

Release to the Australian Securities Exchange

XTEK to Present at ASX Small and Mid-Cap Conference

Wednesday, 9 September 2020: XTEK Limited (ASX:XTE) (“XTEK” or the “Company”) is pleased to advise that it has been selected to present at the ASX Small and Mid-Cap Conference. Philippe Odouard, Managing Director of XTEK, is scheduled to present at 11am (AEST) today. A copy of the presentation is attached to this announcement.

The presentation includes an overview of the strong FY20 financial and operational performance achieved by XTEK (unaudited). Record revenue of A\$42.7m, up ~13% from the previous period (FY19: A\$37.8m), was underpinned by the delivery of SUAS during the year and sales of ballistic solutions in the US. The FY20 gross margin of ~20% represents an increase of ~200 bps (FY19: 18%) and reflects the revenue mix shift towards higher-margin proprietary products underpinned by the contribution of ballistics sales in the US. Increasing margins are expected in FY21 and beyond, driven by higher margin revenue streams including XTEK’s proprietary ballistic products (US and globally), actionable intelligence software, and Small Unmanned Aerial Systems (SUAS) repair and maintenance services from servicing Australian Defence Force’s growing SUAS fleet.

The ASX Small and Mid-Cap Conference focuses on showcasing emerging leaders from a broad range of ASX-listed small and mid-cap companies. For the first time, this event is being held completely virtual. This will provide XTEK an opportunity to showcase the Company’s recent progress and strong outlook, and to engage with a wide network of Australian investors.

For more information, including registering for the event, please visit: <https://www2.asx.com.au/smid>.

ENDS

Announcement authorised by the XTEK Limited Board of Directors.

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
9 September 2020

General enquiries:
Philippe Odouard, Managing Director
XTEK Limited
T: +61 2 6163 5507
E: philippe@xtek.net

Media enquiries:
Rod North, Managing Director
Bourse Communications Pty Ltd
T: +613 9510 8309 M: +61 408 670 706
E: rod@boursecommunications.com.au

About XTEK Limited

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

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XTEK

ASX SMALL AND MID-CAP CONFERENCE

September 2020

www.XTEK.net | ASX: XTE

WORLD CLASS SOLDIER SOLUTIONS

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Ballistic shields & platform armour

Helmets

Soft armour

Hard armour plates

Supplier¹ of SUAS; ongoing provider of SUAS repair and maintenance services to the ADF

XTatlas™ software interfaces into existing systems (e.g. SUAS, ground robots)

SARBI² retrofitted to ground robots

Ballistic solutions
 Actionable intelligence

PROTECTING THE FRONTLINE PROTECTORS

1. Exclusive AeroVironment distributor in Australia and New Zealand for SUAS products
2. SARBI: Sensor and Radiation Broadband Interface

XTEK STRATEGY

XTEK is focused on commercialising its world class soldier solutions in key target markets globally

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Clear pathway to global markets



Focused on high value soldier solutions

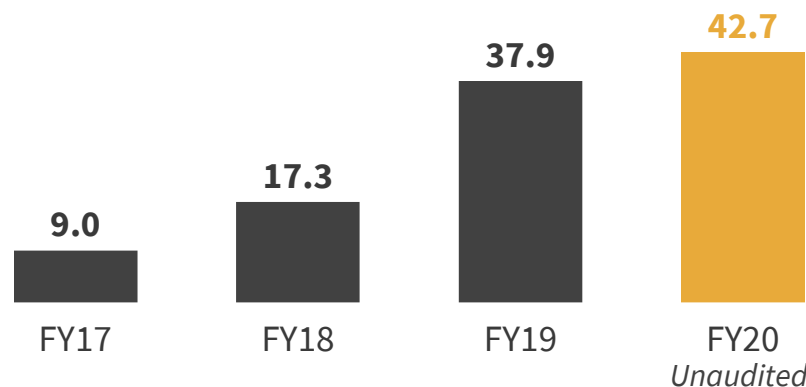


Significant experience and expertise

FINANCIAL OVERVIEW & OUTLOOK

XTEK expects to achieve record FY20 revenue, underpinned by HighCom contribution¹ in the US and ongoing SUAS supply and support

XTEK Revenue¹ (A\$m)



Gross Profit	A\$6.9m	~A\$8.6m	+30%
Gross Margin	18%	20%	+200bps
EBITDA	A\$0.3m	~A\$0.8m	+167%
EBITDA Margin	0.8%	~2.0%	+120bps
Net Profit	A\$168k	~A\$302.7k	+80%
Net Profit Margin	0.5%	~0.7%	+20bps

Strong Financial Outlook

Medium to long term target

A\$100m
Revenue

~30%
Gross Margin

Underpinned by:

- ✓ **XTclave™ manufacturing capability**
- ✓ **US distribution and manufacturing base**
- ✓ **Established global networks for exports**
- ✓ **Continued SUAS supply and maintenance**
- ✓ **Growth in actionable intelligence**
- ✓ **Interest in advanced composite materials**

XTEK expects to significantly increase gross margins through shift to proprietary products

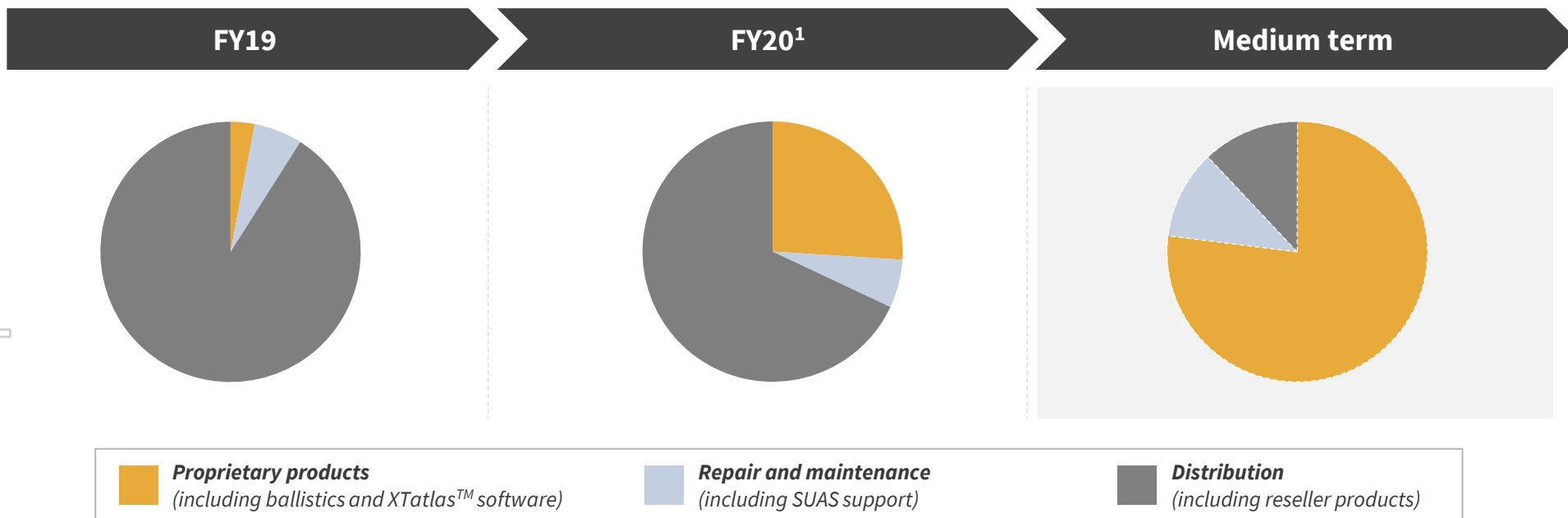
1. All FY20 figures provided are unaudited. XTEK's FY20 revenue incorporates ~9 months of HighCom revenue, following acquisition completion on 29 September 2019.

HIGHER MARGINS DRIVEN BY PRODUCT MIX

Future margins are expected to increase, underpinned by a shift to proprietary products:

- Ballistic sales directly into the US law enforcement market
- Sales of high margin ballistic solutions, incorporating the expansion of proprietary product lines (XTclave™)
- Sales of actionable intelligence software (XTatlas™)
- Repair and maintenance revenue from servicing ADF's growing SUAS fleet

SHIFTING REVENUE MIX:



1. FY20 revenue mix provided is unaudited

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WELL-DEFINED BALLISTICS STRATEGY


Clear pathway to value upside, underpinned by the innovative state-of-the-art XTclave™ process technology which enables the delivery of high performance and lightweight ballistic solutions

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 **R&D investment and strong IP in place¹**



 **Key products validated**



Ballistic plates

*Up to 30% lighter²
Increased product life
Added buoyancy*



Composite helmets

Composite helmet that can stop common AK-47 bullets³



 **Manufacturing capability**



 **Distribution networks & major customers**

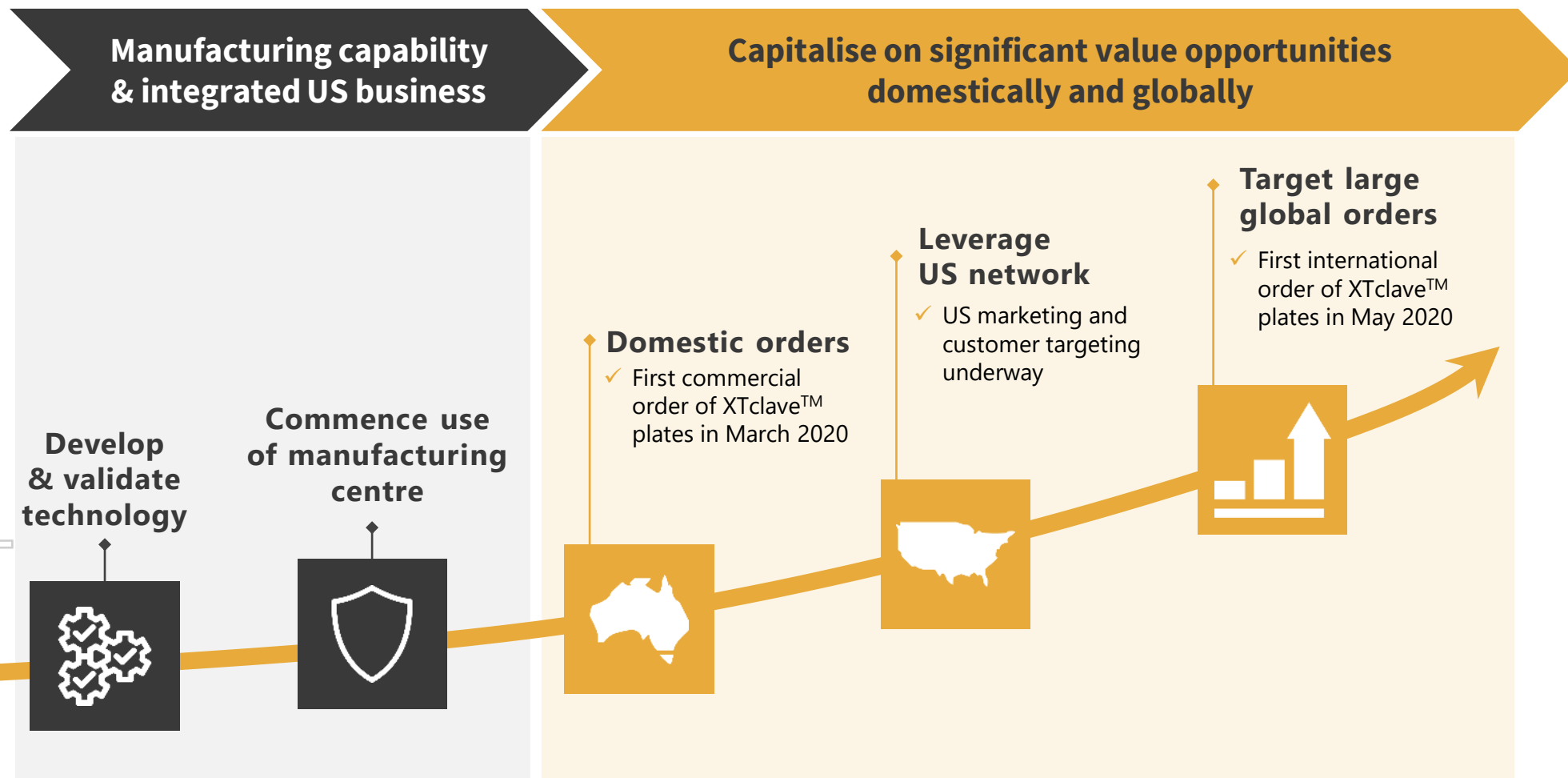
Note: All logos and brands are registered trademarks of their respective owners.

1. XTclave™ is a composite materials curing and consolidation technology, with cycles of ultra-high isostatic pressure at elevated temperatures ideally suited to manufacture high-quality, void-free, precision ballistic and structural composite solutions.
2. 30% weight saving applies to some products in the ballistic plates range (but not to all)
3. XTclave™ helmets are comparable in weight to service helmets and protect at muzzle velocity

COMMERCIALISATION & GROWTH STRATEGY

XTEK is executing on its ballistics commercialisation strategy, with a clear path to value upside

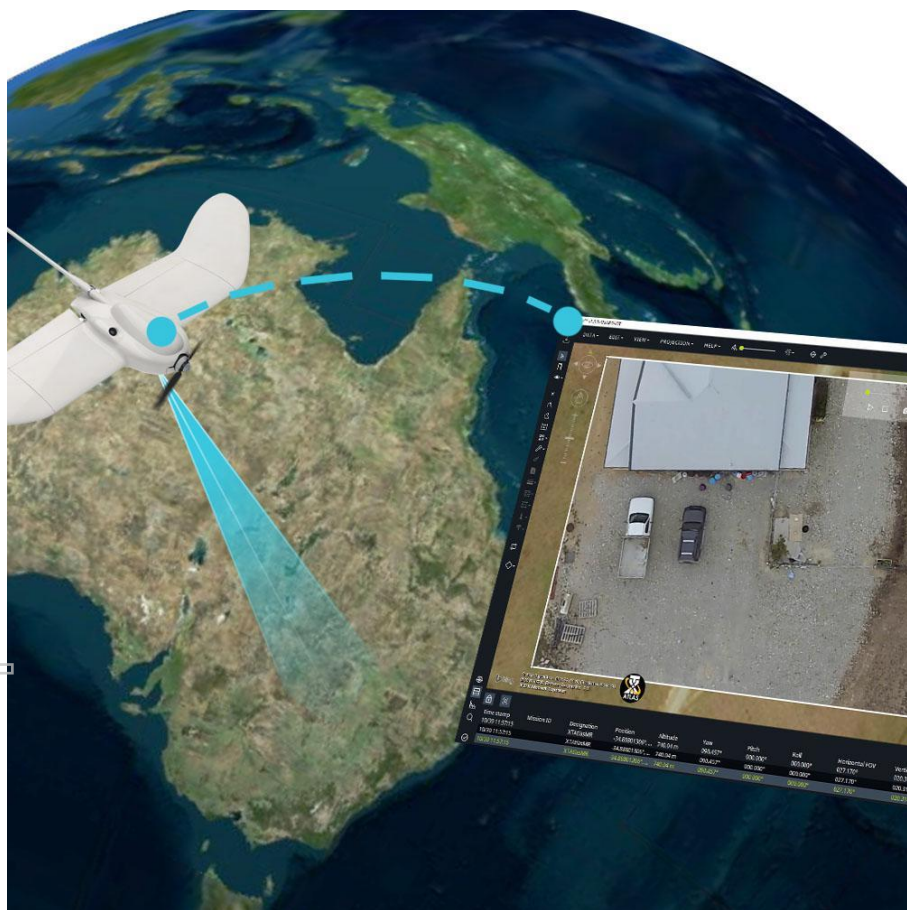
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ACTIONABLE INTELLIGENCE SOLUTION

Commercialisation strategy builds upon XTEK's capability to provide a complete system for a comprehensive real time actionable solution

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- XTAtlas™ allows for the **rapid production of real time, accurate, geo-referenced 3D mapping** from a video feed
- Enables **comparison with previous data**
- Use in combat **ensures real time situational awareness and targeting** during a mission, critical to soldiers' safety
- Software **interfaced to existing hardware**, such as SUAS or ground robots

ACTIONABLE INTELLIGENCE MARKET CHANNELS

Established networks with broad access to customer channels provide significant opportunities to commercialise the XTatlas™ software applications, with demonstrations and discussions ongoing

SUAS supply and maintenance

- Leading full-service **supplier of Small Unmanned Aerial Systems (SUAS)** - provide training and ongoing support and maintenance
- Ongoing relationship with the ADF including delivery of **SUAS products**¹ and a **long-term repair and maintenance support services** contract²



Robots with SARBI³

- SARBI, a module of XTatlas™ software, enables accurate mapping of **chemical, biological, nuclear and radiological sources**
- Real-time data from ground providing a **complete sensor solution**



1. XTEK has an exclusive agreement with AeroVironment, the leading defence SUAS supplier globally, for Australia & NZ
 2. Exclusive long-term support services contract to mid 2022, with multiple options to extend through to mid 2025, expected to be worth up to A\$35m
 3. SARBI: Sensor and Radiation Broadband Interface

ADVANCED COMPOSITE SOLUTIONS

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

XTclave™ key advantages for space applications:

- Produces materials with **higher specific strength to weight ratio**
- Ultra-high process pressure **reduces composite outgassing**, often a limiting factor for use of composites in space

XTEK's commercial partnerships



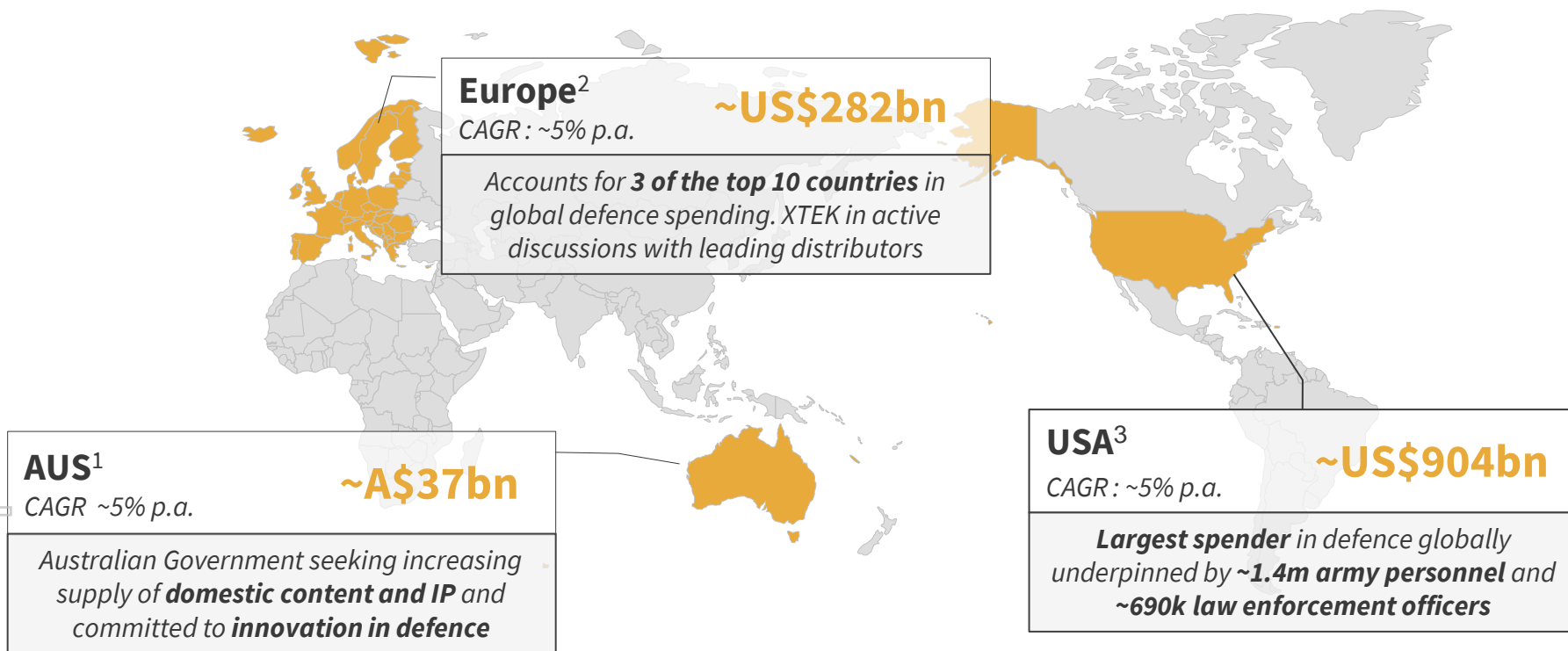
1. Australian Space Agency International Space Investment grant, for ~A\$880k (Source: Business.gov.au); Note: All logos are registered trademarks of their respective owners.

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FAVOURABLE GLOBAL DEFENCE THEMES

XTEK is currently servicing clients across key target markets including US, Europe and Australia - where spending budgets are typically uncorrelated with markets

Military expenditure and market dynamics in key target markets



Source: SIPRI 2020; The balance 2020; Australian Government Department of Defence; FBI Uniform Crime Reporting (UCR) 2018; GlobalFirePower 2020; Defense News 2019

1. Australian military expenditure in 2019; CAGR measured from 2014 to 2019

2. Central and Western Europe military expenditure in 2019; CAGR measured from 2016 to 2019, with spending converted to USD at the exchange rate for each given year

3. Total US Military and Defence expenditure in 2019; includes base budget for the Department of Defense; overseas contingency operations for DoD; other (including Department of Veterans Affairs, Homeland Security and FBI); US CAGR based on base military expenditure only (~US\$732bn in 2019) and measured from 2016 to 2019

PIPELINE OPPORTUNITIES

Strong confidence in >A\$30m of FY21 revenue, with an additional ~A\$70m+ of near-term opportunities being targeted, and well funded to accelerate further growth opportunities

FY21 forecast opportunities underpins revenue

- ✓ 'Recurring' US ballistic sales of ~A\$14m p.a. (based on HighCom network)
- ✓ Finnish defence ballistic order of ~A\$2m (with potential for further orders)
- ✓ SUAS support and maintenance contract worth ~A\$5m p.a. (expected to increase as SUAS fleet grows)
- ✓ SUAS supply and spare parts to the ADF worth ~A\$10m
 - A\$70m+ of near-term opportunities across ballistic, SUAS and other solutions
 - Expect up to ~A\$25m of other opportunities to formally arise during FY21



Drivers of medium / long term order book (FY22 and beyond)

- Well funded to execute on further growth opportunities with ~A\$12m capital raised in August 2020
- Establishment of US based XTclave™ manufacturing capability will enable tendering for large US defence contracts that require locally made product
- Increased focus on new product development – pipeline of new products to further drive growth
- Increased sales and marketing resources deployed in the US and EU to handle anticipated growth in demand



KEY INVESTMENT HIGHLIGHTS

XTEK is well positioned for growth, underpinned by accelerated commercialisation of high value proprietary solutions and favourable market sentiment within the domestic and global defence industry



Focused on market leading soldier solutions



US expansion accelerates ballistic solutions strategy



Actionable intelligence solution



Favourable defence market sentiment



Strong outlook

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APPENDIX



CORPORATE OVERVIEW

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Trading information¹

Share price (3 September 2020)	A\$0.695
No of shares	70.6m
Market capitalisation	A\$49.1m
Net cash ²	A\$15.7m

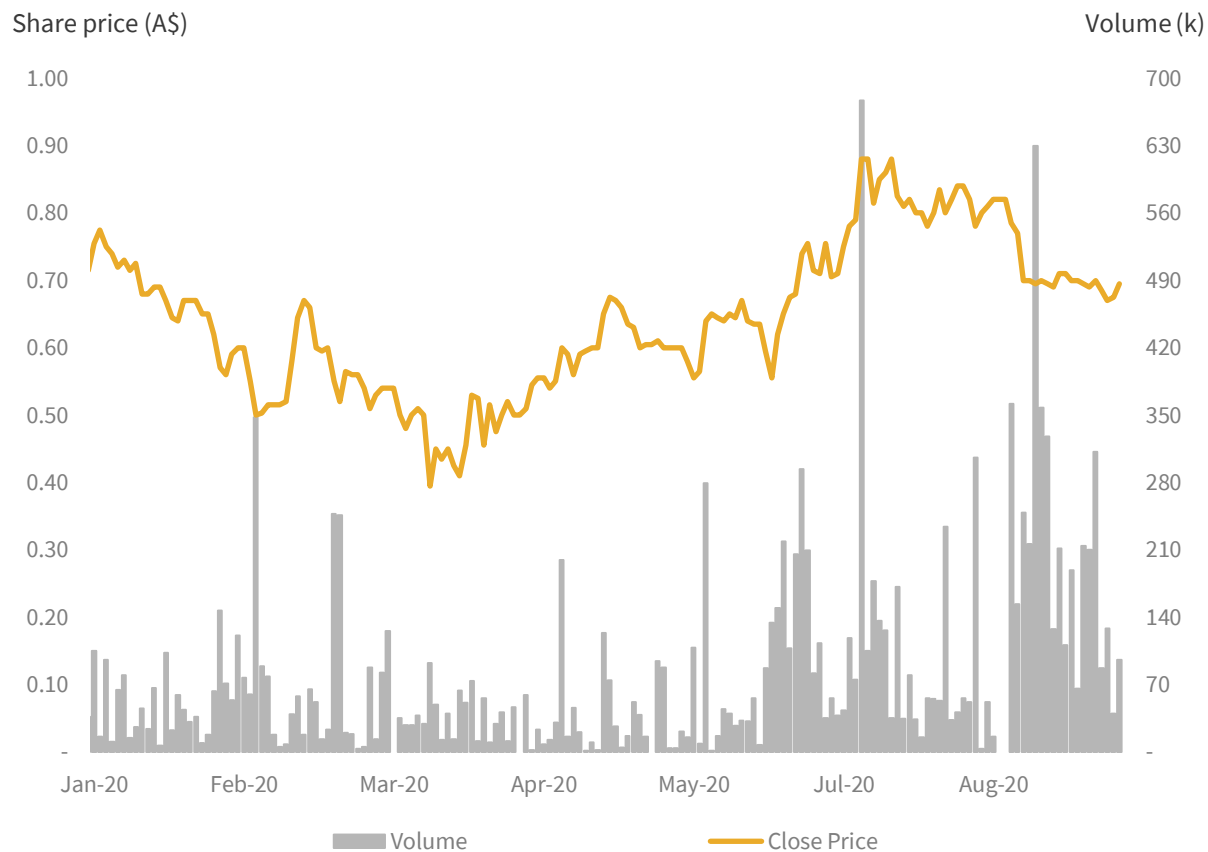
XTEK Board

Uwe Boettcher	Non-Executive Chairman
Philippe Odouard	Managing Director
Robert Quodling	Executive Director
Ivan Slavich	Non-Executive Director
Chris Fullerton	Non-Executive Director

Major shareholders

Uwe Boettcher	6.2%
HighCom Global Security	5.7%
CS Third Nominees	3.8%
Mrs Wendy Wing Lin Lo	3.6%
Washington H Soul Pattinson and Company	3.5%

Share price performance (YTD)



Source: IRESS, company information

- XTEK holds ~A\$23m of tax losses (unaudited) which can be utilised in future periods
- Net cash of A\$3.6m as at 31 July 2020 (unaudited), adjusted for capital raised of ~A\$9.2m via placement and ~A\$2.9m via SPP in August 2020

KEY CATALYSTS

Significant news flow and order wins expected to be announced over the next 12 months (and beyond)

- Delivery of ~A\$2m of ballistic plates to Finnish Defence (4Q CY20)
- Appoint additional global defence / law enforcement sales resources (4Q CY20) including ex SOCOM US deputy commander
- Launch additional ballistic products in the US, with near-term exports of XTclave™ products (CY20-CY21)
- Order key parts for US XTclave™ machine (4Q CY20)
- Installation, commissioning and optimisation of US XTclave™ machine (1H CY22)
- Completion of space project in partnership with Skykraft and international parties (2H CY21)
- Achieve further commercial orders for XTclave™ products across domestic and international target parties
- Supply of SUAS supply and maintenance and other reseller products to ADF



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