

Release to the Australian Securities Exchange

XTEK presents at key investor conference

Canberra – Thursday, 18 October 2018: XTEK Limited (ASX: XTE, 'XTEK', the 'Company') is pleased to advise that the Company's Managing Director, Philippe Odouard provided an update on XTEK's recent progress and outlook at the **9th Annual Australian Microcap Investment Conference** on 17 October 2017. The latest investor presentation presented at the conference is attached and forms part of this announcement.

Key investment highlights:

- Large and growing defence markets
- Proprietary products target local and export markets
- Government is mandating significant Australian industry content
- Profitable underlying business with growth opportunities
- Commercialisation of high-margin proprietary products underpinned by production capabilities
- Strong operational performance and financial position allows growth by acquisition
- Favourable financial outlook driven by ~A\$38m of contracted revenue, no debt and cash in hand

XTEK Managing Director Philippe Odouard commented:

"I am excited to share XTEK's recent performance and outlook with institutional and retail investors at the 9th Annual Australian Microcap Investment Conference. We have built a profitable and sustainable core business with multiple growth opportunities in the pipeline. In addition, our two proprietary products, XTclave™ and XTatlas™, represent significant upside potential in the near term with the commercialisation of these products underway and gaining momentum."

- ENDS -

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
18 October 2018

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About XTEK Limited

XTEK Limited is a leading company in the Australian Homeland Security Market. XTEK's knowledge and expertise is focused on the delivery of protection and sustainment solutions for the government, law enforcement, military and commercial sectors.

The supply and maintenance of Small Unmanned Aerial Systems (SUAS) is a major focus for XTEK. In addition, XTEK has developed a range of new technologies which it is now commercialising for the domestic and international markets. XTclave™ manufactured composite protection products and XTatlas™ "Actionable Intelligence" software provides novel solutions for western military forces. For more information visit the XTEK website at www.xtek.net



Australian Microcap Investment Conference

October 2018

ASX: XTE



Key Investment benefit

1

Core distribution business **profitable on its traditional activities** with multiple growth opportunities in the pipeline

2

Significant upside potential in the near-term with 2 new product lines being launched now

Defence is THE investment theme

The golden age of defence investment in Australia

**Current annual Australian defence budget
A\$35bn increasing to >A\$50bn**

**Western world budget increasing consistently
above inflation to 2% of GDP and above**

**Government imposing high local content and
Australian IP**

**XTEK is an established Australian Defence
supplier**

**Contracted to supply SUAS fleet to Australian
Army**



Source: Australian Government Department of Defence 2016-18

Key activities and product focus

XTEK is focused on being the supplier of choice for a range of products and support services to the defence, law enforcement and government sectors globally



**Ballistic
products and
technology**

**Intelligence
and
surveillance**

**Small
Unmanned
Aerial Systems**

**Additional
defence related
products**



XTclave™



XTatlas™



XTclave™ – helmets

Product sales

Maintenance support

**Leveraging strong
distribution networks**

Operational strategy

XTEK's focus on commercialising proprietary products leverages existing strategic networks and relationships to deliver shareholder value



High margin proprietary products with **global opportunities** in **high growth** sectors

Financial stability secured with **exclusive distribution agreements** from **key defence customers**

XTclave™ – overview

XTclave™ is a patented manufacturing technology that can produce the world's lightest and strongest body armour



Ballistic Armour Plates

Up to **30% lighter** with equal performance

Increase in life of product and **added buoyancy**

Validation from numerous international defence clients

Helmet Shells

Only composite helmet that can consistently **stop AK-47 bullets** at comparable weight to less capable helmets

US Department of Defence **funded testing program** for Ballistic Helmets using XTclave™

Finalising development in Adelaide facility

XTclave™ – significant market opportunity

Entry into the global body armour and personal protection market is estimated to be worth US\$3.5bn p.a. by 2028

Body armour market worth ~US\$3.5bn p.a. by 2028 (CAGR: 4.6%)

New XTclave™ production facility by H1 CY2019 capable of generating revenue of A\$20m p.a.

>15 clients well progressed through testing (ADF; FY Composites; US Department of Defence)

Long customer testing cycles followed by large contract with strong margins

Global Body Armour Market

>US\$30bn
over the next decade¹



1. The Global Body Armor and Personal Protection Market 2018 - 2028

XTatlas™ – real-time situational awareness

First commercial sales to the ADF following finalisation of development and represents an exciting growth opportunity

SUAS software application with **real-time 3D imaging** and **video mapping**

Diverse uses including law enforcement, search and rescue, and disaster response situations

Retrofitted to existing UAS's and **<1% of the cost** of a large UAV system

Strong **relationship with AeroVironment** and significant **global interest** from users and suppliers

Global Aerial Imagery Market

>US\$10bn p.a.¹



1: Geobuiz "Geospatial Industry Outlook & Readiness Index" 2018 edition, Geospatial Media & Communications

Small Unmanned Aerial Systems – SUAS

The ADF SUAS contract underpins ongoing distribution business and positions XTEK favourably for growth

- In July 2017, XTEK secured a ~A\$42m initial contract to deliver a range of AeroVironment WASP AE SUAS products to the ADF
- XTEK has an **exclusive partnership agreement** with **AeroEnvironment** (the leading SUAS supplier globally) for Australia/NZ
- XTEK has delivered the initial WASP AE SUAS shipment to the ADF, and is well positioned for future **high-margin repair and maintenance revenues with a 5 to 7 year budget of \$40m**
- Opportunity exists for XTEK to **leverage its strong networks with the ADF and AeroVironment** in tendering for additional SUAS contracts in the future



M&A opportunities

XTEK is well positioned to acquire small, profitable and innovative defence technology companies in Australia



- Australian total **defence expenditure** forecast to **grow to >A\$50bn**
- Australian Government is currently **tendering and executing on large strategic procurement packages** – including Land 200, Land 400, Future Submarine, Future Frigates and JSF contracts
- Australian Government is mandating a **large percentage of these contracts to be supplied by Australian companies** with domestic content and IP
- XTEK is well positioned to **acquire small, profitable and innovative technology companies** servicing these significant domestic defence contracts
- Innovative **defence technologies** can then be **exported and commercialised globally** with support of Defence Export Strategy

FY18 financial highlights

FY18 was a transformational year in which XTEK delivered strong financial growth

Revenue

A\$17.3m

FY17: A\$9.0m



91%

Gross Profit

A\$4.7m

FY17: A\$3.5m



35%

Operating cashflow

A\$1.8m

FY17: (A\$1.4m)



+ve

NPAT

A\$139k

FY17: A\$61k



128%

Contracted revenue¹

A\$38.0m

FY17: A\$4.4m



>8.6x

Cash position

A\$5.9m

FY17: A\$2.8m



111%

Source: company information

1. A\$38m contracted revenue does not include associated logistics maintenance revenue

FY18 operational highlights

Continued commercialisation of XTclave™ and XTatlas™ during FY18, underpins XTEK's laser-focus to grow shareholder value

Achieved first domestic and international orders for ballistic plates and helmets made with XTclave™



Successful finalisation, first contract to ADF and demonstrations of XTatlas™ in the US and Europe



Signed A\$50m of contracts during the year
(A\$38m current contracted revenue)

Signed A\$42m WASP AE SUAS contract and received additional order for products and services

SAPI plates ordered by ADF and FY Composites (Finland) for qualification purposes

Finalised and delivered multiple ADF orders

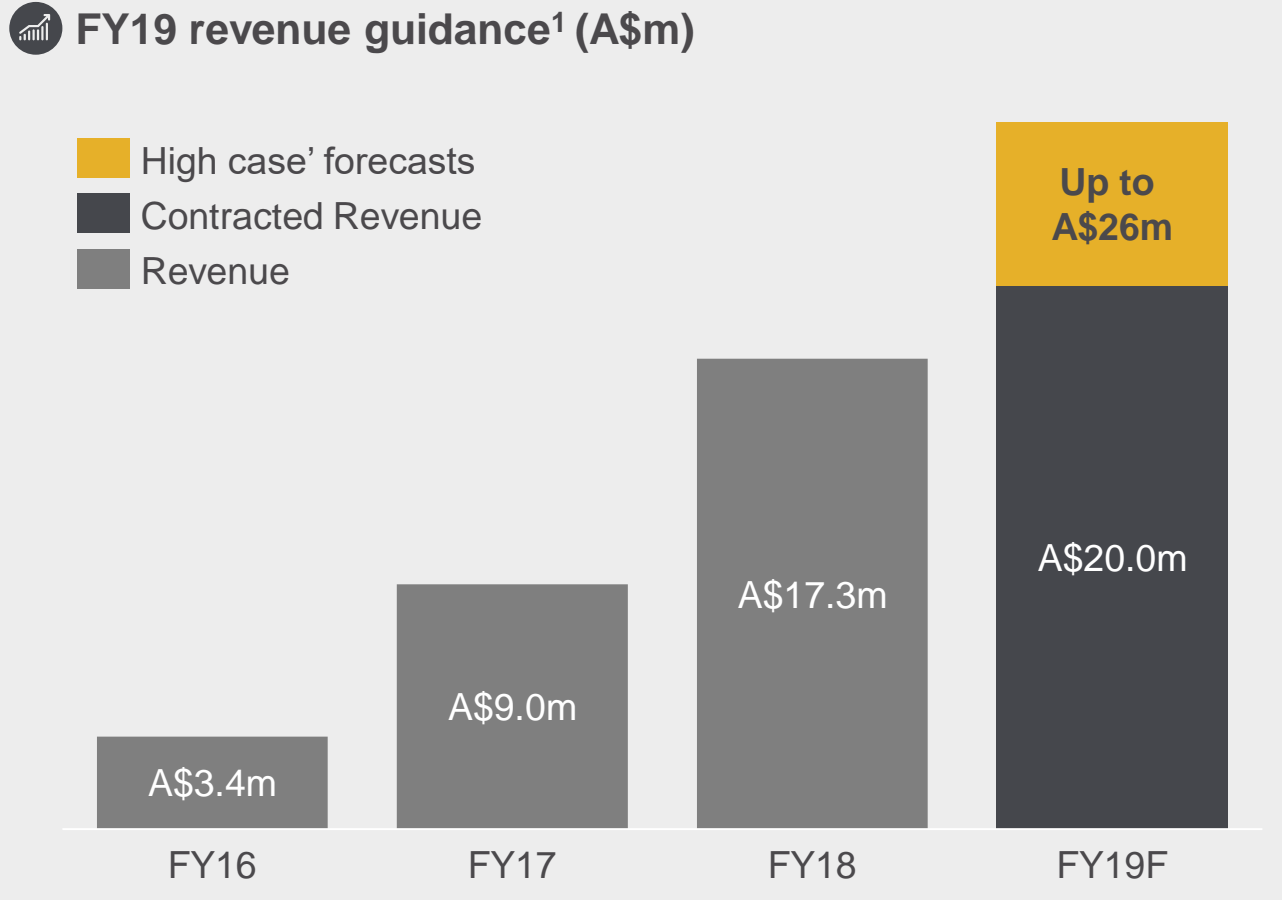
Completed capital raising

Source: company information

1. SAPI: Small Arms Protective Insert; SUAS: Small Unmanned Aircraft System; ADF: Australian Defence Force

Outlook

XTEK is well positioned to deliver further revenue growth in FY19



Key catalysts

- Develop **XTclave™ production capabilities**, receive **first significant orders to fill \$20m p.a. factory capacity**
- **Closing significant sales and distributors for XTatlas™**
- Complete SUAS delivery and **sign associated logistic maintenance services contract**
- Win further **defence contracts and additional purchase orders**
- Assessment of **potential value accretive opportunities**

Source: company information

1. Contracted revenue exclude associated logistics maintenance revenue; revenue guidance excludes revenue from ballistic plates

Summary

XTEK is about to deliver high-margin and high-growth proprietary products to global markets supported by a profitable underlying business

- **Large and growing defence markets**
- Proprietary products target **local and export markets**
- **Government is mandating significant Australian industry content**
- **Profitable underlying business** with growth
- **Commercialisation of high-margin proprietary products** underpinned by production capabilities
- **Strong operational performance and financial position** allows growth by acquisition
- **Favourable financial outlook** driven by ~A\$38m of contracted revenue, no debt and cash in hand



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