

Release to the Australian Securities Exchange**Quarterly Market Update****XTEK ON TRACK TO STRONGLY PERFORM IN FY17**

- **200% Revenue Growth expected in FY17**
- **Already has more than \$2 million of new orders secured in first month of FY17**
- **Further contract wins to be announced in Q1 and across FY17**
- **Expands homeland security offering with new product lines**
- **Commercialisation of XTEK innovations to world market**

Canberra – 8 August 2016: XTEK Limited (ASX: XTE, 'the Company') is pleased to provide an update to the market for the three months ended 30 June, 2016, as the Company enjoys a strong start to the 2017 financial year.

XTEK is expecting a much stronger result in the current financial year when compared to FY16.

FY 16 Results

In accordance with earlier announcements, the pre-audited FY16 loss is approximately double the 1st half FY16 loss. Revenue is significantly down on FY15, largely due to not having secured a major contract and, to a lesser extent, the slippage of a number of significant projects beyond FY16.

FY 17 Start

XTEK expects to do significantly better, financially, in FY17 than FY16, underpinned by existing orders in hand.

The Company expects to at least double FY16 revenue in FY17.

XTEK has secured in excess of \$2 million of orders in the first month of this financial year. The orders in hand to date are predominantly for the supply of a range of components for the Blaser Tactical 2 Long Range Weapons System to the Australia Defence Force (ADF).

The Company expects to sign a support contract over the coming weeks for the maintenance of the ADF's current fleet of Small Unmanned Aerial Systems (SUAS), which was supplied by XTEK in FY15.

The maintenance work will primarily be conducted at XTEK's Symonston facility in the ACT. Some work, such as composite part repairs will be conducted at XTEK's Elizabeth facility in SA.

Land 129 Phase 4 – Supply and Support of Small Unmanned Aerial Systems (SUAS)

In April, 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 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 FY17. The size of the contract cannot be determined until negotiations are complete and Government approval has been secured.

Expanded product range

XTEK 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 total available market for these products in Australia is in excess of \$10m.

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.



The BDS **RONIN** system is a small unobtrusive and discreet metal detection system that can detect the location of concealed metal objects. The key advantage of the RONIN system is that it can be built into walls and doorways – providing a non-invasive and discreet way of detecting hidden weapons and hazardous items. It also provides throughput rates up to three times higher than traditional metal detection systems, meaning it is uniquely suited to be used at major public events where large numbers of people are required to pass through security screening. It is ideally suited for use by venue and transportation security staff e.g. sports venues and airports.



XTEK is currently in early stage sales negotiations with potential clients for the SEEKERe and RONIN products.

XTEK Innovations

XTEK intends to provide the first public demonstration of XTatlas™, at the end of Aug 2016. XTatlas™ is XTEK's live contextual video and mosaic mapping technology. This demonstration will effectively be the Australian launch of XTatlas™. It will be followed by commercial presentations in Europe in Sep 2016 and the US in Oct 2016. The total available world market for XTatlas™ is in excess of \$50m.

XTEK is undertaking a development task to digitise analogue communication systems used in existing unmanned ground vehicles to enhance and extend the system capability. This will provide an improved user interface, simplified integration of third party accessories, increased operating range, direct video links to operational control centres and the enabling of multiple remote viewing terminals.

XTclave™, XTEK's proprietary composite consolidation technology, continues to be used to produce development hard armour personal protective plates for the US Foreign Comparative Testing (FCT) program which aims to be completed within the next 3 months. Results to date have been very promising. XTEK has commenced the manufacture of a small quantity of armour, utilising XTclave™, as part of the development of light weight helmets. XTclave™ will also be utilised for the production of some parts for the Blaser Tactical 2 Long Range Weapons System.

Outlook for FY17

- Expected doubling or better of FY16 revenue this financial year.
- Expected break even for this financial year.
- Move from preferred supplier to contract for major SUAS Land 129 Phase 4
- Launch of new XTatlas™ technology to the world market. XTatlas™ is XTEK's live contextual video and mosaic mapping technology.
- Range of new products to assist Australia with minimising terror threat.

The current financial year will be significantly better than FY16. 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.

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.

FY18 performance should be underpinned by supply of SUAS under Land 129 Phase 4.

About XTEK Limited

XTEK Limited is a leading company in the Australian Homeland Security Market. XTEK's knowledge and expertise is focused on the delivery of protection and sustainment solutions for the government, law enforcement, military and commercial sectors. For more information visit the XTEK website at www.xtek.net

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
8 August 2016