



XTEK LTD
PROTECT AND SUSTAIN



EQUITY RAISING PRESENTATION

JUNE 2017

ASX: XTE

- **A market leader in homeland security equipment** for the military and police sectors in Australasia
- Forecasting A\$9m revenue in FY17 with **high revenue growth and shift to profitability during 2H FY17¹**
- **New revenue guidance from FY18 onwards** represents an upgrade from that previously disclosed
- Strong revenue pipeline with major wins including **success as tenderer for provision of up to A\$100m in Small Unmanned Aerial Systems for the Australian Defence Force**
- Senior management and Board have **distinguished military and police backgrounds**, experience in the **homeland security market**, and **global commercialisation expertise**
- Significant market opportunity with **defence spending set to increase significantly** in Australia
- **Operational across the full value chain** from development and manufacturing, to distribution and maintenance
- **Broad product suite** in the areas of Unmanned Aerial Systems and imagery, Tactical Weapons / ballistic protection and Explosive Ordnance Disposal
- Strategy focussed on **leveraging existing exclusive distribution agreements**, with **development and commercialisation of proprietary innovations in the same fields**

XTEK is a supplier of high quality protective security, tactical and forensics solutions to the government, law enforcement, military and commercial sectors

Trading information

Share price (23-Jun-17)	A\$0.550
52 week low / high	A\$0.295 / A\$0.560
Market capitalisation (23-Jun-17) ¹	A\$16.2m
Cash (May-17) ²	A\$0.9m
Debt (May-17)	A\$0.6m
Enterprise value	A\$15.9m

Major shareholders

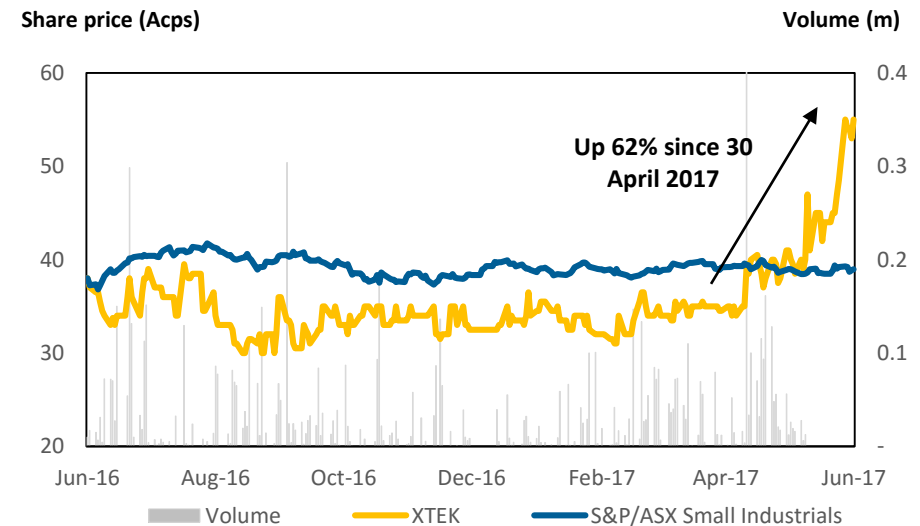
Uwe Boettcher (<i>Non-Executive Chairman</i>)	17.2%
Fairlane Management	7.1%
High net worth investor	5.1%
Top 20 shareholders	55.5%
Total Board and senior management	20.0%

Source: IRESS

¹ Excludes 0.5m unlisted options expiring 15 July 2018 at an exercise price of A\$0.45

² Does not include proceeds from the Placement or SPP, see pages 4 and 5

Share price performance



A premier emerging defence and homeland security opportunity on the ASX

Capital raising and use of funds

XTEK intends to raise A\$3.0m via a placement and A\$0.5m via a share purchase plan

- A\$3.0m placement to sophisticated and institutional investors (“Placement”)
 - New shares to be issued at an offer price of A\$0.46 per share, representing a 16.4% discount to the last closing price of A\$0.55 and a 11.3% discount to the 5 day VWAP of A\$0.52
 - New shares to be fully paid and rank equally with existing XTEK shares
 - Placement will utilise XTEK’s existing placement capacity pursuant to ASX Listing Rule 7.1 and 7.1A
- A share purchase plan will be offered to existing shareholders, targeting to raise A\$0.5m at the same price (“SPP”)
 - Board and management have also stated their intention to participate up to the maximum available investment in the SPP

Placement & SPP use of funds

1	XTclave™ commercialisation	A\$1.0m
2	XAtlas™ technology development	A\$0.5m
3	Expansion capital	A\$1.8m
	Costs of the Placement & SPP	A\$0.2m
	Total use of funds	A\$3.5m

Use of funds highlights

- 1 **XTclave™ commercialisation** – Construction of XTEK’s own commercial scale XTclave™ production plant and ancillary equipment. It will allow XTEK to continue the promotion of its technology on the world market. This will allow XTEK to produce commercial quantities of its advanced XTclave™ personal hard armour ballistic protection plates.
- 2 **XAtlas™ technology development** – Research and development activity of XTEK’s proprietary XAtlas™ software technology. The commercialisation of XAtlas™ through its existing and future unmanned aircraft system contracts is a key focus for XTEK.
- 3 **Expansion capital** – Additional working capital to primarily to allow XTEK to pursue more and larger contracts in the future.

Capital raising timetable

The indicative timetable for the capital raising is provided below

Indicative capital raising timetable

Record date for SPP	5.00pm AEST, Tuesday, 27 June 2017
Placement and SPP announced and Company resumes trading	Wednesday, 28 June 2017
Settlement of Placement via DvP	Friday, 30 June 2017
Dispatch SPP booklet to shareholders	Monday, 3 July 2017
Closing date for SPP	Monday, 24 July 2017
Allotment date for SPP securities	Monday, 31 July 2017
Commencement of trading of new shares on ASX	Tuesday, 1 August 2017

*The timetable above is indicative only and may be varied subject to the ASX Listing Rules

XTEK combines exclusive distribution agreements with complementary local development to bring complete and state of the art solutions to its homeland security markets



- Exclusive distribution agreements with leading global security brands
- High quality after sales service, support and consultancy covering Australia and New Zealand
- Development and world wide commercialisation of proprietary innovations with high market potential
- Global opportunities in synergy with existing products and relationships
- Australian Defence Force (ADF) Recognised Supplier and a member of the Defence Industry Security Program
- Strategic focus on retention of high value Original Equipment Manufacturer relationships

Our strategy is supported by increasing defence spending and an increased emphasis on locally developed products

Our aim is to grow XTEK based on top brand distribution products in the short term and unique XTEK developed competitive products worldwide in the long term

Track record of senior leadership

Senior leadership at XTEK have strong experience and relationships within defence technology and the Australian Defence Force

- Management team have accumulated project development expertise at Quickstep, Thales and Electro Optic Systems
- The team leverages their extensive defence force knowledge and experience to optimise the XTEK product mix

Philippe Odouard

Managing Director

- 25+ years in general management of defence related companies globally
- Former Managing Director at Quickstep Holdings Limited (ASX: QHL)
- Commercialised Quickstep from start-up phase to A\$50m revenue of composites
 - Secured US\$720m parts contract from Lockheed Martin's F-35 combat aircraft
- Former Senior Manager of Thales for large defence contracts development and execution



Robert Quodling

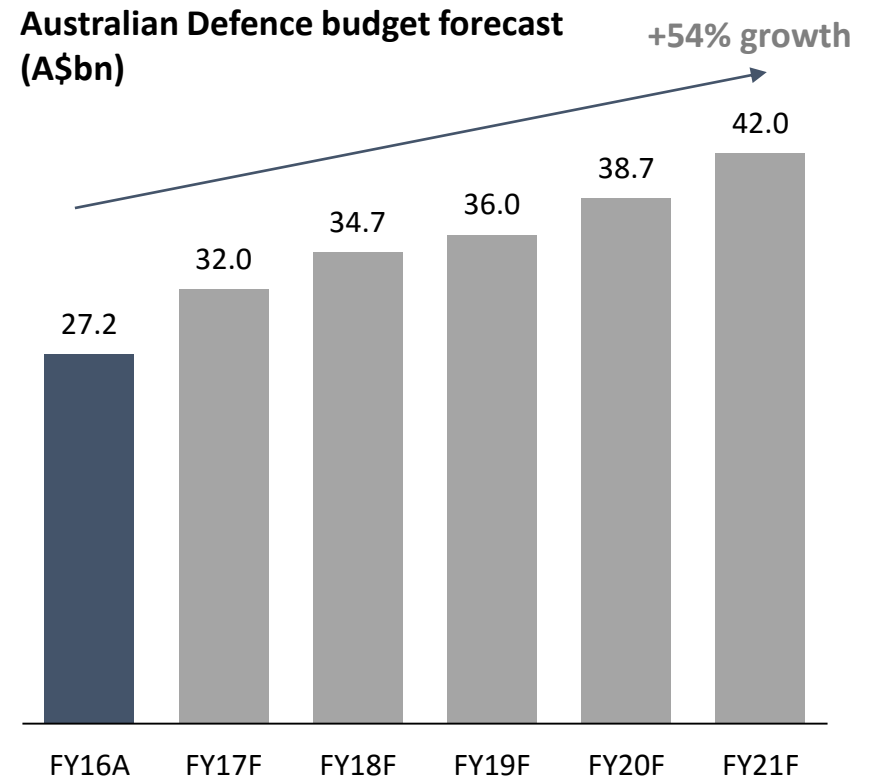
Executive Director and COO

- Former Officer of the Australian Defence Force (1975-1994)
- Former General Manager at Electro Optic Systems (ASX: EOS)
- Co-founder, CEO and Executive Director of Simmersion Holdings



Australian total defence expenditure forecast to grow by 54% to FY21 and reach an annual expenditure of 2% of GDP

- Global and regional security threats are driving the expansion of the Australian government's defence budget over the next 5 years
 - This presents a major opportunity for XTEK as the Australian government focuses on better technical detection and response solutions
 - The Australian government is focusing its defence budget on:
 - Increased supply of **Australian content**
 - **Strong investment in advanced technology**
 - **Creation of local jobs** for Australian defence suppliers
- Key opportunity for XTEK**
- Recent small unmanned aerial system (SUAS) contract win is very positive for XTEK
 - XAtlas™ contextual video – presents significant value add opportunities to complement SUAS sales



Source: Portfolio Budget Statements 17/18

XTEK maintains its FY17 revenue guidance of A\$9m which is comprised of relatively equal contributions from three key revenue sources

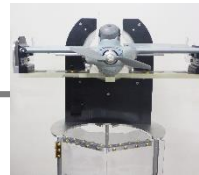
Product sales



A\$3.5m revenue expected (FY17)

- Covers a range of products and equipment, operating under the following portfolios:
 - Unmanned Aerial Systems
 - Weapons and Ancillaries
 - Explosive Ordnance Disposal (EOD) equipment
 - Protective Security Equipment
 - Forensic Products
- Customers are typically Federal Governments (mainly Australia and New Zealand)

Logistics engineering



A\$3.1m revenue expected (FY17)

- XTEK's logistical engineering division offers:
 - Service and repairs
 - Training
- Provides after-market services for primary sales

In-house product development and manufacture



A\$2.4m revenue expected (FY17)

- Manufacture of sniper rifles
- Development of ballistic plates/helmets for foreign governments/partners
- Currently testing on the XTclave™ advanced lightweight hard armour plate solutions for the United States Department of Defence FCT office
 - FCT assists XTEK determine best customer base for product
 - XTclave™ product development opportunities continue to be invested in by XTEK

XTEK has a product focus on three main sectors; UAS, tactical weapons & protection, and explosive ordnance disposal

Unmanned Aerial Systems (UAS)



- Key near term opportunity for XTEK with major government expenditure in UAS
- XTEK has exclusive distribution of AeroVironment in Australia and New Zealand, the largest supplier of small UAS in the USA with 24,000 units worldwide

Tactical weapons & protection



- Extensive range of weapons (e.g. Tac 2), specialised ammunition (e.g. RUAG and UTM), sights, helmets and robots
- Focus is Tac 2 sniper rifle targeting several thousand rifle sales in 10 years at c. \$10,000 per rifle
- Several development for ballistic protection contracts are underway

Explosive Ordnance Disposal (EOD)



- Product range consists of EOD robots and x-ray generators / systems
- Traditional customers are police and defence forces
- Recently secured A\$1.7m contract to supply two EOD robots to a State Police Force in Australia

Strong opportunity for XTEK in-house product sales

- A significant global market exists to deploy XTEK's XAtlas™ technology on both UAS and piloted aircraft
- XTEK's Xtclave™ technology is a composite manufacturing process to produce advanced armour plates and helmets with a substantial reduction in weight
 - Recently signed second agreement with the US military to evaluate its Xtclave™ technology

XTEK has exclusive distribution rights for AeroVironment in Australia and New Zealand, the recognised leader in UAS globally

- XTEK has **exclusive distribution rights for AeroVironment** in Australia and New Zealand
- AeroVironment is the recognised leader in UAS globally
 - Supplied **85% of US Department of Defence UAS fleet**
 - Delivered more than **24,000 small unmanned aircraft worldwide**
- XTEK sells, supports and maintains AeroVironment UAS to a number of Australian agencies
 - Recent announcement of A\$101m SUAS investment by the ADF
 - Potential for nano UAS
 - Potential for larger and special purpose UAS
- XTEK is **well positioned to supply significant further acquisitions of UAS** by both the Australian military and law enforcement agencies as a leading UAS supplier

AeroVironment unmanned aircraft



Material SUAS contract represents a step-change transaction for XTEK, and sees the Company well placed for further contract wins

- The Minister for Defence and the Minister for Defence Industry recently announced a **A\$101m investment in new world class SUAS capability through XTEK**
- The investment includes **payments for the prime contract and support of the equipment to XTEK**
- For XTEK, this could represent initial **sales revenue of over A\$40m and maintenance revenue of up to A\$9m per annum for 5-7 years**
- XTEK will work with the Australian Defence Force to **progress towards signature of a contract for the SUAS as soon as possible**
- On the same day of the announcement, the Minister for Defence Industry confirmed that the Australian Government is **dedicating A\$200bn to growing Australia's defence capability over the next decade**
- **XTEK is well positioned to benefit from this sustained increase in Australian Government defence spending**

Quotes from Australian Government media release

**The Honourable
Christopher Pyne MP**
Minister for Defence Industry
Leader of the House
Federal Member for Sturt

**Senator the Honourable
Marise Payne**
Minister for Defence
Senator for New South Wales

New small unmanned aerial systems for ADF

"A new world-class surveillance and reconnaissance capability acquired by Defence will give our soldiers an edge on the front line"

"The systems [are] small enough to be carried, assembled and used by one person, and allow the soldier to see over the hill, around the corner and down the road"

*"The WASP AE will be ... acquired through Canberra based company, **XTEK**"*

*"The majority of maintenance and support will be carried out in Australia by **XTEK**"*

A significant global market exists for the XTAtlas™ capability on both UAS and piloted aircraft

- Commercialisation has commenced
 - Global demand has been identified from UAS operators, defence and other government agencies, including police and emergency services
- The mapped areas can be the foundation of a 3D image based Common Operating Picture which can integrate multiple sensors on different platforms at headquarters for real time monitoring of an operation area
- Technology licences will be achieved initially through existing geospatial and UAS partner distribution networks in Europe and the US
- Considerable interest has been generated in the ADF for these products
- Commercialisation process:
 - **Phase 1 (operational):** Geo-reference real time video on to a background map in the ground station in real time
 - **Phase 2 (development):** Creation of new mosaic mapping from the video on the fly

Google Maps



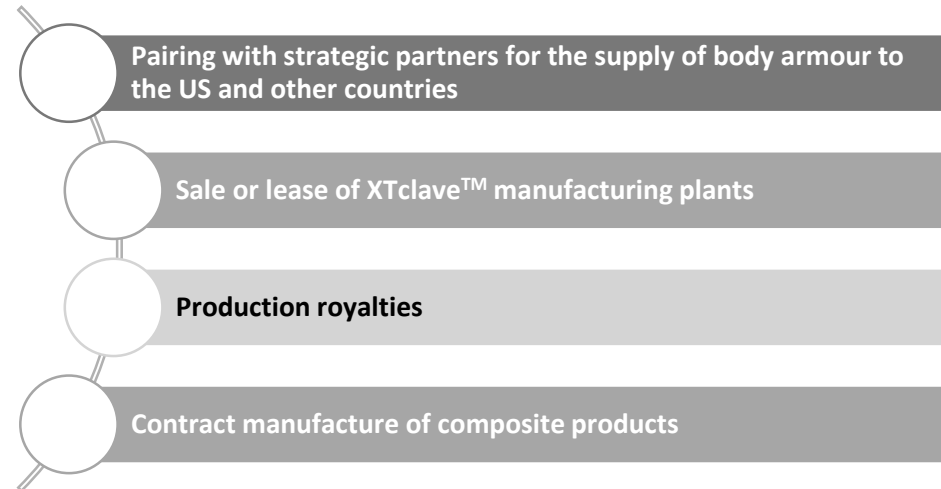
XTAtlas™ mosaic mapping

XTAtlas™
technology

XTclave™ is an XTEK composite manufacturing process which can produce high performance ballistic products such as armour plates and helmets

- XTclave™ is a superior proprietary and patented composite manufacturing process for personal hard armour ballistic protection plates and other complex composite products
 - Provides up to 30% reduction in weight and similar ballistic performance
 - Agent appointed in Europe
 - Discussions underway with 5 potential licensees
- One production machine has been in operation for the last 3 years successfully demonstrating the maturity of the product
 - Several innovations have substantially improved the performance of the machine
 - XTEK is building one additional commercial scale XTclave™ plant in 2017
- The US Department of Defence Comparative Testing Office awarded XTEK a US\$1.5m contract to develop lightweight hard armour plate solutions using XTclave™
 - Testing concluded positively in February 2017
 - Second agreement entered into for further evaluation

Commercialisation opportunities



XTclave™ commercial scale production plant



XTEK Tac 2 Sniper Rifle

XTEK is supplying its Tac 2 sniper rifle to the Australian Defence Force having designed and manufactured the majority of its parts

- Currently being delivered to the Australian Defence Force
- XTEK has designed the Tac 2 sniper rifle with a high level of involvement with its operators
 - It is now one of the most accurate and advanced sniper rifles on the market
- XTEK also manufactures the majority of these parts
 - The design is based on a very successful Blaser Tac 2 hunting rifle
- XTEK has the right to the design and it will be proposed on the export market

Tac 2 sniper rifle



Recent tender wins

Significant recent tender wins position XTEK for rapid near term revenue growth in 2017 and beyond

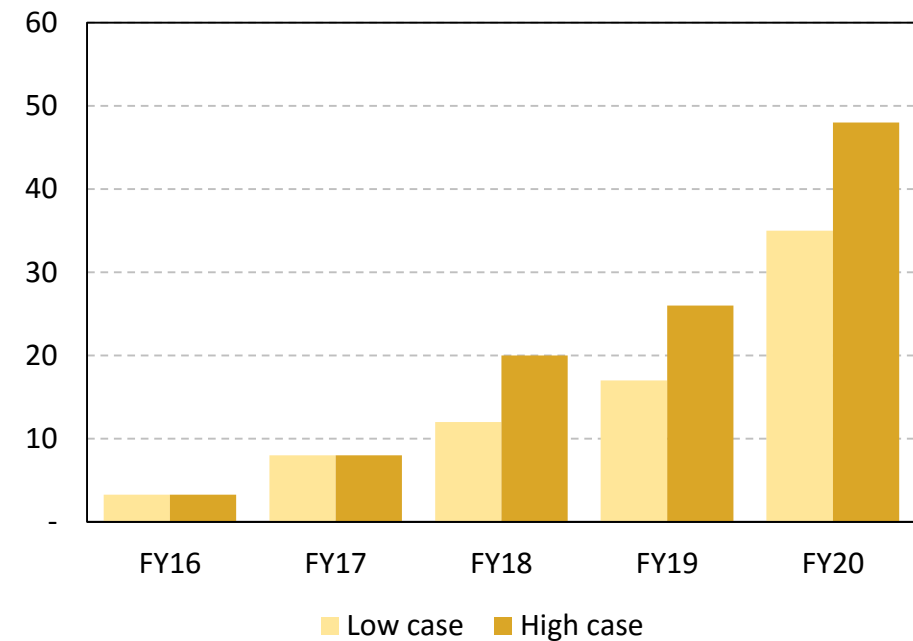
Product	Contract details and customer	Contract size
Small Unmanned Aerial Systems	<ul style="list-style-type: none">▪ Preferred tenderer for the supply of SUAS▪ Australian Army (ADF Land 129 Phase 4)	Up to A\$100m over 5-7 years
Tac2 Sniper Rifles	<ul style="list-style-type: none">▪ Supply of XTEK Tac 2 Sniper Rifle systems and components▪ Australian Army and some police forces	up to A\$2m
Unmanned Ground Vehicles	<ul style="list-style-type: none">▪ Supply of industry leading unmanned EOD ground vehicles▪ Australian police forces	up to A\$2.2m
Bomb response equipment	<ul style="list-style-type: none">▪ Supply of advanced x-ray equipment for bomb response operations▪ Australian government client	up to A\$1.3m
Surveillance	<ul style="list-style-type: none">▪ Supply of light thrown surveillance robots▪ ADF client	up to A\$0.3m
Bomb response equipment	<ul style="list-style-type: none">▪ Supply of two EOD robots; one Telerob Telemax and one Telerob tEODor robot▪ Australian State Police Force	up to A\$1.7m
XTclave™	<ul style="list-style-type: none">▪ Second agreement signed with US Military to evaluate our XTclave™ technology	up to US\$0.7m

Strong sales pipeline in FY17 expected to deliver a positive second half result as XTEK rapidly approaches profitability

Key financials

- FY17 revenue guidance of A\$9m
 - Gross profit expected to be in line with historical gross margins of 20-40%
 - Expected to be cash flow positive for 2H FY17 and remain so going forward
- Keen focus on maintaining low corporate overheads
- High revenue growth expected to commence with recent contract wins and progress with a number of others

Forecast revenues (A\$m)¹



Source: XTEK management forecasts (refer to important disclaimer on slide 24)

Note:

1 Forecast assumes the execution of UAS contract with ADF

Limited defence exposures on the ASX

XTEK is targeting high revenue growth and achievement of profitability in 2H FY17 which will position it within the top tier of ASX-listed defence exposures

164 ASX-listed industrials companies¹, of which...

6 Are focused on defence and homeland security and only...

3 Are profitable or expected to reach profitability during this year²

	Expected to be profitable in 2H FY17	Market capitalisation	FY17F Revenues	Share price performance (2017 YTD)	
Austal (ASX: ASB)	✓	A\$631m	A\$1,370m		5%
Veem (ASX: VEE)	✓	A\$83m	A\$47m	(2%)	
XTEK (ASX: XTE)	✓	A\$16m	A\$9m		66%
Electro Optic Systems	✗				
Quickstep	✗				
department13	✗				

Source: IRESS, Bloomberg consensus (Austal forecasts), Veem prospectus (Veem forecasts), and company guidance (XTEK forecasts)

Notes:

1 ASX-listed companies in the Industrials GICS sector as at 7 June 2017

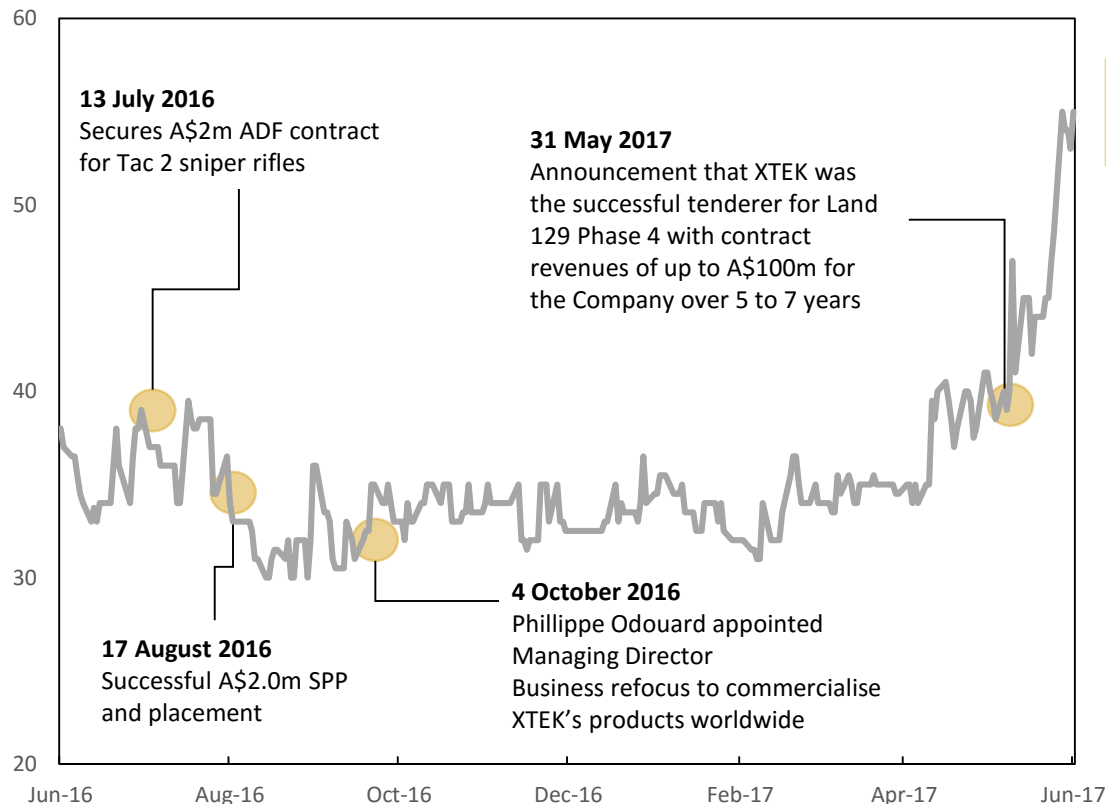
2 ASX-listed companies in the Industrials GICS sector and focused on defence and homeland security with a positive forecast NPAT (or company guidance) in 2017

Share price performance and the future

XTEK is focused on delivery in 2017 and beyond as it progresses toward profitability and unlocks revenues from potential upcoming supply contracts

Recent price performance

Share price (Acps)



Source: IRESS

Future milestones

Late June

- ✓ Execution of additional research contract with the US Department of Defence (*achieved*)
- ✓ Execution of contracts for EODs with domestic police forces (*achieved*)
- Expectation of ADF SUAS (Land 129 Phase 4) contract execution

2H CY2017

- Expected execution of Tac 2 additional contracts
- Further expected signing of XTclave™ and XTatlas™ licences
- Release of FY17 results (revenue guidance of A\$9m and profitability expected during 2H FY2017)

Appendix



- Select product detail
- Board and senior management profiles

XTEK is the traditional supplier of EOD products for the Australian Defence Forces and a number of law enforcement agencies in Australia

- XTEK distributes the tEODor and Telemax EOD robots from Telerob in Germany and the ICOR range of products from Canada
- These products have been in service for a number of years in the ADF and law enforcement agencies
 - Additional quantities are purchased on a regular basis to either enhance the number or replace existing equipment
- In June 2017 announced a A\$1.7m contract with an Australian state police force to supply two EOD robots
- XTEK also distributes a range of x-ray generators and systems for suspect packages
- XTEK has developed an upgrade of the tEODor robot to control it in a digital manner allowing sharing of pictures with other stakeholders as well as controlling x-ray and disabling devices from further away
- Main competition is supplied robots through foreign military sales directly from the US Government

EOD robot



XAtlas™ introduces a disruptive game changer capability in the UAS market with significant potential for XTEK proprietary technology add-ons

- The XAtlas™ technology includes an electro-optical aviation payload and associated ground station software
 - The software can geo-reference video from the payload onto a background map in the ground station in real time
- XAtlas™ delivers high definition video image in context to a digital map in real-time and mosaic mapping in near real-time
- Drone / UAS video feeds are currently incapable of overlaying a video image in context to a map (or mapping on the fly)
- Large expensive UAS used by Defence and Government intelligence agencies show video with map coordinates only
- XTEK is also developing georeferenced sensors interface for Chemical, Biological, Radiation, Nuclear, Explosive (CBRNE) and Magnetic sensors with capability to overlay the results accurately on this mosaic map



Board and senior management

Uwe Boettcher
Non-Executive Chairman

- Principal of the law firm, Boettcher Law, formerly a partner at Abbott Tout Lawyers after starting his career at the firm now known as King & Wood Mallesons
- Foundation Fellow of the Australian Association of Angel Investors, Fellow of the Australian and New Zealand College of Notaries and a Fellow of the Australian Institute of Banking and Finance
- Former Treasurer of the ACT Law Society and Chairman of various companies including Kord Defence Group

Ivan Slavich
Non-Executive Director

- Over 25 years of senior management experience in the energy, government, banking and telecommunications
- Proven track record as an exceptional leader and motivator in developing and implementing strategic innovations, business process re-engineering and integration, resulting in substantial improvement across business sales and profitability

Robert Quodling
Executive Director and
COO

- Experienced leader and motivator of high performance commerce teams in the defence and aerospace sectors at the operational and executive level
- Diverse skills in corporate governance, planning, project management, marketing, sales and business development. Held a range of command and operational appointments in the Australian Army between 1975 and 1994

Philippe Odouard
Managing Director

- Over 25 years in general management of Defence related companies in Australia and overseas
- Developed Quickstep from a start up to a leader in composite manufacture and technology with \$50m revenue.
- Specialised in developing and commercialising new technology in a Defence environment

Lawrence Gardiner
Company Secretary

- Served with the Australian Army and specialised in logistics management and EOD operations
- Also served in senior executive roles with the Australian Federal Police in counter terrorist first response and protective security operations
- Director of the International Association of Bomb Technicians and Investigators for over 11 years

David Brooking
Chief Financial Officer

- Thirty years experience in the accounting and finance industries, strong corporate knowledge across the areas of property development and professional services industries.
 - Focussed on both the financial results as well as process improvement across his areas of responsibilities
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