

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

28 February 2022

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 2021. The information contained in this report should be read in conjunction with the 2021 Annual Report.

Should you require any further information in respect to this matter please contact the Group Chief Executive Officer, Mr. Scott Basham by email scott.basham@xtek.net in the first instance.

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Limited Half Year Report for half-year ended 31 December 2021.

**XTEK Limited
and Controlled Entities**
APPENDIX 4D
HALF YEAR REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2021

SUMMARY OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Half Year 2021 \$'000	Half Year 2020 \$'000		Change %
Revenue from ordinary activities	11,525	12,402	↓	7%
Loss after tax from ordinary activities	(6,837)	(3,547)	↑	93%
Loss attributable to members	(6,837)	(3,547)	↑	93%

Note: XTEK recorded a loss for the current half year period of \$6,836,695 and a loss of \$3,547,490 in the comparative period to 31 December 2020. The loss in H1 includes a one off, non-cash impairment of inventory totalling \$2,486,374.

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 2021 \$	Half Year 2020 \$
Basic profit/(loss) per share	(0.075)	(0.050)
Diluted profit/(loss) per share	(0.075)	(0.050)

Net tangible asset backing per share	Half Year 2021 \$	Half Year 2020 \$
Net tangible asset backing per share	0.199	0.307



XTEK LIMITED and Controlled Entities

HALF YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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 2021 Annual Report and any announcements to the market by XTEK Limited during the half-year period ending 31 December 2021.

Current period:	1 July 2021 to 31 December 2021
Prior corresponding period:	1 July 2020 to 31 December 2020

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XTEK Limited and Controlled Entities

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Directors' Report

Half-year Ended 31 December 2021

Your Directors submit the financial report for the half-year ended 31 December 2021.

Directors

The names of Directors who held office during the half-year ended 31 December 2021, are:

Mr. Uwe Boettcher
Mr. Christopher Fullerton
Mr. Christopher Pyne
Mr. Mark Smethurst
Mr. Philippe Odouard (resigned on 30th Jul 2021)

Key Highlights

- Restructure of business operations – Following the adoption of recommendations from the external Arican Strategic Review of July 2021, the XTEK Board has implemented a restructuring of business operations to right-size our cost base, reduce overheads, and sustainably manage its working capital. In addition, it has targeted its efforts on core domestic and international Defence and Law Enforcement market opportunities. These actions have been spearheaded by Mr. Scott Basham who was appointed Group Chief Executive Officer (Group CEO) on 31 July 2021.
- Focus on core market sales – In line with the Strategic Review recommendations, the Group CEO has recruited new business development and sales staff to sharply focus on core Defence and Law Enforcement market verticals, in order to grow profitable revenue from the Group's unique Ballistic Division and Technology Division products and solutions. Significant effort has been expended by this new team during the reporting period to address these specific core business markets. There have been delays caused by COVID-19, supply chain disruptions and other related matters which have impacted the timelines of some major Defence opportunities originally expected in H1 FY22. However, a strong pipeline of realistic domestic and international opportunities now exists, which are being aggressively pursued.
- Focus on cost savings – During the reporting period, the Group CEO has restructured the management of the Australian manufacturing facility in Adelaide and appointed a new highly competent Manager who has driven production efficiencies and implemented lean manufacturing processes. These efforts, combined with other rightsizing activities undertaken in the Technology Division, have achieved annualised cost savings of approximately \$3m. XTEK expects to see cost savings of at least \$1.4m in H2 FY22.
- Capital raise – During the reporting period, XTEK successfully raised \$7m, net of expenses, through a Share Placement and Non-Renounceable Entitlements Offer (NREO).

Board Appointments/Changes - Post Reporting Period

- On 23rd February 2022, Mr Uwe Boettcher submitted his resignation as Chairman and Non-Executive Director of the XTEK Group due to ongoing medical issues. In accepting his resignation, the Board acknowledged the long-term stewardship and support given to the Group by Mr. Boettcher, who served with distinction as a Director and the Chairman of the Group for over 13 years. On behalf of the entire Group, the Board expressed its gratitude to Mr Boettcher for his significant contribution and wished him well for the future.
- On 23rd February 2022, Mr Mark Stevens was appointed as a Non - Executive Director and the new Chairman of the XTEK Group. Mr Stevens has deep connections with and experience in Defence Industry and has advised many major groups, both domestic and foreign, on their engagement and ongoing dealings with the defence vertical. Further, Mr. Stevens has a detailed understanding of XTEK's business operations, its world class technology and its outstanding potential for growth, having led a Strategic Review of the Group in July 2021. The Board believes that Mr Stevens will



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provide outstanding strategic guidance as XTEK continues to sharpen its focus on the core Defence and Law Enforcement markets, for both its Ballistics and Technology Divisions' offerings.

- On 23rd February 2022, Mr Ben Harrison was appointed as a Non - Executive Director of the XTEK Group. Mr Harrison has a strong financial background, gained from his 15 years of experience in advising and investing in companies. He is a founder and Chief Investment Officer of Altor Capital and is active in the private equity and private credit sectors in Australia. Mr Harrison currently holds board and advisory roles with several private and public companies. Mr Harrison's extensive investment and financial background knowledge will provide additional financial experience to the XTEK Board.

Review of Operations

Financial Overview

For the half-year ended 31 December 2022, XTEK achieved revenue of \$11.68m (H1 FY21: \$12.6m) and recorded a first half loss of \$4.5m from normal operations increased to a loss for H1 of \$6.8m after including one off abnormal costs (H1 FY21: \$3.7m).

In addition to a smaller margin contribution from lower sales, the half-year loss incorporates expenditure to complete the commercialisation of XTEK's proprietary sensor and software technologies and investment in important new tooling and machining equipment, required for the development and manufacturing of a new ultra-lightweight body armour product line at its Adelaide Manufacturing Centre, to be launched in early FY23.

Commencing in October and finishing in November 2021, XTEK raised a total of ~\$7.7m, before expenses through a Share Placement and Non-Renounceable Entitlements Offer (NREO) to existing shareholders and new investors. This consisted of:

- ~\$2.7m raised in an oversubscribed Placement at an offer price of \$0.26 per share, supported by existing and new investors,
- ~\$5.0m raised in an NREO, which exceeded the initial target of \$3m, and
- A total of ~19.2m new ordinary shares were allotted and issued to eligible shareholders and investors.

As mentioned, proceeds raised from the Placement and the NREO are being used to fund an expansion of the range of ultra-lightweight and high-performance hard armour body plates and ballistic helmets made using the XTclave™ process. Further investment has been made to accelerate the commercialisation of proprietary sensor and software products, and for general working capital.

Cost Control & Rightsizing – Following the appointment of the new Group CEO on 31 July 21 and the Capital Raising completed in November 2021, XTEK has made significant inroads in rightsizing its operational cost base as part of the restructuring and refocusing of the business onto its core Defence and Law Enforcement markets. Head count has been reduced by ~45% across the Australian operations, with underperforming international consultancy agreements being terminated. The consolidation of some infrastructure sites is also under review.

Cash Position – As of 31 December 2021, the Group held \$4.49m in cash.

Operations Overview

In line with the Board's directive to restructure the Group's business operations, action has been taken to create two distinct business divisions. The Group CEO, Mr Scott Basham now exercises executive control over both business divisions (including HighCom Armor), these being:

Ballistics Division – Incorporates the HighCom Columbus Manufacturing Centre (CMC) and the XTEK Adelaide Manufacturing Centre (AMC) facilities, with all ballistic products made in these locations now unified globally under the "HighCom Armor" brand. The Ballistics Division is primarily focused on designing, manufacturing, and supplying critical lifesaving body armour and helmets to global military, law enforcement, and first responder customers.



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As a result of the restructuring measures implemented during the period, there has been a significant increase in the unification and collaboration across the Ballistics Division's CMC and AMC facilities. Market intelligence and customer feedback, which is rapidly driving new product development and innovation across the full range of our unique high-performance ultra-lightweight ballistic helmets, body armour, vests, carriers and associated products.

XTEK's world class, patented XTclave technology allows for the creation of unique personal ballistic protection solutions that incorporate advanced composite materials consolidated into complex shapes with difficult geometries that could never be made in conventional and widely used pressing machines. An example is XTEK's new lightweight "Inclusive" body armour range that is about to be launched into the US and Australian markets, which will for the first time offer customers standardised large form multi-curve body armour plates for use by women and large chested men.

Additionally, XTEK's XTclave is now scaling out the production of our advanced ARDITI "rifle rated" helmets for sale in Australia, the US and elsewhere. The ARDITI helmet is unique as it can withstand AK-47 rounds at "point blank" range. XTEK continues to be very positive about the market potential for XTclave manufactured lightweight and high ballistic performance products and is actively pursuing sales opportunities around the globe.

Technology Division – Co-located within the XTEK Group Headquarters in Canberra, the Technology Division is focused on manufacturing and supplying global Defence and Security Agencies with world-leading Australian-made and globally sourced systems and solutions, comprising:

- Systems – Unmanned Aerial Vehicles (UAVs) (AeroVironment) & Unmanned Ground Vehicles (UGVs) (Telerob, Milrem Robotics, & Recon Robotics)
- Sensors - Chemical Detection (XTEK)
- Software - 3D Mapping & Modelling SW (XTEK)
- Support - System Integration, Training, & Service Support (XTEK)

XTEK's Technology Division continues to supply unmanned systems from world leading OEMs that are in demand from the Australian Defence Force. Additionally, the Division also provides support services for all the solutions that its manufactures and / or sells.

During the reporting period, XTEK's Technology Division has responded to the following tenders and sales opportunities:

- Tender to the Australian Department of Defence for the provision of Telerob Explosive Ordnance Disposal (EOD) robots. This Land 154-4 Remote Positioned Vehicle (RPV) tender is currently under evaluation, and XTEK expects to hear the outcome of its submission in the coming months once all system testing and evaluation processes have been completed.
- Various proposals have been submitted to Defence for the Milrem Robotics Themis UGVs system for specific end user applications. We are in ongoing discussions with these various user groups in Defence to progress these proposals to funded activities.
- XTEK is also in late-stage negotiations to supply its SARBI Chemical Detection Sensor to the US based company Recon Robotics, to supply SARBI into their sales distribution network as a unique payload for use by US military and US law enforcement customers. XTEK expects to close this agreement by end Q3 FY22, with supply commencing into the US in Q4 FY22.
- During the reporting period, XTEK continued to engage closely with Defence for the provision of new AeroVironment UAVs and expects to be submitting tender responses valued at \$10m-\$15m for new systems over the coming weeks. In addition, XTEK continues to provide support to the existing AeroVironment "Wasp" UAV under its ongoing multi-year contract with Defence.

Virolens Update – Under the distribution agreement XTEK signed and announced in March 2021 with Key Options, the Master Agent for Virolens responsible for the Asia Pacific region, Key Options are fully responsible for obtaining all necessary TGA approvals for Virolens for use in Australia. To date Key Options has not been able to secure the necessary regulatory approvals, which consequently has



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meant that XTEK has not been able to execute on the potential market opportunities in Australia for the technology.

XTEK has been working closely with Key Options to convert the inventory to cash, by seeking to sell it to other jurisdictions where approvals and certifications have progressed more rapidly than they have in Australia and New Zealand.

There has been interest expressed to Key Options for the XTEK inventory. Key Options has received a conditional purchase order which would be fulfilled using the XTEK holding. Notwithstanding this, the Board has taken a conservative and prudent position and, in consultation with its auditors, decided to fully impair the inventory.

The Board is committed to seeking a sale of the inventory. Whilst this one-off impairment has impacted the financial H1 FY22 results, importantly there is no cash impact. If the company is successful in selling all or some of the inventory, this will result in a write back of inventory value, boosting financial results, and an equivalent cash injection into the company.

Outlook

The Board has implemented the majority of the restructuring recommendations identified in the Arican Strategic Review of July 2021. While there remain some specific tasks to be finalised the business is now in a far stronger position. Further, the new Group CEO, Mr Scott Basham, and his executive team have been instrumental in undertaking this critical role to drive the changes that the Board required to be made.

Mr Basham has subsequently implemented a range of measures that will significantly influence the outlook of the Group going forward, including:

- Rightsizing of the operational cost base of the XTEK business
- Realigning the focus of the business back onto its core Defence Industry and Law Enforcement markets
- Engaging with key international suppliers to increase the gross margins applicable on XTEK's reseller sales of their products
- Driving the commercialisation for sale of XTEK's own sensor and software products for domestic and international opportunities
- Unifying the once disparate Ballistic Division operations in Adelaide and the United States

Whilst there have been some unforeseen and unexpected delays caused by COVID-19 impacts on the business's operations during H1, the Group continues to strongly engage with its key Australian Defence stakeholders and its US Military and Law Enforcement customers in the pursuit of large-scale growth opportunities.

XTEK's growth potential through H2 FY22 and FY23 continues to be based on its:

- World leading Systems exclusively sourced by our Technology Division to meet increasing demand in the ANZ markets
- Intellectual Property portfolio covering Sensors, Software, and advanced Ballistic Products, all with performance advantages
- Attractive Defence Industry fundamentals underpin future growth potential – ADF expected to spend \$270bn over next 10 years
- Major focus on Australian-made sovereign industrial capabilities for ADF future procurement
- Improved Gross Margins targeted from the Group's own advanced Ballistics solutions and Australian-made Technology
- Significant annualised savings to be achieved from rightsizing cost base
- Improved revenue growth, focus on large, qualified sales opportunities.



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XTEK's growth strategy continues to be sharply focused on:

- Developing new and innovative advanced ballistic protection products using our patented world-leading XTclave process, and differentiating through our superior lightweight and protection performance features and benefits
- Develop new and innovative Australian-made Systems, Sensors, and Software solutions to meet increasing demand from the ADF
- Leveraging "HighCom Armor" as XTEK Group's global armour brand in order to continue to grow global ballistic sales revenues
- Provide exceptional customer service across all divisions to generate repeat purchases and recurring annuity support income

The Group remains optimistic that given the focus of its operational divisions and world leading technologies, it is well positioned to capitalise on a range of future opportunities and deliver on shareholder expectations of realistic revenue growth and a return to profitability as quickly as possible.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2021.

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



Mr Mark Stevens
Chairman

28 February 2022

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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 2021, 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.

Hardwickses

Hardwickses
Chartered Accountants

Robert Johnson FCA
Partner

Canberra

28 February 2022



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2021

	Note	Half-year ended 31 December 2021 \$	Half-year ended 31 December 2020 \$
Revenue	3	11,525,183	12,402,124
Changes in inventories of finished goods and work in progress		(8,404,321)	(9,201,862)
Gross profit		3,120,862	3,200,262
Other income	3	164,474	213,715
Corporate and administrative expenses – XTEK – normal	4	(6,023,337)	(5,357,811)
Corporate and administrative expenses – XTEK – abnormal	4	(2,486,375)	-
Corporate and administrative expenses – HighCom	4	(1,612,318)	(1,603,656)
(Loss) from operations before income tax		(6,836,695)	(3,547,490)
Income tax expense		-	-
(Loss) from operations		(6,836,695)	(3,547,490)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(6,836,695)	(3,547,490)



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Consolidated Statement of Financial Position

As at 31 December 2021

	Note	As at 31 December 2021 \$	As at 30 June 2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	4,491,489	5,901,223
Trade and other receivables	7	2,143,907	1,851,007
Inventories	8	8,921,649	10,736,212
Other assets	9	730,752	494,192
TOTAL CURRENT ASSETS		16,287,797	18,982,634
NON-CURRENT ASSETS			
Goodwill	11	1,218,437	1,175,913
Intangible assets	11	388,583	352,868
Property, plant and equipment	10	12,049,455	11,865,024
TOTAL NON-CURRENT ASSETS		13,656,475	13,393,805
TOTAL ASSETS		29,944,272	32,376,439
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	4,823,466	6,157,599
Employee benefits	13	504,557	545,913
Other financial liabilities	14	100,580	613,340
Contract liabilities	14	-	34,119
TOTAL CURRENT LIABILITIES		5,428,603	7,350,971
NON-CURRENT LIABILITIES			
Trade and other payables	12	2,873,311	2,242,018
Employee benefits	13	41,111	34,064
Contract liabilities	14	-	1,640
Other financial liabilities	14	-	1,339,004
TOTAL NON-CURRENT LIABILITIES		2,914,422	3,616,726
TOTAL LIABILITIES		8,343,025	10,967,697
NET ASSETS		21,601,247	21,408,742
EQUITY			
Issued capital	16	52,061,051	45,039,118
Reserves		(325,523)	(332,790)
Accumulated losses		(30,134,281)	(23,297,586)
TOTAL EQUITY		21,601,247	21,408,742



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Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2021

	Note	Issued capital \$	Equity based payments reserve \$	Accumulated losses \$	Foreign exchange translation reserve \$	Total \$
Balance at 1 July 2021		45,039,118	36,502	(23,297,586)	(369,292)	21,408,742
Loss for the half-year		-	-	(6,836,695)	-	(6,836,695)
Foreign exchange translation reserve		-	-	-	7,267	7,267
Shares issued during the period	16	7,691,758	-	-	-	7,691,758
Transaction costs associated with share capital	16	(669,825)	-	-	-	(669,825)
Balance at 31 December 2021		52,061,051	36,502	(30,134,281)	(362,025)	21,601,247

	Note	Issued Capital \$	Equity based payments Reserve \$	Accumulated losses \$	Foreign exchange translation reserve \$	Total \$
Balance at 1 July 2020		33,741,882	28,221	(19,322,638)	14,193	14,461,658
Profit for the year		-	-	(3,974,948)	-	(3,974,948)
Foreign exchange translation reserve		-	-	-	(383,485)	(383,485)
Shares issued during the year		12,181,855	-	-	-	12,181,855
Transaction costs associated with share capital		(884,619)	-	-	-	(884,619)
Equity based payments		-	8,281	-	-	8,281
Balance at 30 June 2021		45,039,118	36,502	(23,297,586)	(369,292)	21,408,742



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Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2021

	Half-year Ended 31 December 2021 \$	Year Ended 30 June 2021 \$
Note		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	11,912,546	43,155,914
Payments to suppliers and employees	(19,914,835)	(43,399,123)
	(8,002,289)	(243,209)
Interest received	3,078	7,370
Borrowing costs	(40,824)	(50,574)
Net cash (used in) operating activities	(8,040,035)	(286,413)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(928,726)	(8,371,651)
Repayment of loans	(265,846)	-
Payment for intangibles	(41,112)	-
Proceeds from sale of assets	500	13,436
Net cash (used in) investing activities	(1,235,184)	(8,358,215)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares ¹	7,691,758	12,055,642
Payment of transaction costs associated with issued share capital	(669,825)	(884,619)
Repayment of lease liability	(316,297)	(600,979)
Proceeds from borrowings	1,215,575	1,135,619
Repayment of loan	-	-
Net cash provided by financing activities	7,921,211	11,705,663
Net increase/(decrease) in cash and cash equivalents held	(1,354,008)	3,061,035
Effect of exchange rate changes on cash	(55,726)	(216,843)
Cash and cash equivalents at beginning of the year	5,901,223	3,057,031
Cash and cash equivalents at end of the half year	4,491,489	5,901,223

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Notes to the Financial Statements

Half-year Ended 31 December 2021

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 28 February 2022.

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 2021 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 2021, 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 \$6,836,695 for the half-year ended 31 December 2021 (full year ended 30 June 2021: Loss of \$3,974,948 and half-year ended 31 December 2020: Loss of \$3,547,490).

Accumulated losses to 31 December 2021 total \$30,134,281 (accumulated losses to 30 June 2021 of \$23,297,586 and accumulated losses to 31 December 2020 total \$22,870,128).

The balance of cash and cash equivalents was \$4,491,489 as at 31 December 2021 (as at 30 June 2021: \$5,901,223 and as at 31 December 2020: \$10,070,412).

Notes to the Financial Statements

Half-year Ended 31 December 2021

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, product development business and from other funding sources, 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 2021 \$	Half-year ended 31 December 2020 \$
Revenue from continuing operations	11,525,183	12,402,124
	<u>11,525,183</u>	<u>12,402,124</u>
Interest	3,078	6,865
Gain on foreign currency exchange	134,260	-
Other	27,136	206,850
	<u>164,474</u>	<u>213,715</u>
Total Revenue and other income	<u>11,689,657</u>	<u>12,615,839</u>

Notes to the Financial Statements

Half-year Ended 31 December 2021

4 Expenses

Corporate and Administrative Expenses include the following.

	Half-year ended 31 December 2021	Half-year ended 31 December 2020
Employee benefits	\$	\$
Salaries and wages ¹	3,752,879	3,082,717
Superannuation	307,781	258,520
Payroll tax	309,674	255,654
Workers compensation	53,679	38,616
Depreciation		
Plant and equipment	286,693	99,336
Motor vehicles	2,839	2,839
Office furniture and equipment	112,469	80,406
Computer software	52,134	39,998
Demonstration equipment	11,488	12,507
Leasehold property improvements	65,194	46,250
Operational expenditure		
Accounting, audit, tax fees	95,632	99,312
Bank charges	58,139	42,250
Directors' fees	153,750	133,000
Finance costs		
Interest on lease liabilities ²	84,695	95,719
Total finance costs	<u>84,695</u>	<u>95,719</u>
Corporate and Administrative Expenses – abnormal		
Inventory impairment ³	2,486,374	-

1 Salaries and Wages includes payments to facilitate the company's cost reduction initiative. A total of ~\$330,000 worth of payments was made to staff whose employment was terminated; this is made up of ~\$208,000 of termination payments and ~\$122,000 of payments for unused Annual Leave and Longs Service Leave.

2 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.)

3 Inventory impairment consists of \$167,965 of stock written-off as part of the business's regular assessment of carrying values and \$2,318,409 of inventory associated with Virolens. See the Directors' report pages 3 & 4.



Notes to the Financial Statements

Half-year Ended 31 December 2021

5 Government Grants

(a) AusIndustries R&D Tax Incentive

No cash back is expected to be received for the 2021-22 year due to revenue threshold restrictions.

No cash back was received in the 2020-21 year.

6 Cash and Cash Equivalents

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
Cash at bank and in hand	4,491,489	5,901,223
	<u>4,491,489</u>	<u>5,901,223</u>

7 Trade and Other Receivables

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
CURRENT		
Trade receivables	2,143,907	1,704,515
Other receivables	-	146,492
Total current trade and other receivables	<u>2,143,907</u>	<u>1,851,007</u>



Notes to the Financial Statements

Half-year Ended 31 December 2021

8 Inventories

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
CURRENT		
Product and inventory	7,240,303	9,029,539
Work in progress – Ballistics and Technology divisions	1,681,346	1,705,673
	<u>8,921,649</u>	<u>10,736,212</u>

Ballistics WIP reflects ~\$170,000 worth of manufacturing assets being constructed and ~\$919,000 of body armour and helmet products under development.

Technology WIP reflects ~\$592,000 of product under development, reflecting XTEK's unique intellectual property.

9 Other Assets

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
CURRENT		
Prepayments	721,952	471,750
Short term loan	8,800	22,442
	<u>730,752</u>	<u>494,192</u>

Notes to the Financial Statements

Half-year Ended 31 December 2021

10 Property, plant and equipment

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
Plant and equipment		
At cost	10,706,717	9,770,229
Accumulated depreciation	(1,681,406)	(1,318,847)
Total plant and equipment	<u>9,025,311</u>	<u>8,451,382</u>
Office furniture and equipment		
At cost	783,717	685,017
Accumulated depreciation	(561,664)	(442,814)
Total office furniture and equipment	<u>222,053</u>	<u>242,203</u>
Motor vehicles		
At cost	71,168	71,168
Accumulated depreciation	(49,763)	(46,925)
Total motor vehicles	<u>21,405</u>	<u>24,243</u>
Demonstration equipment		
At cost	241,577	241,577
Accumulated depreciation	(194,561)	(183,072)
Total demonstration equipment	<u>47,016</u>	<u>58,505</u>
Computer software		
At cost	492,964	571,993
Accumulated depreciation	(273,970)	(270,625)
Total computer software	<u>218,994</u>	<u>301,368</u>
Leasehold improvements		
At cost	926,813	900,397
Accumulated depreciation	(343,082)	(277,888)
Total leasehold improvements	<u>583,731</u>	<u>622,509</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	3,111,824	3,063,809
Accumulated depreciation	(1,262,192)	(980,307)
Total Right of use, lease assets	<u>1,849,632</u>	<u>2,083,502</u>
Total property, plant and equipment	<u><u>12,049,455</u></u>	<u><u>11,865,024</u></u>



Notes to the Financial Statements

Half-year Ended 31 December 2021

11 Intangible Assets

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
Intangibles		
Patents cost	388,583	352,868
Goodwill	1,218,437	1,175,913
	<u>1,607,020</u>	<u>1,528,781</u>

12 Trade and Other Payables / Borrowings

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
CURRENT		
Trade and other payables	2,540,287	5,342,118
Bank loan	1,777,804	607,027
Lease liability: AASB 16	505,373	208,454
	<u>4,823,464</u>	<u>6,157,599</u>
NON-CURRENT		
Bank loan	1,124,269	1,339,004
Lease liability: AASB 16	1,749,042	2,242,018
	<u>2,873,311</u>	<u>3,581,022</u>



Notes to the Financial Statements

Half-year Ended 31 December 2021

13 Employee benefits

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
CURRENT		
Annual leave provision	358,532	401,584
Long service leave	146,025	144,329
	504,557	545,913
NON-CURRENT		
Long service leave	41,111	34,069
	41,111	34,069

14 Other financial liabilities

	Half-year ended 31 December 2021 \$	Year ended 30 June 2021 \$
CURRENT		
Customer deposits	100,033	34,119
Contract liabilities	547	-
Total	100,580	34,119
NON-CURRENT		
Customer deposits	-	1,640
Total	-	1,640



Notes to the Financial Statements

Half-year Ended 31 December 2021

15 Business Combinations

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

16 Issued Capital

		Half-year ended 31 December 2021	Year ended 30 June 2021
Ordinary shares	31 Dec 2021: 100,620,244 (30 Jun 2021: 71,036,559)	\$ 52,061,051	\$ 45,039,118
Total		52,061,051	45,039,118

Movement in ordinary shares on issue

	No.	\$
At the beginning of the reporting period	71,036,559	45,039,118
Shares issued during the year	29,583,685	7,691,758
Transaction cost on share issued	-	(669,825)
At the end of the reporting period	100,620,244	52,061,051

For the half year ended, no shares were issued to staff in the form of a bonus. Shares held in escrow at 31 December 2021 were 59,185

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 2021 or as at 31 December 2020.



Notes to the Financial Statements

Half-year Ended 31 December 2021

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 2021 \$	Half-year Ended 31 December 2020 \$
United States of America	6,920,782	7,203,380
Australia	4,054,227	3,802,418
Finland	4,000	698,925
New Zealand	6,539	39,270
Other	539,635	658,131
	<u>11,525,182</u>	<u>12,402,124</u>

(b) Major customers

The major customer is private industry: 61% (previously 63%), and government clients 39% (previously 37%). The largest source of customers for the Group is now in the US: 60%. This comes about through the distribution network serviced by HighCom, In the half year ended December 2020: 63%. This marks a significant diversification in XTEK's customer base.

18 Contingencies

As at 31 December 2021, there are no contingent liabilities.

At 31 December 2020, a contingent liability of USD253,000 was noted. The liability did not arise.

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, the loan was forgiven.



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 maintains an adequate cash position and 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 7-21 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 2021 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.



Mark Stevens
Chairman



Lawrence A. Gardiner
Company Secretary

Dated this 28th day of February 2022



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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 2021, 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 2021 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.



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



**XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**



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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 2021 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

Hardwickes
Chartered Accountants

Robert Johnson FCA
Partner

Canberra

28 February 2022



CHARTERED ACCOUNTANTS
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