	-	67,547
GST adjustment on transaction costs associated with IPO (note 11)	(94,229)	-	-	-	-	(94,229)
At 30 June 2007	16,753,888	73,067	338,836	-	(10,829,668)	6,336,123

For the year-year ended 30 June 2006

CONSOLIDATED	Attributable to equity holders of the parent					
	Issued Capital	Other Equity Securities	Equity-based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
	$	$	$	$	$	$
At 1 July 2005	2,492,212	-	-	-	2,318,386	4,810,598
Currency translation differences	-	-	-	(67,744)	-	(67,744)
Tax deferred asset derecognised	(130,033)	-	-	-	-	(130,033)
Total income and expense for the period recognised directly in equity	(130,033)	-	-	(67,744)	-	(197,777)
Loss for the year	-	-	-	-	(11,031,576)	(11,031,576)
Total income and expense for the period	(130,033)	-	-	(67,744)	(11,031,576)	(11,229,353)
Issues of ordinary shares during the year:						
Issue of share capital	14,000,000	-	-	-	-	14,000,000
Transaction costs associated with issue of share capital	(1,918,041)	-	-	-	-	(1,918,041)
Existing (founder) shares offered to public in prospectus	(250,000)	-	-	-	-	(250,000)
Share buy back	(3,800,000)	-	-	-	-	(3,800,000)
Shares to employees for no consideration	180,000	-	-	-	-	180,000
Cost of share based-payments for no consideration	-	-	271,289	-	-	271,289
Equity component of convertible notes	-	73,918	-	-	-	73,918
At 30 June 2006	10,574,138	73,918	271,289	(67,744)	(8,713,190)	2,138,411

For the year-year ended 30 June 2006

PARENT	Attributable to equity holders of the parent					
	Issued Capital	Other Equity Securities	Equity-based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
	$	$	$	$	$	$
At 1 July 2005	2,492,212	-	-	-	2,465,630	4,957,842
Currency translation differences	-	-	-	-	-	-
Tax deferred asset derecognised	(130,033)	-	-	-	-	(130,033)
Total income and expense for the period recognised directly in equity	(130,033)	-	-	-	-	(130,033)
Loss for the year	-	-	-	-	(11,450,484)	(11,450,484)
Total income and expense for the period	(130,033)	-	-	-	(11,450,484)	(11,580,517)
Issues of ordinary shares during the year:						
Issue of share capital	14,000,000	-	-	-	-	14,000,000
Transaction costs associated with issue of share capital	(1,918,041)	-	-	-	-	(1,918,041)
Existing (founder) shares offered to public in prospectus	(250,000)	-	-	-	-	(250,000)
Share buy back	(3,800,000)	-	-	-	-	(3,800,000)
Shares to employees for no consideration	180,000	-	-	-	-	180,000
Cost of share based-payments for no consideration	-	-	271,289	-	-	271,289
Equity component of convertible notes	-	73,918	-	-	-	73,918
At 30 June 2006	10,574,138	73,918	271,289	-	(8,984,854)	1,934,491

Appendix 4E
Preliminary Final Report – 30 June 2007
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for XTEK Limited as an individual entity and the consolidated entity consisting of XTEK Limited and its subsidiaries.

(a) Corporate Information

The financial report of XTEK Limited for the year ending 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 29 August 2007.

XTEK Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

(b) Basis of Preparation

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures.*	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting*.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRS should be included in the Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*.	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2007
AASB 7	Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation*.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	Operating Segments	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 123 (amended)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 10	Interim Financial Reporting and Impairment	Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement*.	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report.	1 July 2007
AASB Interpretation 11	AASB 2 – Group and Treasury Share Transactions	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2 *Share-based Payment*. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 March 2007	Refer to AASB 2007-1 above.	1 July 2007

*designates the beginning of the applicable annual reporting period

(c) Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XTEK Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. XTEK Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Significant accounting judgement, estimates and assumptions

(i) Significant accounting judgement
In the process of applying the Group accounting policies, management has made the following judgments, apart from those involving estimates, which have made the most significant effect on the amounts recognised in the financial statements.

Finance Lease Commitments
The Group has entered into leases over some items of Plant and Office Equipment. The Group has determined that those effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group and has thus classified them as finance leases.

(ii) Significant accounting estimates and assumptions
The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives
The Group estimates whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This required the estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with useful lives are allocated.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to either the Black Scholes or Binomial valuation model.

(e) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

The functional currency of the overseas subsidiary (XTEK UK Limited) is English Pounds Sterling.

As at the reporting date the assets and liabilities of the overseas subsidiary are translated into the presentation currency of XTEK Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(f) Property, plant and equipment

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

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
- plant and equipment, under lease	3 - 20 years

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. 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 income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(g) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(h) Intangible Assets

(i) Goodwill
Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

All goodwill was expensed to the Income Statement as at 30 June 2006.

(ii) Intellectual Property

Intellectual property acquired separately is capitalised at cost and from a business combination is capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied. The useful lives of intellectual property are assessed to be either finite or infinite. Where amortisation is charged on assets with finite lives, the expense is taken to the income statement. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

All Intellectual Property was expensed to the Income Statement as at 30 June 2006.

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 income statement as incurred.

Gains or losses from derecognition 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 income statement when the asset is derecognised.

Useful life of Intangibles
The intangibles are estimated to have a finite useful life and will be amortised over 5 years on a straight line basis.

(i) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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.

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.

(j) 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.

(k) Investments in Subsidiaries

Investments in controlled entities are accounted for at cost less accumulated impairment losses in the separate financial statement of the parent. In prior years investments in controlled entities were fair valued to nil.

(l) 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 uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group 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.

(m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and equivalents as defined above, net of outstanding bank overdrafts.

(n) Provisions

Provisions are recognised when the Group 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 Group 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 income statement 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.

(o) Share-based payment transactions

(i) Equity settled transactions

The Group 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, this replaced the Senior Executive Share Ownership Plan (SESOP); and

(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 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(the 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 income statement 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 income statement 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 (see note 8).

(p) 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:

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.

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.

Interest
Control of the right to received consideration for the provision of, or investment in, assets has been attained.

Deferred Income
Deferred income consists of customer deposits received. Deferred income is not recognised as revenue until such time when the ownership of the goods is transferred to the customer.

(q) Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national 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 in the financial statements, and to unused tax losses.

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance 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 all 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 balance sheet date.

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

(r) 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, 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.

(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.

(ii) 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 Group 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 balance sheet date are discounted to present value.

(s) 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 then 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; and
- other non-discretionary charges in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) 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 income statement when the liabilities are derecognised and as well as through the amortisation process.

(u) Trade and other payables

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

(v) 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.

(w) Dividends

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

(x) 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Loans and receivable

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.

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 though use of an allowance account. The amount of the loss is recognised in profit or loss.

(z) 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.

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

2. Revenue

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$	$	**$**	$
From continuing operations				
Sales revenue				
Sale of goods	**11,235,838**	19,767,308	**11,235,838**	19,767,308
Revenue from repairs	**1,094,282**	235,546	**1,094,282**	236,796
Revenue from services	**468,056**	384,600	**468,056**	384,650
	12,798,176	20,387,454	**12,798,176**	20,388,754

3. Other income

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Net gain on foreign currency	**-**	39,891	**-**	39,891
Rental Income	**137,195**	70,131	**137,195**	70,131
Interest	**138,136**	84,236	**138,136**	84,068
Grant Income	**101,789**	-	**101,789**	-
Other	**3,980**	-	**3,980**	-
Loans written back	**-**	-	**211,474**	-
	381,100	194,258	**592,574**	194,090

4. Expenses

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss before income tax includes the following specific expenses:				
Employee Benefits				
Salaries and Wages	**2,777,643**	3,496,204	**2,777,643**	3,496,203
Movement in employee entitlements	**(48,554)**	112,150	**(48,554)**	112,150
Superannuation	**259,182**	326,363	**259,182**	326,363
Payroll Tax	**179,032**	224,802	**179,032**	224,099
Redundancies and ETP's	**-**	384,571	**-**	384,571
Share Based Payments	**67,547**	451,289	**67,547**	451,289
Workers Compensation	**68,022**	34,728	**68,022**	40,262
Total Employee Benefits	**3,302,872**	5,030,107	**3,302,872**	5,034,937
Depreciation				
Plant and Equipment	**68,017**	54,636	**68,017**	54,636
Motor Vehicles	**12,261**	14,659	**12,261**	14,659
Office Furniture and Equipment	**188,388**	166,709	**188,388**	166,709
Demonstration Equipment	**155,352**	64,720	**155,352**	64,720
Leasehold Property Improvements	**16,699**	16,967	**16,699**	16,967
Rental Equipment	**11,167**	8,609	**11,167**	8,609
Workshop Facility	**-**	43,312	**-**	43,312
Research and Development Facility	**119,422**	39,589	**119,422**	39,589
Impairment		-		-
Research and development	**-**	287,150	**-**	287,150
Intellectual property	**-**	2,409,869	**-**	2,409,869
Property, plant and equipment	**17,663**	-	**17,663**	-
Loans written off	**-**	250,000	**-**	2,062,479
Total Depreciation and Impairment	**588,969**	3,356,220	**588,969**	5,168,699
Operational Expenditure				
Accounting Fees	**49,468**	59,540	**49,468**	59,540
Audit Fees	**68,821**	106,310	**66,821**	106,310
Advertising and Conferences	**242,852**	199,072	**244,852**	192,686
Bank Charges	**7,169**	39,593	**7,169**	36,935
Consultancy Fees	**374,444**	828,391	**374,444**	828,393
Net Loss on disposal of Property Plant and Equipment	**7,764**	128,420	**7,764**	128,420
Director Fees	**144,079**	144,125	**144,079**	144,125
Insurance	**199,531**	263,922	**199,531**	264,197
Legal Fees	**34,419**	78,684	**34,419**	78,684
Office Administrative Costs	**635,003**	680,452	**635,003**	684,036
Operating Lease Charges	**231,399**	243,383	**231,399**	240,539
Share Registry Fees	**44,120**	56,532	**44,120**	56,532
Travel and Entertainment	**385,623**	900,738	**385,623**	900,686
Staff Training	**73,142**	19,352	**73,142**	19,352
Other Expenses	**297,633**	354,428	**297,633**	369,428
Total Operational Expenditure	**2,795,467**	4,102,942	**2,795,467**	4,109,863
Additional Expenses				
Work In Progress Expensed	**-**	1,420,110	**-**	1,420,110
Loss on Sale of Listed Investment	**-**	350,000	**-**	350,000
Convertible Note Adjustment	**73,067**	-	**73,067**	-
Total Additional Expenses	**73,067**	1,770,110	**73,067**	1,770,110
Finance costs				
Interest and finance charges paid/payable	**58,927**	134,121	**58,927**	133,918
Notional interest on convertible notes	**111,754**	-	**111,754**	-
Total Finance Costs	**170,681**	134,121	**170,681**	133,918

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5. Reconciliation of losses after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss for the year	**(2,117,597)**	(11,031,576)	**(1,844,813)**	(11,450,484)
Adjustments for:		-		-
Depreciation and impairment	**588,969**	743,533	**588,969**	696,351
Share based payment expense	**67,547**	451,289	**67,547**	451,289
Convertible Note Adjustment	**73,067**	-	**73,067**	-
Foreign Exchange	**69,639**	(67,744)	**1,895**	-
Reversal of Prior Year Deferred Tax Asset	**-**	(130,033)	**-**	(130,033)
Write down of non current assets	**-**	3,230,539	**-**	3,046,716
Loans Expensed	**-**	-	**-**	2,898,470
Changes in assets and liabilities	**-**	-	**-**	-
Decrease/(increase) in Trade debtors	**1,618,082**	139,289	**1,589,105**	(252,233)
Decrease/(increase) in Inventory/WIP	**918,754**	673,702	**918,754**	635,101
Decrease/(increase) in Deferred tax assets	**-**	208,808	**-**	208,808
Decrease/(increase) in Prepayments and Other Assets	**94,690**	287,762	**94,690**	36,410
(Decrease)/increase in Trade and other payables	**(3,029,629)**	863,876	**(2,892,460)**	816,808
(Decrease)/increase in Unearned Income	**(375,388)**	456,718	**(375,388)**	456,718
(Decrease)/increase in Provisions	**(565,354)**	(308,847)	**(564,764)**	(215,024)
(Decrease)/increase in Accrued liabilities	**134,387**	119,222	**134,387**	145,391
(Decrease)/increase in Other Liabilities	**-**	(33,348)	**-**	-
Net cash outflow from operating activities	**(2,522,833)**	(4,396,810)	**(2,209,011)**	(2,655,712)

6. Segment information

(a) Description of segments

Geographical segments
The entity operates in two geographical areas; Australasia and the UK. The primary business activities are supplying defence and security related equipment to government related entities.

(b) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2007	2006	**2007**	2006	**2007**	2006
	$	$	**$**	$	**$**	$
Australasia	**13,179,276**	20,581,712	**8,328,691**	9,667,927	**556,873**	5,099,379
UK	**-**	-	**-**	430,005	**-**	91,488
	13,179,276	20,586,941	**8,328,691**	10,097,932	**556,873**	5,190,867

7. Discontinued Operation

In June 2006, the directors of XTEK Limited resolved to close the operations of XTEK UK given the delays in the commercialisation of XTEK's own products. Effective 31 July 2006, XTEK UK ceased trading with the only transactions relating to closure of the entity.

XTEK UK had a net loss of $61,309 for the year ended 30 June 2007 and is in the process of being wound up. The foreign currency gain of $9,860 is the transfer of the foreign currency translation reserve to the income statement.

The results of the discontinued operations for the year ended 30 June 2007 are presented below:

XTEK UK	**Year ended 30 June 2007 $**	**Year ended 30 June 2006 $**
Revenue	-	-
Expenses	(71,169)	(1,077,007)
Foreign Currency gain on discontinued operation	9,860	-
Loss before tax from discontinued operations	(61,309)	(1,077,007)
Income tax expense	-	-
Loss after tax from discontinued operations	(61,309)	(1,077,007)

The major classes of assets and liabilities of XTEK UK at 30 June 2007 are as follows:

XTEK UK	**Year ended 30 June 2007 $**	**Year ended 30 June 2006 $**
Assets		
Property, plant and equipment	-	42,356
Trade Receivables	-	28,977
Cash and cash equivalents	-	358,669
Total assets	**-**	**430,002**
Liabilities		
Trade and other creditors	(1,118)	(91,884)
Accruals	-	(46,994)
Interest bearing liabilities	-	(87,206)
Loan from XTEK Limited	(1,457,519)	(1,668,993)
Total liabilities	**(1,458,637)**	**(1,895,077)**
The cashflows of XTEK UK are as follows:		
Net cash (outflow) from operating activities	(179,952)	(975,771)
Net cash inflow (outflow) from investing activities	119,962	(110,102)
Net cash inflow (outflow) from financing activities	(298,679)	1,395,225
Net decrease in cash	**(358,669)**	**309,352**

8. Earnings per share

	Consolidated	
	2007	2006
	$	$
(a) Basic earnings per share		
Loss from operations attributable to the ordinary equity holders of the company	**(0.03)**	(0.29)
Loss attributable to the ordinary equity holders of the company	**(0.03)**	(0.32)
(b) Diluted earnings per share		
Loss from operations attributable to the ordinary equity holders of the company	**(0.03)**	(0.29)
Loss attributable to the ordinary equity holders of the company	**(0.03)**	(0.32)

	Consolidated	
	2007	2006
	Number	Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**62,510,014**	34,711,847
Adjustments for calculation of diluted earnings per share:		
Options and share performance rights	**-**	167,186
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**62,510,014**	34,879,033

(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 (note 9).

9. Share Based Payments

(a) Share Options issued to Directors

In August 2006, 860,000 share options were granted to new directors in two tranches. Half of the share options were issued at an exercise price of 24 cents and are exercisable between December 2007 and December 2008. The other half were issued at an exercise price of 28 cents and are exercisable between December 2007 and June 2009.

The fair value of the options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the year ended 30 June 2007 are listed below;

	Tranche A	**Tranche B**
Dividend Yield (%)	3.15%	3.15%
Expected Volatility	76%	76%
Risk-free interest rate	5.74%	5.72%
Contractual Life	2.45 years	2.95 years

The estimated fair value of the first tranche of options (A) at grant date is 7.5c (exercisable at 24c)
The estimated fair value of the second tranche of options (B) at grant date is 7.9c (exercisable at 28c)

(b) Performance Rights issued to XTEK Executives

In December 2006, 1,080,000 performance rights were issued to key executives under the XTEK Long Term Incentive Rights Plan (LTIRP) for executives of the company. This plan replaces the former Senior Executive Employee Share Ownership Plan (SESOP) that was initially made available to select executives in August 2005. The SESOP was inactive at December 2006.

The performance rights were issued in three equal tranches to participants and are subject to the achievement of performance hurdles, one third of the number will vest at the end of financial years 2007, 2008 and 2009 respectively. The final date for the exercise of all performance rights will be 5 years after the grant date of 15 December 2006. Issue and vesting details are listed below.

The fair value of the performance rights granted is estimated as at the grant date using a Monte Carlo model taking into account the terms and conditions upon which the options were granted.

The following assumptions underlie the calculations for these rights:

Grant Date	15 December 2006
Share Price	$0.22
Risk free rate	5.9%
Dividend	0
Volatility	70% to 30 June 2007
	65% to 30 June 2008
	55% to 30 June 2009
	50% thereafter

The estimated fair value of the performance rights at grant date is as follows;

Tranche 1	4.8c, exercisable at 22.35c
Tranche 2	6.4c, exercisable at 22.35c
Tranche 3	7.5c, exercisable at 22.35c

The first tranche of performance rights did not vest at 30 June 2007 and were forfeited.

(c) Performance Rights issued to Mr Stephen Thompson

On 15 January 2007, Mr Stephen Thompson was appointed as Chief Executive Officer of XTEK. As part of his remuneration package, Mr Thompson was issued with 1,200,000 performance rights under the XTEK Long Term Incentive Performance Rights Plan (LTIPRP) for executives of the company. These were cancelled on his departure in March 2007.

(d) Expired Options

610,000 options expired on 01 August 2006 and are therefore cancelled.

(e) Weighted average share price

The weighted average market price at 30 June 2007 was 17 cents.

10. Interest Bearing Liabilities

Convertible Notes

During July 2006, the entity reconstituted the convertible notes issued on 17 February 2006. On 15 July, the Directors resolved that 3,636,364 interest bearing notes (10%) of $0.55 each would be redeemed and reissued as interest free notes at $0.20 each (10,000,000 notes; $2,000,000 dollars), convertible to fully paid ordinary shares at the option of XTEK Limited or the Noteholders no later than 31 March 2007. No money changed hands. The reconstitution and reissue of the convertible notes resulted in a charge to the income statement of $73,067 for the period ended 30 June 2007 being the difference between the fair value of the ‘old’ and the ‘new’ convertible notes at the time of the exchange.

On 24 July 2006, the company issued a further 15,000,000 interest free notes at $0.20 each ($3,000,000 dollars), convertible to fully paid ordinary shares at the option of XTEK Limited or the Noteholders no later than 31 March 2007.

All 25,000,000 notes had been converted to ordinary shares before maturity date. Notional interest that had been charged on these notes then ceased.

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11. Contributed Equity

(a) Share Capital

Movement in ordinary shares on issue	**No of shares**	**$**
At 1 July 2006	40,532,000	10,574,138
Issued on 18 September 2006 for cash to related parties	1,725,000	345,000
Issued on 29 September 2006 for cash to sophisticated investors	4,175,000	835,000
Issued on 29 September 2006 on conversion of 1st tranche of reconstituted convertible notes	10,000,000	2,035,510
Issued on 29 September 2006 on conversion of 2nd tranche of 11,500,000 convertible notes	11,500,000	2,341,469
Issued on 1 February 2007 on conversion of 2nd tranche of convertible notes	2,500,000	675,356
Issued on 30 March 2007 on conversion of 2nd tranche of convertible notes	1,000,000	59,420
Transaction Costs on share issue	-	(17,776)
GST adjustment on transaction costs associated with IPO	-	(94,229)
	71,432,000	16,753,888

Ordinary Shares
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Other Equity Securities

Movement in other equity securities

	$
At 1 July 2006	73,918
Consideration for cancellation of convertible notes equity component (note 10)	(851)
Total Equity Component of Convertible Notes	73,067)
Total Contributed Equity	**16,826,955**

12. Contingent Liabilities

There are no contingent liabilities at 30 June 2007.

No changes have been reported in contingent liabilities since the last annual reporting date.

13. Events occurring after the balance sheet date

(a) Performance Rights issue

On 16 August 2007, it was resolved to issue a total of 2,190,000 performance rights to staff and senior executives as part of the XTEK Long Term Incentive Rights Plan (LTIRP). The performance rights were issued on 29 August 2007. Fair value of performance rights issued to staff and senior executives will be recognised as an expense in FY07-08 in accordance with AASB2.

(b) Share issue

On 28 August 2007, it was to resolved issue 108,000 shares to eligible employees under Employee Share Ownership Plan (ESOP). In implementing the ESOP, the company has offered 27 eligible employees with 12 months service an initial grant of $500 in XTEK shares (XTE) for no consideration. The shares will be restricted from sale for three years during the term of employment of the employee. The shares were issued on 29 August 2007. Fair value of the shares issued to staff and senior executives will be recognised as an expense in FY07-08 in accordance with AASB2.

Compliance

1. This report is based on accounts which are in the process of being audited
2. The entity has a formally constituted audit committee

Printed Name: Bruce Higgins (Director) Date: 29 August 2007