



XTEK LTD
ABN 90 103 629 107



Release to the Australian Securities Exchange

XTEK Chairman's 2008 AGM Address

Canberra, 20th November 2008 – Opening remarks by Mr. Bruce Higgins - Chairman

“Good afternoon, ladies and gentlemen, my name is Bruce Higgins, Chairman of XTEK, I would like to welcome each of you here today to the Annual General Meeting and introduce the Board and Management that are present

On my left are my fellow directors:

Mike O'Brien, non-executive director
Craig Higgins, non executive director,

and from Management;

David Jarvis, CEO
Steve Wilde, CFO
Laurie Gardiner, Company Secretary

The company's has reported the results for the year ended 30 June 2008 and published copies been mailed to shareholders along with a notice of meeting. A copy of each is available today from the company secretary if required.

Both management and the directors are disappointed with the results achieved during the year of \$8.2 million in revenue which were well below that achieved in prior years. However, we believe that in the coming year the company will achieve sales growth, and in the first 5 months to date we have revenue and booked orders representing 91% of the total sales achieved last year. We are firmly focused on improving the performance of the company.

During the year we recorded improvements in gross profit margins up from 35% to 39% and reductions in operating expenses of 13%, however the net result was adversely affected by poor sales performance resulting in lower orders won than expected. The federal election held in November resulted in significant delays in procurement programs and delayed several key orders during the period. As a consequence we reported a loss of \$1,819,000 for the agency business for the full year despite improvements in operations and operating expenses. Overall the bottom line results are well below the expectations of the board, management and shareholders.

In May we announced a further restructure of the operations to consolidate our logistics support function into the Head Office site and to close the Adelaide Research and Development facility, relocating the engineering and design functions in to the Canberra office. This will result in improved efficiency and focus in meeting our business plans. The overall cost reduction targeted on an annualised basis is \$2.4 million.

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As at the date of this report our total staffing is 28, down from 37 at 30 June 2007. As a result of this restructure we have booked a further \$1.61 million in costs associated with staff redundancies and impairments costs related to those discontinued operations. These restructuring efforts are targeted to return the company to profitability over the next 12 months.

Operations

Sales progress into the new financial year has been strong with recently announced orders for Explosive Ordnance Disposal Equipment to the Australian Defence Force of \$1.325 million and \$1.08 million, bomb response robots to the Victoria Police for \$1.308 million and an unmanned aerial vehicle system for \$0.3 million. Revenue and orders booked year to date this financial year total \$7.5 million. This is the strongest start to the year during my term as Chairman with new orders received representing 91% of last year's sales in hand which provides a sound base for our business in the year ahead.

During the year we made significant progress in the development of intellectual property. Firstly we have developed an innovative method of manufacture for a variety of types of ballistic plates that simultaneously offer opportunity for weight reduction, significant savings in manufacturing time and cost and giving a unique capability to create ballistic plates with complex geometric shapes. The second area of progress has been the award of a patent as a result of our research and development into ballistic armour piercing small arms ammunition. Both areas of intellectual property are targeted toward sales through licensing arrangements in the coming year.

The Company has continued to build on existing capabilities in project management, engineering, logistics support and quality assurance. These capability improvements are expected to result in improved operating performance in the coming year and support the ability of the company to grow the business and build shareholder value.

A large proportion of the loss as detailed in the accounts has been of a non cash nature due to depreciation, amortisation and write down of asset values of discontinued operations as detailed in the notes to the accounts within this report.

I am pleased to report that in October we completed a small capital raising of \$192,000.

Outlook

The company has aggressively managed its cost base down over the past two years while at the same time implementing key building blocks to underpin future growth and generate new income streams. We expect these initiatives to deliver improvements in the performance of the company. Our reputation for delivery of solutions and services with clients and suppliers is strong and we expect this to be reflected in the coming year with growth in all sectors of our business.

The homeland security markets that XTEK serves continue to mature and develop due to rapidly changing global security concerns impacting our customers. The company structure and strategy continues to be focused on exploiting these opportunities. Our business sectors in explosive ordnance disposal, forensics, aviation security, safe mail handling, and high risk response are all attractive segments in which we are targeting growth. The company has

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agency agreements with over fifty companies that are leaders in their respective global sectors and provide capability enabling XTEK to offer impressive solutions for homeland security requirements.

The board, management and all employees are focused on improving the performance of the company.

On a personal note I have served on the XTEK board since May 2006 and retire in accordance with the constitution, and due to other commitments I have decided not to seek re-election. Mr. Mike O'Brien has been elected Chairman of the board for the year ahead. Mike O'Brien is well qualified as a senior retired military officer, and has served on a number of boards and has wide commercial experience. I wish him well and I will fully support the transition to his role as Chairman of XTEK.

I am please to advise that Mr. David Jarvis, the CEO of the company has been appointed as an executive director of the company effective today by resolution of the directors. Congratulations David.

This has been another busy year for the Board and on behalf of the Directors I wish to thank David Jarvis, his senior management team and all employees for their efforts during the year. I also thank our customers and shareholders for their continuing support for XTEK".



Bruce Higgins
Chairman

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