

Release to the Australian Securities Exchange

Market update: XTEK receives first commercial XTclave™ Order

Thursday 19 March 2020: XTEK Limited (ASX: XTE, 'XTEK', the 'Company') is pleased to announce it has received its first commercial order for its XTclave™ manufactured ballistic armour plates from Tote Systems Australia to be used in the field by an Australian Specialist Law Enforcement unit.

Key Highlights

- **First commercial order of XTclave™ manufactured products received from Tote Systems Australia for an Australian Specialist Law Enforcement unit, to be fielded in real operations**
- **With XTclave™ manufacturing facility commissioned, XTEK is well placed to service growing interest in its ballistic solutions, with further orders expected in the near to medium term**
- **Global defence market remains favourable, where spending budgets are typically uncorrelated with markets, evidenced by continued contracts secured by XTEK recently**

First commercial order of XTclave™ manufactured ballistic plates

XTEK has achieved the first order of its XTclave™ manufactured ballistic armour plates. This order is from Tote Systems Australia and will provide an extremely light weight armour solution, in synergy with TOTE soft armour and Tactical Vest system, that will be used by an Australian Specialist Law Enforcement unit.

While modest in terms of value and quantum, this order represents external validation of XTEK's proprietary technology and commercialisation strategy. For the first time, these plates will be used in the field by law enforcement officers. XTEK anticipates that the products will be delivered by the end of FY20, and is well placed to receive further orders from TOTE with other Specialist teams currently trialling this new product.

Discussions with potential clients, domestically and globally, have progressed significantly for XTEK's advanced ballistic products recently with growing interest from new parties that are seeking novel ballistic solutions. The Company is well placed to service this demand, given the recent official opening of the advanced manufacturing facility in Adelaide. Further orders of the XTclave™ manufactured products are expected in the short to medium term.

Favourable defence industry with strong demand maintained

XTEK is underpinned by the favourable global defence market and significant global defence budgets, that are typically uncorrelated with markets. Historically, defence spending has shown to be resistant to economic downturns. Continued demand for our products is demonstrated by the first order for XTclave™ manufactured armour plates, and the recent purchase order for Small Unmanned Aerial System (SUAS) spare parts from the Australian Defence Force, worth A\$3.2m (announced 11 March 2020).

XTEK continues to receive strong support from key suppliers, including both raw materials to input into XTEK's proprietary products, and equipment from global manufacturers. In light of the recent global public health situation, XTEK is taking precautionary measures to ensure the safety of its staff, continuity of business and will continue to manage the situation vigilantly.

Outlook

Given government budgets are already set, XTEK expects purchasing cycle in the defence sector is unlikely to change in the short to medium term and we continue to see robust demand and growing interest in our products. Further, given our key facilities (advanced manufacturing facility in Adelaide; SUAS repair and maintenance facility in Canberra), business development activities and logistics are mostly within the company's control, the expectation is to meet the robust demand for XTEK's products through the remainder of FY20 and beyond.

Philippe Odouard, Managing Director of XTEK, commented:

"This first commercial order for our XTclave™ manufactured ballistic plates is a significant milestone for XTEK. Until now, orders received were used for testing and validation; this important order will be deployed for use in law enforcement in Australia. This represents an external validation and a strong indicator of more orders to come from the industry both domestically and globally. Following our investment into this technology and capability, we are now in a strong position to meet the growing demand for these products and realise the significant value upside."

"This first important order combined with our recent SUAS spare parts order, as announced on 11 March 2020, demonstrates defence spending remains consistent and stable which highlights the defensive nature of our business. Historically, we have seen that defence spending is resistant to recessions and often countercyclical to downward market trends. We continue to see robust demand and growing interest, supported by our control of key facilities and ongoing business development activities."

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

Lawrence A Gardiner
Company Secretary
19 March 2020

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About XTEK Limited

XTEK Limited provides high-quality products to deliver tailored solutions to the government, law enforcement, military, space and commercial sectors. XTEK is focused on developing and commercialising its proprietary technologies by leveraging its established distribution network. These technologies include XTclave™ produced ballistic products and advanced composite solutions, and XTatlas™ real time contextual video, which provide unique solutions for western military forces and other government agencies. In addition, the supply and maintenance of Small Unmanned Aerial Systems (SUAS) remains a focus for XTEK.

For more information visit the XTEK website at www.xtek.net