

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

26 February 2021

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF HALF YEAR REPORT (APPENDIX 4D)

In accordance with the Listing Rules, please find attached the Half Year Report (Appendix 4D) for XTEK Ltd (XTE) for the half-year period ended 31 December 2020. The information contained in this report should be read in conjunction with the 2020 Annual Report.

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

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Limited Half Year Report for half-year ended 31 December 2020.

XTEK Limited
and Controlled Entities

APPENDIX 4D

HALF YEAR REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

SUMMARY OF RESULTS FOR ANOUNCEMENT TO THE MARKET

Key Information	Half Year 2020 \$'000	Half Year 2019 \$'000		Change %
Revenue from ordinary activities	12,402	16,040	↓	23%
Loss after tax from ordinary activities	(3,547)	(2,294)	↑	55%
Loss attributable to members	(3,547)	(2,294)	↑	55%

Note: XTEK recorded a loss for the current half year period of \$3,547,490 and a loss of \$2,293,740 in the comparative period to 31 December 2019.

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

Profit / (loss) per share attributable to the ordinary equity holders of the company	Half Year 2020 \$	Half Year 2019 \$
Basic profit/(loss) per share	(0.050)	(0.043)
Diluted profit/(loss) per share	(0.050)	(0.043)
Net tangible asset backing per share	Half Year 2020 \$	Half Year 2019 \$
Net tangible asset backing per share	0.307	0.223



XTEK LIMITED

and

Controlled Entities

HALF YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2020

This Half Year Report incorporating Appendix 4D is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

The information contained in this report is to be read in conjunction with XTEK Limited's 2020 Annual Report and any announcements to the market by XTEK Limited during the half-year period ending 31 December 2020.

Current period:	1 July 2020 to 31 December 2020
Prior corresponding period:	1 July 2019 to 31 December 2019

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

XTEK Limited and Controlled Entities

Contents

Directors' Report.....	1
Auditor's Independence Declaration.....	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows.....	11
Notes to the Financial Statements.....	12
Directors' Declaration.....	23
Independent Auditor's Review Report	24



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Directors' Report

Half-year Ended 31 December 2020

Your Directors submit the financial report for the half-year ended 31 December 2020.

Directors

The names of Directors who held office during the half-year ended 31 December 2020, are:

Mr. Uwe Boettcher
Mr. Philippe Odouard
Mr. Christopher Fullerton

Mr. Robert Quodling
Hon. Christopher Pyne
Mr. Ivan Slavich (retired 27 November 2020)

Key Highlights

- New high capacity XTclave™ production plant produces first plates - ramping to full production over Q3 & Q4 FY21. New plant designed to produce 80,000 SAPI plates or 40,000 helmets p.a.
- Revenue \$12.4m for H1 FY21, expect higher revenue contribution in H2 in-line with typical seasonality of the business.
- Gross profit margin increased to 26% compared to 18% in H1 FY20 as revenue mix moves to proprietary products, anticipate continued improvement in gross profit margin over future periods.
- Strong cash position of \$10.1m.
- Board and Management strengthened by recent key appointments including Christopher Pyne, Mark Smethurst and Scott Basham.
- Positive outlook driven by customer enquires of plates from US and Europe.

Review of Operations

Financial Overview

For the half-year ended 31 December 2020, XTEK achieved revenue of \$12.4m (H1 FY20: \$16.0m) and recorded gross profit of \$3.2m (H1 FY20: \$2.9m). During the period the Company focused on driving higher margins through a shift in its product mix towards its proprietary products and services, with strong progress demonstrated by the increase in gross profit margins to 26% compared to the prior corresponding period (H1 FY20: 18%). The Group anticipates continued improvement in gross profit margin over future periods as the mix to sales of proprietary products and services increase.

XTEK's US ballistics business performed strongly, with continued robust demand. HighCom Armor Solutions Inc. (HighCom) turnover for CY2020 was very strong, up 30% from CY2019 to USD 10m. XTEK predicts a stronger second half in its Australian-based activities in-line with the typical seasonality of the business, enhanced by the ongoing delivery of Small Unmanned Aerial Systems (SUAS) to the Australian Defence Force (ADF), repair and maintenance revenue streams, and exports of XTclave manufactured products.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

The reported first half net loss of \$3.5m incorporates a substantial R&D investment. This included significant investment into XTEK's proprietary technologies and its Adelaide Manufacturing Centre (AMC), a focus on fully integrating the US acquisition, HighCom, as well ongoing development of XTatlas™ and new product development such as XTEK's sensor payload, "SARBI". The Group will continue to invest heavily in the R&D of its proprietary products which it is starting to commercialise internationally.

As at 31 December 2020, the Group held \$10.1m cash, despite heavy capital expenditure on the manufacturing centre and R&D during this period, which places the business in a strong capital position going forward.

Operations Overview

XTclave Production Plant and the Adelaide Manufacturing Centre

XTEK continues to focus on increasing its armour production capacity in its state-of-the-art Adelaide Manufacturing Centre (AMC) supported by the earlier Australian Government, Sovereign Industry Capability Priority (SICP) grants of \$1.83m. This includes enhancing its ballistic helmet manufacturing production line, funded by a \$2.5m loan from the Commonwealth Bank of Australia. This expansion is necessary to produce helmets in large volumes and includes additional commercial scale preform, cutting and finishing machines. The AMC will ramp-up helmet production over Q3 and Q4 FY21 as the sales pipeline starts to mature. Production capacity at AMC is designed to produce 80,000 SAPI plates or 40,000 helmets p.a.



XTEK has received the Commission / Safe to Operate Certificate for the new XTclave production plant and has completed successful pressure and thermal testing and **successfully manufactured and shot the first three hard armour plates, achieving the required ballistic performance.**

These results confirm and prove the new XTclave technology performance. XTEK is now working to start pre-production and finalise the administrative plant registration requirements to ramp up to regular production in the new plant. The Company is working towards being at full production in Q4 FY21. In the meantime, the present capacity, including the smaller operational XTclave machine (as stated in its September 2020 report), will continue to satisfy our forward order book.

XTEK has completed the delivery of the first tranche of XTclave manufactured SAPI plates for the Finnish Defence Force (FDF) (under its contract with CPE Production OY in Finland). XTEK has now delivered over three quarters of the total contract quantities. With AMC capacity increasing over the coming months, the Group is in a strong position to secure further orders. This successful and proven delivery of an army contract for an EU Nation underpins future orders for a wide range of new customers. Interest is growing for other XTclave produced products from major allied countries with a number of small quantity orders being fulfilled for field trials ahead of potential larger procurements.

XTEK's XTclave technology has unique technical advantages that can be leveraged into other applications and applied in new sectors, with space applications presenting an attractive opportunity. XTEK continues to focus on the completion of the funded space project in partnership with Skykraft and international parties and is exploring further international space opportunities.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

US ballistics: strong performance and robust growth

XTEK continues to strengthen and expand its commercialisation opportunities within the US. This has been achieved via its US subsidiary HighCom, which performed strongly in the US market for its broad range of ballistic products. A promotional launch of XTclave products on social media across the whole of the US will occur in early March 2021. This will be preceded by a personalised information session for all distributors on the benefits of XTclave products, prices and deliveries. HighCom is now marketing XTclave products and engaging with potential customers in the US. Numerous export deliveries of XTclave products to the US for testing purposes have garnered interest with potential law enforcement clients.

Notably, HighCom has secured several awards and agreements to expand its sales and distribution channels. During the reporting period, HighCom was awarded permanent export licenses for hard armour plate and helmet products to various Mexican government customers, with orders worth ~USD2.1m. The export license follows a successful filing and approval from the US State Department for a Warehousing Distribution Agreement (WDA) with Performance Materials S.A de C.V.

HighCom has also been awarded a five-year National Association of State Procurement Officials (NASPO) ValuePoint Body Armor and Ballistic Resistant Products contract for its range of personal protective equipment ballistic body armour platforms following a competitive Request for Proposal process. This will allow for quick and easy access to HighCom's Body Armor and Ballistic Resistant Products for public sector entities in all 50 states throughout the US.

HighCom is one of just twelve vendors with one of the best overall ratings in the NASPO ValuePoint Body Armor and Ballistic Resistant Products (2021-2026) contract portfolio – solidifying its status as a premier provider of armour products. This contract increases access to potential new customers.

HighCom is also a US General Services Administration (GSA) approved manufacturer, which allows US Federal, State and Local administration to buy products directly at a set price.

Continued focus on actionable intelligence solutions and unmanned systems

XTEK's XTatlas software application provides real time intelligence from small UAS Full Motion Video. Commercialisation pathways for XTatlas include leveraging XTEK's established network with unmanned vehicle systems (SUAS and UGV), as used by defence and homeland security agencies. The Company continues to work with several domestic and international parties to promote sales of XTatlas.

An order for XTatlas has been received from the Danish Defence Force and was delivered in early February 2021. Other European countries have shown a major interest in XTatlas and its targeting capability, paving the way for adoption of the technology and expanding sales in the near future.

XTEK's recent contract win with the Command Control Communications and Computers – Evolutionary Digital Ground Environment ("C4EDGE") program provides the opportunity to leverage the unique capabilities of its proprietary XTatlas software to enhance situational awareness of select frontline soldiers and pass on targets to weapons systems, substantially improving targeting in Army front line operations. This is an essential addition to Land warfare as it allows targeting with minimal exposure of soldiers and without depending on expensive assets not under the direct control of the front-line warfighter.

The XTatlas software focuses on geospatial situational awareness from sensor feeds, and cuing weapons systems. After delivering the first phase of the program in October 2020, XTEK is now focused on the follow-on phases, under the \$34.4m Commonwealth Contract led by Prime Contractor; EOS



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Defence Systems. XTEK will provide an airborne radio relay capability, georeferenced chemical and radiation sensor suite capability, a geo-spatial situational awareness capability utilising existing product lines alongside new technical development. The follow-on phases of the C4EDGE program will include design, development, and manufacturing of a tactical military C4EDGE system prototype, with final delivery planned for the end of 2021. That relationship with EOS is very important as such a system is an a supplementary add on to any weapon system that EOS is proposing to the world.

During the year there has also been continued product development to optimise the SARBI tactical sensor payload, for use with the Recon Robotics Throwbot 2 as well as other manned and unmanned vehicles. SARBI allows accurate detection and mapping of chemical and radiological sources and is already integrated into the XTAtlas visualisation suite.

XTEK remains focused on its strong SUAS business. During the half, multiple additional purchase orders were received for the supply of AeroVironment WASP AE and PUMA SUAS and spare parts from the Australian Defence Force (ADF). The delivery of a total of 65 WASP systems and spare parts from the previous purchase order have now been completed, with further spare part orders received and deliveries scheduled in H2 FY21. XTEK has also been working on other unmanned vehicle enhancement products such as the solar wing for PUMA SUAS to extend range, that are due for product launch in Q4 FY2021.

In December, XTEK signed a Memorandum of Understanding with Milrem Robotics, the leading robotics and autonomous systems developer in Europe. This agreement will enable XTEK to act as Milrem Robotic's Unmanned Ground Vehicle (UGV) representative in Australia and New Zealand. XTEK plans to leverage its established networks and expertise in unmanned systems, as well as its maintenance capabilities and facility in Canberra. Milrem also allows XTEK to offer solutions using Milrem UGV as the main platform to supply a complete sensor to shooter solution utilising XTAtlas.

Corporate Update

Placement and share purchase plan (SPP)

In August 2020, XTEK successfully raised a total of ~\$12.1m from a placement and SPP. This consisted of:

- ~\$9.2m raised in an oversubscribed placement at an offer price of \$0.69 per share, supported by existing and new investors
- ~\$2.9m raised in an SPP, which exceeded the initial target of \$2m. A total of ~4.2m new ordinary shares were allotted on the same terms as the placement to existing eligible shareholders.

Proceeds raised from the Placement and SPP are being used to fund XTEK's international ballistic strategy and commercialisation of XTclave technology, including establishing an XTclave manufacturing capability in the US which is projected to double XTclave revenue capacity in line with strong pipeline growth. Further investment will also be made to accelerate product development and growth in other operations and for working capital.

Changes to XTEK Board and Executive Management

Appointment of new Non-Executive Director: On 30 November 2020, former Minister for Defence the Hon. Christopher Pyne joined the XTEK Board as a Non-Executive Director. Mr. Pyne brings a wealth of commercial, political and global defence experience to XTEK, having served as a Member for Parliament (MP) for over 25 years, from which he retired in early 2019. Mr Pyne served as the 54th Australian Defence Minister and was responsible for delivering the \$200 billion build-up of Australia's



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

military capability, the largest in Australia's peacetime history. The appointment complements XTEK's strategic focus on commercialising its proprietary products in global markets.

At last November's AGM, Mr. Ivan Slavich stepped down from his position as a Non-Executive Director on the XTEK Board.

Appointment of Strategic Advisor to the Board: XTEK appointed Brigadier Mark Smethurst DSC, AM (Ret'd) as a strategic advisor to the XTEK Board. Brigadier Smethurst was formerly the Deputy Commander of the Australian Special Operations Command, commanded the NATO Special Forces in Afghanistan and was the Deputy Chief of Operations for US Special Operations Command. He is well placed to assist and advise XTEK within Australian and international contexts.

Appointment of Senior Vice President Tactical & Protective Systems: XTEK also announces the appointment of Mr. Scott Basham as Senior Vice President Tactical and Protective Systems. Mr. Basham, a former commissioned officer in the Australian Regular Army is an internationally experienced corporate executive, who during his career has worked for a number of major global technology companies. He brings a wealth of knowledge and experience in the security environment and has the demonstrated expertise in putting teams/companies together to win contracts.

Outlook

XTEK expects a stronger second half in line with the typical seasonality of the business, underpinned by increased exports of XTclave manufactured products, C4EDGE program, planned and potential deliveries of further SUAS spares and other distribution products, and increasing training, repair and maintenance services. XTEK has an established global network for exports, with a US distribution and manufacturing base for its ballistic products.

XTEK continues to leverage its actionable intelligence capabilities, with the current focus on the C4EDGE program and other XTatlas export using its enhanced capability and features of its recently released 2021 version of the software. XTEK continues to integrate further third-party sensors and weapons in its XTatlas eco system. In addition, the supply and maintenance of SUAS and other reseller products to ADF remains a focus.

XTEK is on track to complete the final tranche of XTclave manufactured plates to the FDF by end of April 2021. The Group remains in a strong position to secure further orders, underpinned by the validation and endorsement of the FDF. Numerous strategic discussions are underway with distributors, suppliers and government agencies globally, with further demonstrations, marketing presentations and ongoing business development to explore new opportunities. The Group is well placed to secure further contract wins to provide XTclave manufactured armour plates and helmets to domestic and international targeted parties.

The high volume XTclave at the AMC will further bolster XTEK's ability to respond to large volume orders and XTEK is now well prepared to start establishing a US based XTclave manufacturing capability. This will enable tendering for large US defence contracts that require locally made products and will support the Group's engagement with US Department of Defense. The experience and expertise gained in the installation and commissioning of the new larger Australian XTclave is expected to accelerate the process significantly for a second machine in FY22. This second machine will double the XTclave revenue capacity to a total of ~\$80m p.a.. XTEK plans to increase sales and marketing resources in the US and EU to manage the anticipated growth in capability and demand.

XTEK will continue to assess further opportunities to apply the unique advantages of its proprietary technologies into other applications and in new sectors, with a current focus being XTclave in space applications.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2020.

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



Mr Uwe Boettcher
Chairman

26 February 2021

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



6 Phipps Close Deakin ACT 2600
PO Box 322 Curtin ACT 2606

T 02 6282 5999

F 02 6282 5933

E info@hardwickes.com.au

www.hardwickes.com.au

Hardwickes
ABN 35 973 938 183

Hardwickes Partners Pty Ltd
ABN 21 008 401 536

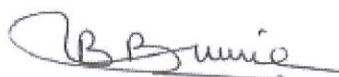
Liability limited by a scheme
approved under Professional
Standards Legislation

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the members of XTEK Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.


Hardwickes
Chartered Accountants


Bhaumik Bumia CA
Partner

Canberra

26 February 2021



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2020

	Note	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Revenue	3	12,402,124	16,040,437
Changes in inventories of finished goods and work in progress		(9,201,862)	(13,174,035)
Gross profit		3,200,262	2,866,402
Other income	3	213,715	206,160
Corporate and administrative expenses – XTEK	4	(5,357,811)	(4,668,572)
Corporate and administrative expenses – HighCom	4	(1,603,656)	(697,730)
(Loss) from operations before income tax		(3,547,490)	(2,293,740)
Income tax expense		-	-
(Loss) from operations		(3,547,490)	(2,293,740)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(3,547,490)	(2,293,740)



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	As at 31 December 2020 \$	As at 30 June 2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	10,070,412	3,057,031
Trade and other receivables	7	2,092,665	15,372,060
Inventories	8	11,134,161	9,036,996
Other assets	9	1,075,798	1,604,629
TOTAL CURRENT ASSETS		24,373,036	29,070,716
NON-CURRENT ASSETS			
Intangible assets	11	1,466,249	1,588,203
Property, plant and equipment	10	4,432,862	4,664,000
TOTAL NON-CURRENT ASSETS		5,899,111	6,252,203
TOTAL ASSETS		30,272,147	35,322,919
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	3,016,160	16,548,035
Employee benefits	13	567,806	498,813
Other financial liabilities	14	1,616,222	1,723,292
TOTAL CURRENT LIABILITIES		5,200,188	18,770,140
NON-CURRENT LIABILITIES			
Trade and other payables	12	3,264,372	1,989,426
Employee benefits	13	52,407	54,744
Other financial liabilities	14	34,679	46,951
TOTAL NON-CURRENT LIABILITIES		3,351,458	2,091,121
TOTAL LIABILITIES		8,551,646	20,861,261
NET ASSETS		21,720,501	14,461,658
EQUITY			
Issued capital	16	45,039,118	33,741,882
Equity-based payments reserves		28,221	28,221
Foreign exchange translation reserve		(476,710)	14,193
Accumulated losses		(22,870,128)	(19,322,638)
TOTAL EQUITY		21,720,501	14,461,658



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2020

	Note	Issued capital \$	Equity based payments reserve \$	Accumulated losses \$	Foreign exchange translation reserve \$	Total \$
Balance at 1 July 2020	16	33,741,882	28,221	(19,322,638)	14,193	14,461,658
Loss for the half-year		-	-	(3,547,490)	-	(3,547,490)
Foreign exchange translation reserve		-	-	-	(490,903)	(490,903)
Shares issued during the period		12,181,855	-	-	-	12,181,855
Transaction costs associated with share capital		(884,619)	-	-	-	(884,619)
Balance at 31 December 2020		45,039,118	28,221	(22,870,128)	(476,710)	21,720,501

	Note	Issued Capital \$	Equity based payments Reserve \$	Accumulated losses \$	Foreign exchange translation reserve \$	Total \$
Balance at 1 July 2019	16	27,312,482	8,775	(19,625,316)	-	7,695,941
Profit for the year		-	-	302,678	-	302,678
Foreign exchange translation reserve		-	-	-	14,193	14,193
Shares issued during the year		6,663,012	-	-	-	6,663,012
Transaction costs associated with share capital		(233,612)	-	-	-	(233,612)
Equity based payments		-	19,446	-	-	19,446
Balance at 30 June 2020		33,741,882	28,221	(19,322,638)	14,193	14,461,658



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2020

	Half-year Ended 31 December 2020 \$	Year Ended 30 June 2020 \$
Note		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	27,187,794	52,364,311
Payments to suppliers and employees	(30,425,260)	(56,926,343)
	(3,237,466)	(4,562,032)
Interest received	6,865	17,678
Borrowing costs	-	(1,015)
Net cash (used in) operating activities	(3,230,601)	(4,545,369)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(352,323)	(790,095)
Cash acquired from subsidiary	-	180,312
Payment for intangibles	-	(171,737)
Proceeds from sale of assets	12,635	429
Net cash (used in) investing activities	(339,688)	(781,091)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares ¹	12,055,642	3,669,643
Payment of transaction costs associated with issued share capital	(884,619)	(233,612)
Repayment of lease liability	(292,274)	(421,006)
Proceeds from borrowings	-	368,643
Repayment of loan	-	(356,825)
Net cash provided by financing activities	10,878,749	3,026,843
Net increase / (decrease) in cash and cash equivalents held	7,308,460	(2,299,617)
Effect of exchange rate changes on cash	(295,079)	6,774
Cash and cash equivalents at beginning of the year	3,057,031	5,349,874
Cash and cash equivalents at end of the half year	6 10,070,412	3,057,031

Note 1: In December 2020 a total of 205,229 shares were provided to staff members as a part of the staff incentive plan (December 2019: 432,467 shares). These share issues are not reflected in the statement of cash flows.

In 2019-20 the Group acquired HighCom Armor; 4,000,000 shares were issued as part of the consideration. The value of the share issue is not reflected in the Statement of Cash Flows.



Notes to the Financial Statements

Half-year Ended 31 December 2020

The consolidated financial report covers XTEK Limited and Controlled Entities (XTEK). XTEK is a for-profit company limited by shares, incorporated and domiciled in Australia.

Each of the entities within XTEK prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency (unless stated otherwise).

The financial report was authorised for issue by the Directors on 26 February 2021.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed consolidated half year financial report for the reporting period ending 31 December 2020 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The half year financial report is intended to provide users with an update on the latest annual financial statements of XTEK Limited and controlled entities (XTEK or the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within XTEK. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of XTEK for the year ended 30 June 2020, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this half year financial report as were applied in the most recent annual financial statements.

2 Summary of Significant Accounting Policies

(a) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

XTEK has incurred a loss of \$3,547,490 for the half-year ended 31 December 2020 (full year ended 30 June 2020: Profit of \$302,678 and half-year ended 31 December 2019: Loss of \$2,293,740).

Accumulated losses to 31 December 2020 total \$22,870,128 (accumulated losses to 30 June 2020 of \$19,322,638 and accumulated losses to 31 December 2019 total \$21,919,056).

The balance of cash and cash equivalents was \$10,070,412 as at 31 December 2020 (as at 30 June 2020: \$3,057,031 and as at 31 December 2019: \$4,126,589).



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

The Directors have reviewed XTEK's financial position and cash flow forecasts, which show that XTEK will be able to meet its debts as and when they fall due and payable and are, therefore, of the opinion that the use of the going concern basis of accounting is appropriate. This is based on the expectation that XTEK will meet projected revenue from its value added reseller and product development businesses and that XTEK will be able to retain overheads at budgeted levels.

(b) Derivative financial instruments

XTEK uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Changes in fair value are recognised immediately in profit or loss in income or expenses. Forward currency contracts are recognised as an asset when their value is positive and as a liability when their value is negative.

3

Revenue and Other Income

	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$
Revenue from continuing operations	12,402,124	16,040,437
	<u>12,402,124</u>	<u>16,040,437</u>
Interest	6,865	16,946
Gain on foreign currency exchange	-	164,437
Other	206,850	24,777
	<u>213,715</u>	<u>206,160</u>
Total Revenue and other income	<u>12,615,839</u>	<u>16,246,597</u>



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

4 Expenses

Corporate and Administrative Expenses include the following.

	Half-year ended 31 December 2020	Half-year ended 31 December 2019
Employee benefits	\$	\$
Salaries and wages	3,082,717	2,533,541
Superannuation	258,520	213,683
Payroll tax	255,654	141,404
Workers compensation	38,616	59,205
Depreciation		
Plant and equipment	99,336	44,282
Motor vehicles	2,839	876
Office furniture and equipment	80,406	40,588
Computer software	39,998	77,549
Demonstration equipment	12,507	10,983
Leasehold property improvements	46,250	25,201
Operational expenditure		
Accounting, audit, tax fees	99,312	66,866
Bank charges	42,250	13,513
Directors fees	133,000	130,000
Finance costs		
Interest on lease liabilities	95,719	68,603
Total finance costs	<u>95,719</u>	<u>68,603</u>

(The "Interest on lease liabilities" refers not to borrowings but is the application of AASB16. It is the internal interest component of the lease on rented properties.)



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

5 Government Grants

(a) AusIndustries R&D Tax Incentive

No cash back is expected to be received for the 2020-21 year due to revenue threshold restrictions. No cash back was received in the 2019-20 year due to revenue threshold restrictions.

During the period the R&D tax incentive claim was lodged with the Department of Industry, Science, Energy and Resources for the 2019-20 FY: \$208,834.

6 Cash and Cash Equivalents

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
Cash at bank and in hand	10,070,412	3,057,031
	10,070,412	3,057,031

7 Trade and Other Receivables

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
CURRENT		
Trade receivables	2,092,665	4,779,104
Other receivables	-	10,592,956
Total current trade and other receivables	2,092,665	15,372,060



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

8 Inventories

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
CURRENT		
Product and inventory	3,985,596	5,931,544
Work in progress	7,148,565	3,105,452
	<u>11,134,161</u>	<u>9,036,996</u>

9 Other Assets

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
CURRENT		
Prepayments	1,029,461	1,546,971
Short term loan	46,337	57,658
	<u>1,075,798</u>	<u>1,604,629</u>



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

10 Property, plant and equipment

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
Plant and equipment		
At cost	1,573,591	1,669,532
Accumulated depreciation	(550,923)	(451,298)
Total plant and equipment	<u>1,022,668</u>	<u>1,218,234</u>
Office furniture and equipment		
At cost	549,027	552,582
Accumulated depreciation	(284,100)	(259,506)
Total office furniture and equipment	<u>264,927</u>	<u>293,076</u>
Motor vehicles		
At cost	71,168	71,168
Accumulated depreciation	(44,086)	(41,248)
Total motor vehicles	<u>27,082</u>	<u>29,920</u>
Demonstration equipment		
At cost	241,577	221,354
Accumulated depreciation	(169,707)	(157,379)
Total demonstration equipment	<u>71,870</u>	<u>63,975</u>
Computer software		
At cost	464,500	286,624
Accumulated depreciation	(170,978)	(136,146)
Total computer software	<u>293,522</u>	<u>150,478</u>
Leasehold improvements		
At cost	578,136	449,265
Accumulated depreciation	(227,796)	(145,097)
Total leasehold improvements	<u>350,340</u>	<u>304,168</u>
UAS		
At cost	81,312	81,312
Total UAS	<u>81,312</u>	<u>81,312</u>
Right of use, lease assets		
At cost	3,032,129	3,001,920
Accumulated depreciation	(710,988)	(479,083)
Total Right of use, lease assets	<u>2,321,141</u>	<u>2,522,837</u>
Total property, plant and equipment	<u>4,432,862</u>	<u>4,664,000</u>



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

11 Intangible Assets

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
Intangibles		
Patents cost	318,393	300,012
Goodwill	1,147,856	1,288,191
	<u>1,466,249</u>	<u>1,588,203</u>

Goodwill has been brought to account for the first time as a result of the consolidation of the HighCom accounts.

12 Trade and Other Payables

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
CURRENT		
Trade and other payables	2,818,971	14,513,350
GST payable	900	406,716
Derivative financial liability	-	7,141
Lease liability: AASB 16	196,289	1,620,828
	<u>3,016,160</u>	<u>16,548,035</u>
NON-CURRENT		
Bank loan	816,725	816,725
Lease liability: AASB 16	2,447,647	1,172,701
	<u>3,264,372</u>	<u>1,989,426</u>



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

13 Employee benefits

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
CURRENT		
Annual leave provision	361,724	300,336
Long service leave	206,082	198,477
	567,806	498,813
NON-CURRENT		
Long service leave	52,407	54,744
	52,407	54,744

14 Other financial liabilities

	Half-year ended 31 December 2020 \$	Year ended 30 June 2020 \$
CURRENT		
Customer deposits	263,442	370,512
Government grants	1,352,780	1,352,780
Total	1,616,222	1,723,292
NON-CURRENT		
Customer deposits	34,679	46,951
Total	34,679	46,951



Notes to the Financial Statements

Half-year Ended 31 December 2020

15 Business Combinations

For the half year under review, no mergers or acquisitions were entered into.

In the prior period, on 29 September 2019, the parent company acquired a 100% interest in HighCom Armor Solutions Inc and resulted in XTEK Inc (US incorporated, acquisition vehicle 100% owned by XTEK Ltd) obtaining control of HighCom Armor Solutions Inc. This acquisition has increased XTEK's share of this market and provided an easy segue to sell XTEK's novel and high value products into the USA.

For the acquisition of HighCom Armor, the following table shows the purchase consideration. The value of assets acquired and liabilities assumed are from the Balance Sheet audited at the time of acquisition.

	Fair value \$
Purchase consideration	USD
Purchase consideration in cash and scrip ²	3,234,103
Total purchase consideration to end of Half Year Accounts	3,234,103
Assets or liabilities acquired at September 2019:	
Cash	126,331
Trade receivables	1,034,200
Inventory and other current assets	1,824,192
Plant and equipment and other non-current assets	376,125
Trade and other payables	(948,836)
Total net identifiable assets	2,412,012
Goodwill on acquisition - September 2019	822,091
Capital Reserve	822,091

Note 2: Under the terms of the acquisition contract, separate remittances constituted payment for HighCom:

- September 2019 USD 2,659,064 cash and scrip, this harks back to the Directors' Report (p1) consideration for the purchase of the business (~A\$3.9)
- December 2019: USD 561,442 acquisition of target working capital USD2m.
- January 2020: USD 75,583 purchase of working capital in excess of target amount.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

Half-year Ended 31 December 2020

16 Issued Capital

		Half-year ended 31 December 2020	Year ended 30 June 2020
Ordinary shares	31 Dec 2020: 70,844,560 (30 Jun 2020: 53,167,209)	\$ 45,039,118	\$ 33,741,882
Total		45,039,118	33,741,882

Movement in ordinary shares on issue

	No.	\$
At the beginning of the reporting period	53,167,209	33,741,882
Shares issued during the year	17,602,410	12,140,944
Shares issued, held in escrow	74,941	40,911
Transaction cost on share issued	-	(884,619)
At the end of the reporting period	70,844,560	45,039,118

In November 2020 a total of 205,229 shares were provided to staff members as a bonus. Of these shares 7,408 are held in escrow for a period of three years. The capital value of the shares will be taken up progressively as they vest in the hands of their recipients.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are no options on issue as at 31 December 2020 or as at 31 December 2019.



Notes to the Financial Statements

Half-year Ended 31 December 2020

17 Operating Segments

The XTEK Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and allocation of resources.

XTEK is managed primarily on the basis of product category and service offerings as the diversification of the Company's operations inherently have different risk profiles and performance assessment criteria.

(a) Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers of the Group.

	Half-year Ended 31 December 2020 \$	Half-year Ended 31 December 2019 \$
United States of America	7,203,380	4,146,842
Australia	3,802,418	11,708,461
Finland	698,925	-
New Zealand	39,270	171,501
Other	658,131	13,633
	<u>12,402,124</u>	<u>16,040,437</u>

(b) Major customers

The major customer is private industry: 63% (previously 22%), and government clients 37% (previously 72%). The largest source of customers for the Group is now in the US: 58%. This comes about through the distribution network serviced by HighCom, In the half year ended December 2019: 26%. This marks a significant diversification in XTEK's customer base.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

18 Contingencies

The Directors advise of a contingent liability of USD253,000 at 31 December 2020.

The US subsidiary received a forgivable loan in the 2019-20 FY as part of the US Government's Covid 19 stimulus package. As the conditions for the loan were met, AASB120 allows for recognition of the loan as income. Formal application for forgiveness of the loan has been lodged and we await confirmation of the US Small Business Agency. (31 December 2019 – nil)

19 Events Occurring After the Reporting Date

The Group has determined that there are no going concerns risks arising from the impact of Covid-19 and has mitigation strategies in place with regards to the outbreak and other ongoing impacts. The Board has determined that the Group remains in a healthy cash position and retains a stable revenue stream for the remainder of the year.

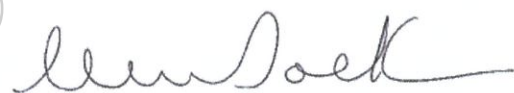
No matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of XTEK, the results of those operations, or the state of affairs of XTEK in future financial years.

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on page 8-23 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Uwe Boettcher
Director



Lawrence A. Gardiner
Company Secretary

Dated this 26th day of February 2021



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



6 Phillips Close Deakin ACT 2600
PO Box 322 Curtin ACT 2605

T 02 6282 5999

F 02 6282 5033

E info@hardwickes.com.au

www.hardwickes.com.au

Hardwickes
ABN 35 973 938 183

Hardwickes Partners Pty Ltd
ABN 21 008 401 538

Liability limited by a scheme
approved under Professional
Standards Legislation

Independent Auditor's Review Report to the members of XTEK Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XTEK Limited and Controlled Entities, which comprises the consolidated condensed statement of financial position as at 31 December 2020, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors' determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XTEK Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



6 Phipps Close Deakin ACT 2600
PO Box 322 Curtin ACT 2605

T 02 6282 5999

F 02 6282 5933

E info@hardwickes.com.au

www.hardwickes.com.au

Hardwickes
ABN 35 973 936 183

Hardwickes Partners Pty Ltd
ABN 21 008 401 536

Liability limited by a scheme
approved under Professional
Standards Legislation

Independent Auditor's Review Report to the members of XTEK Limited and Controlled Entities

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of XTEK Limited and Controlled Entities, would be in the same terms if given to the Directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of XTEK Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.


Hardwickes
Chartered Accountants


Bhaumik Bumia CA
Partner

Canberra

26 February 2021


CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

