

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

27 February 2023

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 2022. The information contained in this report should be read in conjunction with the 2022 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 2022.

**XTEK Limited
and Controlled Entities**
APPENDIX 4D
HALF YEAR REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2022

SUMMARY OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Half Year 2022 \$'000	Half Year 2021 \$'000		Change %
Revenue from ordinary activities	48,514	11,525	↑	321%
Profit/(Loss) after tax from ordinary activities	6,050	(6,837)	↑	188%
Profit/(Loss) attributable to members	6,050	(6,837)	↑	188%

Note: XTEK recorded a profit for the current half year period of \$6,049,856 and a loss of \$6,836,695 in the comparative period to 31 December 2021.

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 2022 \$	Half Year 2021 \$
Basic profit/(loss) per share	0.060	(0.075)
Diluted profit/(loss) per share	0.060	(0.075)

Net tangible asset backing per share	Half Year 2022 \$	Half Year 2021 \$
Net tangible asset backing per share	0.393	0.199



XTEK LIMITED and Controlled Entities

HALF YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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 2022 Annual Report and any announcements to the market by XTEK Limited during the half-year period ending 31 December 2022.

Current period:	1 July 2022 to 31 December 2022
Prior corresponding period:	1 July 2021 to 31 December 2021

**XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

XTEK Limited and Controlled Entities

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Directors' Report

Half-year Ended 31 December 2022

Your Directors submit the financial report for the half-year ended 31 December 2022.

Directors

The names of Directors who held office during the half-year ended 31 December 2022, are:

Mr. Mark Stevens - Chairman
Mr. Mark Smethurst
Mr. Christopher Fullerton
Mr. Christopher Pyne
Mr. Benjamin Harrison
Ms. Adelaide McDonald (appointed on 24 August 2022)

All Directors appointed to fill casual vacancies in 2022, were re-elected to office by shareholders at the XTEK Annual General Meeting held on 25th November 2022.

Principal Activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- the Ballistics Division (HighCom) – focused on designing, manufacturing, and supplying global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions for:
 - Body Armour
 - Ballistic Helmets
 - Composite Armour Structures
- the Technology Division – focused on manufacturing and supplying global Defence and Security Agencies with world-leading Australian-made and globally sourced:
 - Systems – UAVs and UGVs solutions
 - Sensors – Detection & Optical Payloads
 - Software – 3D Mapping & Modelling SW & Tactical Situational Awareness SW
 - Support – Systems integrations, training & service support

New Operations

In December 2022, a new HighCom Sales and Distribution office was opened in Poland. The new office will provide the HighCom business with excellent proximity to its target military and law enforcement customers in Central European and Scandinavian countries. New sales campaigns are underway to pursue a large pipeline of opportunities across the territory, and HighCom will reposition inventory into Poland, to ensure the fastest delivery possible to our customers and partners.

Board and Management Changes

On 24 August 2022, Ms Adelaide McDonald was appointed as a Non-Executive Director of the Board. Ms McDonald has over 15 years' experience in corporate advisory and equity research and held roles as a Director at KPMG in the Mergers and Acquisition (M&A) practice and at Wilson HTM and BDO Kendalls. Ms McDonald's M&A and financial background knowledge will provide additional financial experience to the XTEK Board.

During November 2022, there were three new key management appointments, as part of XTEK's preparation for the Group's next phase of growth and global expansion.

- Ms Jacqui Myers was appointed the XTEK Group Chief Financial Officer, located at XTEK's Head Office in Canberra. Ms Myers is a highly experienced and qualified finance professional with extensive public sector, private sector, management consulting, Australian defence industry, and international business operations expertise.
- Ms Sally Nordeen was appointed as the new HighCom Chief Executive Officer, located in Columbus, Ohio. Ms Nordeen is a strategic leader with global sales, marketing, and business



development experience. Ms Nordeen joins HighCom with a proven track record of delivering double-digit profitability growth in highly competitive global markets, capturing market share and outperforming sector competitors in the infrastructure, aviation, manufacturing, security, and Defence industries.

- Mr Thomas Kiefer was appointed the new HighCom Chief Financial Officer. Mr Kiefer has significant manufacturing experience over many years as a CFO, and his skills and experience will be highly valuable as part of the management team in Columbus, Ohio.

Review of Operations

Key Highlights

Ballistics Division (HighCom)

During the reporting period, the Ballistics Division successfully completed the order of tens of thousands of HighCom's advanced, high performance, specialist ballistic protection products, deployed to meet the US domestic and international customers' immediate and ongoing operational needs. On top of run rate sales completed during H1 FY23, there was the recognition of the residual \$33m from a transformational international order booked in H2 FY22, and the recognition of two major US Federal Government agency customer orders valued at \$2.7m and \$3.5m respectively. HighCom is currently pursuing an opportunity pipeline of more than \$130m across the US, EU, LATAM and APAC regions. In response to ongoing supply chain weaknesses, HighCom holds strong inventory positions of raw materials and finished goods, that enable it to rapidly build and/or immediately ship its advanced body armour and ballistic helmets to swiftly satisfy any large customer orders it receives throughout H2 FY23 and beyond.

Technology Division

In December 2022, XTEK was awarded a contract from the Commonwealth of Australia's Department of Defence, totalling \$26.9m, for new Small Unmanned Aerial Systems (SUAS). The delivery of the order is expected to be completed in late H2 FY23 with corresponding revenues recognised in the same period. XTEK's Technology Division now currently holds orders in hand for delivery in FY23, worth a combined value of \$35m, and is chasing a pipeline of new supply and support contract opportunities exceeding \$45m across the ANZ region.

Financial Overview

The strong financial performance was achieved by delivering multiple large orders to key defence and law enforcement agency customers in Europe, Australasia, and the United States.

The XTEK Group's revenue from continuing operations increased by 321% from \$11.5m (H1 FY22) to a record \$48.5m.

Gross Profit margins have increased to 50.6% at H1 FY23 (up from 27.1% at H1 FY22). Net Profit after income tax for the consolidated Group was \$6.0m (HY1 FY22 loss \$6.8m).

As of 31 December 2022, the Group held cash of \$6.9m. The cash balance at the beginning of the reporting period was \$36.2m after receiving an advance receipt for an international order delivered during H1 FY23. Cash payments during the reporting period were primarily used to deliver on the major orders on hand and to increase inventory stock. Inventory stock was replenished during the reporting period, with an increase from \$16.4m (FY22) to \$25.4m, in readiness for the large orders currently under customer evaluation.

The Group currently expects revenue to exceed \$82m for FY23.



Outlook

With the continued global tailwinds being generated by the ongoing uncertainty and instability occurring in Europe, due to the ongoing war in Ukraine, and the heavy new investments also being made by surrounding countries to rearm, upgrade, and increase their military capabilities, and with the continued tensions in the South China Sea over China's territorial claims on Taiwan, the outlook for continued growth in the Defence industrial manufacturing sector generally, and for XTEK specifically, appears to remain strong for the foreseeable future. XTEK continues to execute on its strategic plan to reinforce success, seek adjacencies for organic and inorganic growth, and to create its own future by delivering advanced, ultra-lightweight and high performance ballistic armour products to customers around the world.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2022.

This Directors' Report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*



Mr Mark Stevens
Chairman

27 February 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of XTEK Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM Australia Partners

RSM AUSTRALIA PARTNERS



Rodney Miller
Partner

Canberra, Australian Capital Territory
Dated: 27 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

XTEK LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of XTEK Limited which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end.

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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of XTEK Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the XTEK Limited 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 for the Review of the Financial Report

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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 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*.

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.

Yours faithfully

RSM Australia Partners

RSM AUSTRALIA PARTNERS



Rodney Miller
Partner

Canberra, Australian Capital Territory
Dated: 27 February 2023

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2022

	Note	Half-year ended 31 December 2022	Half-year ended 31 December 2021
		\$	\$
Revenue	3	48,514,005	11,525,183
Cost of sales	4	(23,929,851)	(8,404,321)
Gross profit		24,584,154	3,120,862
Other income	3	61,814	164,474
Corporate and administrative expenses	5	(14,688,743)	(10,122,031)
Profit/(Loss) from operations before income tax		9,957,225	(6,836,695)
Income tax expense		(3,907,369)	-
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		6,049,856	(6,836,695)
		Cents	Cents
Basic earnings per share	13	0.060	(0.075)
Diluted earnings per share	13	0.060	(0.075)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 \$	As at 30 June 2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	6,939,655	36,199,524
Trade and other receivables	7	2,885,333	10,597,027
Inventories	8	25,446,797	16,419,312
Other assets	9	857,768	1,340,923
TOTAL CURRENT ASSETS		36,129,553	64,556,786
NON-CURRENT ASSETS			
Goodwill		1,304,913	1,283,319
Intangible assets		404,730	397,058
Property, plant and equipment		12,338,979	12,237,689
TOTAL NON-CURRENT ASSETS		14,048,622	13,918,066
TOTAL ASSETS		50,178,175	78,474,852
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	5,866,862	39,428,686
Employee benefits		587,704	469,099
Bank loan		-	613,580
Contract liabilities		532,434	249,262
Lease Liabilities		249,101	540,803
TOTAL CURRENT LIABILITIES		7,236,101	41,301,430
NON-CURRENT LIABILITIES			
Employee benefits		49,801	33,320
Bank loan		-	801,160
Contract liabilities		16,934	18,815
Lease liabilities		1,546,073	1,507,302
TOTAL NON-CURRENT LIABILITIES		1,612,808	2,360,597
TOTAL LIABILITIES		8,848,909	43,662,027
NET ASSETS		41,329,266	34,812,825
EQUITY			
Issued capital	12	52,502,403	52,061,051
Reserves		335,863	310,630
Accumulated losses		(11,509,000)	(17,558,856)
TOTAL EQUITY		41,329,266	34,812,825

The above statement of financial position should be read in conjunction with the accompanying notes



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2022

	Note	Issued capital \$	Equity based payments reserve \$	Accumulated losses \$	Foreign exchange translation reserve \$	Total \$
Balance at 1 July 2022		52,061,051	41,842	(17,558,856)	268,788	34,812,825
Total comprehensive income for the half-year		-	-	6,049,856	-	6,049,856
Foreign exchange translation reserve		-	-	-	25,233	25,233
Shares issued during the period	12	445,169	-	-	-	445,169
Capital raise fees	12	(3,817)	-	-	-	(3,817)
Balance at 31 December 2022		52,502,403	41,842	(11,509,000)	294,021	41,329,266

	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
Total comprehensive income for the year		-	-	5,738,730	-	5,738,730
Foreign exchange translation reserve		-	-	-	638,080	638,080
Shares issued during the year		7,691,758	-	-	-	7,691,758
Capital raise fees		(669,825)	-	-	-	(669,825)
Equity based payments		-	5,340	-	-	5,340
Balance at 30 June 2022		52,061,051	41,842	(17,558,856)	268,788	34,812,825

The above statement of changes in equity should be read in conjunction with the accompanying notes



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2022

	31 December 2022	31 December 2021
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	24,398,414	11,912,546
Payments to suppliers and employees	(47,978,509)	(19,914,835)
	(23,580,095)	(8,002,289)
Interest received	23,212	3,078
Borrowing costs	(71,903)	(40,824)
Income tax expense	(2,525,446)	-
Net cash from/(used in) operating activities	11 (26,154,232)	(8,040,035)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,359,828)	(928,726)
Payment for intangibles	-	(41,112)
Proceeds from sale of assets	15,500	500
Net cash (used in) investing activities	(1,344,328)	(969,338)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares	-	7,691,758
Costs of capital raising	(3,817)	(669,825)
Repayment of lease liability	(324,835)	(316,297)
Proceeds from borrowings	-	1,215,575
Repayment of borrowings	(1,414,740)	(265,846)
Net cash provided by (used in) financing activities	(1,743,392)	7,655,365
Net increase/(decrease) in cash and cash equivalents held	(29,241,952)	(1,354,008)
Effect of exchange rate changes on cash and cash equivalents	(17,917)	(55,726)
Cash and cash equivalents at beginning of the financial half-year	36,199,524	5,901,223
Cash and cash equivalents at end of the financial half-year	6 6,939,655	4,491,489

The above statement of cash flows should be read in conjunction with the accompanying notes



Notes to the Financial Statements

Half-year Ended 31 December 2022

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 27 February 2023.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This consolidated half year financial report for the reporting period ending 31 December 2022 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 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 2022, 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 New or Amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Notes to the Financial Statements

Half-year Ended 31 December 2022

3 Revenue and Other Income

	31 December 2022	31 December 2021
	\$	\$
Revenue from continuing operations	<u>48,514,005</u>	<u>11,525,183</u>
	<u>48,514,005</u>	<u>11,525,183</u>
Interest	23,212	3,078
Gain on foreign currency exchange	29,210	134,260
Other	9,392	27,136
	<u>61,814</u>	<u>164,474</u>
Total Revenue and other income	<u><u>48,575,819</u></u>	<u><u>11,689,657</u></u>

4 Cost of Sales

	31 December 2022	31 December 2021
	\$	\$
Cost of Services	525,871	410,896
Changes in inventories of finished goods	17,864,972	7,092,672
Freight and transportation costs	3,967,580	253,047
Other costs	1,571,428	647,706
	<u>23,929,851</u>	<u>8,404,321</u>

5 Expenses

Corporate and Administrative Expenses include the following.

	31 December 2022	31 December 2021
	\$	\$
Employee benefits		
Salaries and wages	3,489,692	3,752,879
Superannuation	268,533	307,781
Payroll tax	340,376	309,674
Other employee expenses	250,440	201,556
Operational expenditure		
Sales commission ¹	4,772,558	-
Consulting fees	889,822	389,910
Insurance	573,062	338,500
Marketing and conferences	330,094	145,909
Travel and accommodation	630,805	81,892
Operational expenditure – abnormal		
Inventory impairment	149,047	2,486,374

¹ Sales commission relates to international orders delivered in the reporting period



Notes to the Financial Statements

Half-year Ended 31 December 2022

6 Cash and Cash Equivalents

	31 December 2022	30 June 2022
	\$	\$
Cash at bank and in hand	6,939,655	36,199,524
	<u>6,939,655</u>	<u>36,199,524</u>

7 Trade and Other Receivables

	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Trade receivables	2,885,333	10,530,309
Other receivables	-	66,718
Total current trade and other receivables	<u>2,885,333</u>	<u>10,597,027</u>

8 Inventories

	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Product and inventory	24,191,447	14,894,595
Work in progress – Ballistics and Technology divisions	1,255,350	1,524,717
	<u>25,446,797</u>	<u>16,419,312</u>

9 Other Assets

	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Prepayments	737,570	1,334,523
Others	120,198	6,400
	<u>857,768</u>	<u>1,340,923</u>



Notes to the Financial Statements

Half-year Ended 31 December 2022

10 Trade and Other Payables

	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Trade and other payables ²	2,665,884	37,839,993
GST payable	114,282	255,212
Sundry accruals and payables	3,086,696	1,333,481
	<u>5,866,862</u>	<u>39,428,686</u>

11 Reconciliation of profit after income tax expense to net cash from operating activities

	31 December 2022	31 December 2021
	\$	\$
Profit (loss) after income tax expense for the half-year	6,049,856	(6,836,695)
Adjustment for:		
Depreciation and amortisation	922,795	805,467
Net loss (gain) on disposal of non-current assets	334,129	(291)
Inventory impairment	149,047	2,486,374
Interest on lease liability	71,903	84,696
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	7,711,694	(292,899)
Increase in inventories	(9,176,532)	(671,812)
Decrease/(increase) in prepayments	483,155	(236,560)
Increase/(decrease) in trade and other payables	(2,351,400)	(3,342,944)
Decrease in contract liabilities	(31,865,887)	(1,093)
Increase/(decrease) in provision for income tax	1,381,923	-
Increase in other provisions	135,085	(34,278)
Net cash from operating activities	<u>(26,154,232)</u>	<u>(8,040,035)</u>

² 30 June 2022 balance includes \$33.2m customer deposits received in advance.



Notes to the Financial Statements

Half-year Ended 31 December 2022

12 Issued Capital

	31 December 2022	30 June 2022
Ordinary shares	\$ 52,502,403	\$ 52,061,051
Total	52,502,403	52,061,051

Movement in ordinary shares on issue

	No.	\$
At the beginning of the reporting period	100,620,244	52,061,051
Shares issued during the year	1,141,459	445,169
Transaction cost on share issued	-	(3,817)
At the end of the reporting period	101,761,703	52,502,403

In October 2022 a total of 1,141,459 shares were provided to staff members as a bonus.

As at 31 December 2022, 633,074 shares remain in escrow.

As at 30 June 2022, 5,556 shares remain in escrow.

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 2022 or as at 30 June 2022.

On 14 December 2022, a new entity was established in Poland. There were 100 shares, with a nominal value of PLN5,000 transferred to HighCom Holdings Inc (a subsidiary of XTEK Limited).

13 Earnings per share

	31 December 2022	31 December 2021
	\$	\$
<i>Earnings per share from profit from continuing operations</i>		
Profit/(loss) after income tax attributed to the owners of XTEK Limited	6,049,856	(6,836,695)
	Cents	Cents
Basic earnings per share	0.060	(0.075)
Diluted earnings per share	0.060	(0.075)



Notes to the Financial Statements

Half-year Ended 31 December 2022

14 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.

	31 December 2022	31 December 2021
	\$	\$
North America	12,016,753	7,388,103
Australia and Asia Pacific	3,436,869	4,060,766
Europe	33,025,473	4,000
Others	34,910	72,314
	<u>48,514,005</u>	<u>11,525,183</u>

(b) Major customers

The major customer is government clients 76% (previously 39%) and private industry: 24% (previously 61%).

During December 2022, a new sales and distribution office was opened in Poland. The new office will provide the business proximity to its target military and law enforcement customers in Central European and Scandinavian countries.

15 Contingencies

As at 31 December 2022, there are no contingent liabilities.

16 Events Occurring After the Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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 8-17 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 2022 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 27th day of February 2023