

Release to the Australian Securities Exchange

March Quarter Update

Wednesday, 22 April 2020: XTEK Limited (ASX: XTE, 'XTEK', the 'Company') provides the following update on the quarter ending 31 March 2020, outlining key operational achievements, the impact of the COVID-19 pandemic and the strong outlook for XTEK.

Key highlights

- XTEK received the first commercial order for its XTclave™ plates from an Australian Law Enforcement Agency, following the opening of the XTclave™ Manufacturing Centre in Adelaide, and is well-placed to service growing demand for these products and commence exporting to the US
- SUAS business continues to perform strongly, with additional spare parts ordered by the ADF and supply from the US protected by the classification of Defence as a Priority Sector
- XTEK is part of the robust Defence sector and continues to experience strong demand and supply, with operations experiencing minimal disruptions due to COVID-19 impacts so far

Philippe Odouard, Managing Director of XTEK, commented:

"This is a challenging and uncertain time with the COVID-19 pandemic having had an unprecedented effect on our global communities. At XTEK, I can assure you we are taking the necessary precautions to ensure the health and safety of our staff, collaborators and broader community, and the continuity of our business."

"XTEK is fortunate to be part of the robust Defence industry, which has continued to perform strongly despite the challenging macroeconomic backdrop. During the quarter we received the first commercial order of our XTclave™ manufacture products, which is a significant milestone, and we are in active discussions for further orders that we expect to be finalised in the near-to-medium term."

Achieved first commercial order of XTclave™ products, with further growth in ballistic business

XTEK received the first commercial order for its XTclave™ ballistic plates from Tote Systems Australia for an Australian Specialist Law Enforcement Unit. This is the first order of XTclave™ products that are to be fielded in real operations, representing a significant milestone for XTEK.

XTEK's XTclave™ Manufacturing Centre officially opened in Adelaide in February 2020, providing a commercial manufacturing ability for the market leading XTclave™ products, which include hard armour ballistic plates and helmets. With the facility fully commissioned and operational, XTEK is well-placed to service growing interest in its ballistic solutions.

Further, XTEK launched three new products at SHOT Show® in the US in January 2020. XTEK met with distributors and potential customers to present a XTclave™ manufactured hard armour plate and helmet, and a soft armour specifically designed for females. The female soft armour has now passed the National Institute of Justice (NIJ) standard tests, which is a nationally accepted standard for the body armour worn by law enforcement and corrections officers, and this product is now being promoted on a larger scale.

Additionally, multiple orders of ballistic products have been received for export to international customers, including to Mexico and the UAE. Some of these international orders have already been delivered, with further deliveries scheduled in the near to medium term. This achievement is a significant milestone for XTEK and represents a strengthening export distribution channel with ballistic products gaining traction in international markets.

XTEK announced it received ~A\$830k from a grant agreement with the Centre for Defence Industry Capability for a Sovereign Industry Capability Priority grant, on behalf of the Department of Defence. This grant, which complements a previous SICP grant of A\$1m to establish the XTclave™ manufacturing centre, will be used to enhance the production and testing capability of XTEK's proprietary ballistic helmets.

Strong SUAS sector demand and supply, with further spare parts order from the ADF

During the quarter, XTEK received an additional order for SUAS spare parts worth ~A\$3.2m from the Australian Defence Force (ADF). This follows on from the exclusive long-term support contract with the ADF, which was secured in September 2019.

Defense and Law Enforcement is classified as a Priority Sector in the US, which works to protect XTEK's supply of products from AeroVironment, a leading manufacturer of Small Unmanned Aerial Systems (SUAS) globally. XTEK is the exclusive distributor for AeroVironment in Australia and New Zealand for SUAS products and continues to fulfil the previously secured AeroVironment WASP AE SUAS supply contracts to the ADF, with further systems scheduled to be delivered this calendar year.

Update on COVID-19 impacts

XTEK is fortunate to be part of the robust defence industry, experiencing continued demand in line with previous expectations and minimal interruptions to supply. This is supported by Defense and Law Enforcement in the US being classified as a Priority Sector, which works to protect XTEK and its supply channels. HighCom is considered an essential business in the US due to the life-saving protective products supplied to essential emergency personnel and Defence force, allowing operations to continue through this time.

XTEK's key facilities continue to operate, and the Company has asked a number of staff to work from home where possible to reduce the number of people in the facilities. Nearly 2/3 of Australian staff are in that situation and continue to work effectively and efficiently. The SUAS repair and maintenance facility in Canberra, the XTclave™ manufacturing centre in Adelaide and the HighCom facilities in the US continue to operate efficiently to service ongoing demand. They all operate in accordance with the latest regulations and recommendations from the governments to reduce the risk of contagion.

Outlook

XTEK is well-placed to service the growing demand for its proprietary XTclave™ manufactured products, with the new manufacturing centre expected to achieve up to A\$20m revenue. The Company expects to commence exporting XTclave™ manufactured products to the US shortly.

XTEK is also in a strong position to capture additional SUAS support revenue underpinned by the existing contracts with the ADF for additional SUAS and spare parts.

While XTEK has not experienced any significant disruptions to date due to the global COVID-19 crisis, the Company acknowledges the situation is constantly evolving on both the domestic and global front. XTEK is in constant dialogue with domestic and international suppliers and will continue to actively manage any potential disruptions. Where potential restrictions in supply have been foreseen, XTEK has diversified sources or increased the size of orders that can be fulfilled in the near term which positions it well during this period.

XTEK continues to have a strong financial position and is prudently managing cash flow, while also applying for all incentives proposed by both the US and Australian governments. The Australian Defence recently made the decision to pay suppliers within 2 days of a valid invoice, and the benefits of this are starting to become apparent. XTEK will continue to actively monitor the evolving situation and provide further updates accordingly.

ENDS

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
22 April 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.

HighCom Armour Solutions, Inc ("HighCom") is a US market provider of body armour and personal protective equipment that was acquired by XTEK in 2019.

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