

XTEK LTD SHAREHOLDER NEWSLETTER 01 2011

CEO'S REPORT

By Brian Malcolm
Chief Executive Officer XTEK



Since assuming the appointment of CEO some four months ago, I have built upon the achievements of my predecessor with a view to transforming XTEK into a more effective and dynamic business. Specific initiatives include:

- ▶ Developing a more robust organisational structure;
- ▶ Developing Divisional Business Plans;
- ▶ Improving internal communication;
- ▶ Enhancing the use of IT systems;
- ▶ Improving corporate marketing;
- ▶ Reinvigorating agency and internally developed product lines.

ORGANISATIONAL STRUCTURE

Due to concerns that the XTEK staffing structure lacked sufficient depth, I have made the following, cost-neutral, structural changes:

- ▶ The Sporting Division has been refocused and responsibility for this portfolio has been transferred to the High Risk Response Sales Manager, who will now manage both product ranges.
- ▶ The capacity created by this change has enabled us to create a new Head of Sales and Marketing position, which will include responsibility for our Tactical weapons portfolio.
- ▶ The Company workshop manager has been given responsibility for managing the Logistic Engineering Division, providing the headroom for us to create a Head of Business Development position.

These changes will provide the Company with a more effective and efficient structure, better suited to not only meeting the challenges of the contemporary market environment but to providing sustained market growth.

FINANCIAL

Revenue for Quarter 3 was \$2.4m, producing a Company profit. Given orders in hand for Quarter 4, a profitable second half result is anticipated.

During the first half of this financial year, XTEK put considerable effort into reducing its operating costs. In FY 09/10, XTEK's operational and salary expenses (not including depreciation, impairment and finance expenses) were approx \$4.60m. It is forecast that these costs will have reduced to approximately \$3.40m for FY 10/11 and it is predicted that they will drop further to approximately \$3.25m in FY 11/12.

XTEK is pleased to announce that Ms Megan Burgmann has formally been appointed as Company Chief Finance Officer. Ms Burgmann has been with XTEK for some 38 months and has been acting in the role of Chief Finance Officer since October 2010.

XTEK WEBSITE

All elements of the renewed XTEK website are now up and running and individual login details have been allocated to clients to enable them to utilise the Dealers-on-Line system. This online tool will provide clients with real-time information on our entire product range and will allow customers to check stock levels and place orders on line.

BUSINESS DIVISIONS

This shareholder report will provide details on another 3 of XTEK's business divisions, Forensics, High Risk Response and our Logistic Engineering Workshop.

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FORENSICS REPORT

By Camille Foote
Forensics Manager XTEK

XTEK Forensics currently offers a wide range of scientific instrumentation and equipment for a variety of technical requirements including: crime scene examination and recovery; forensic document examination; latent fingerprint examination and processing; forensic biology; trace evidence analysis; disaster victim identification; and Laboratory Information Management Systems (LIMS) Software.

XTEK has been a leading supplier of forensic products to the Australian and New Zealand forensic science community for over 15 years. It has established a competitive edge in this market sector through an ability to provide a comprehensive range of high quality products complemented by the provision of technical advice and assistance from highly qualified staff with practical experience in the forensics field. Key clients include all Australian State and Federal Police Forces, the Department of Immigration & Citizenship, the Australian Customs & Border Protection Service, the Department of Foreign Affairs and Trade, the NZ Police Force, the NZ Immigration Department, and a number of Universities and private forensic organisations.



NEW AGENCIES IN THE FORENSICS FIELD INCLUDE:

JusticeTrax (USA);

www.justicetrax.com

Manufacturer of LIMS products (see right).

ACO Electronics (UK);

www.acoelectronics.com

Manufacturer of specialist ultraviolet and examination products.

These agencies will keep XTEK at the cutting edge of Forensics technology and maintain our strong corporate reputation in this market sector.

KEY SPECIALIST PRODUCTS INCLUDE:

▶ Video Spectral Comparator (VSC™) systems for the forensic examination of document evidence, including travel and identity documents. These instruments are used extensively throughout all Police laboratories, International Airports and Immigration offices within Australia and New Zealand.

▶ MVC™ Cyanoacrylate Fuming Cabinets for the development of fingerprints on non-porous and semi-porous evidence materials. Used throughout key State and Federal Police laboratories within Australia.

▶ Portable Body Storage Systems (Responstor®) for use in unplanned (Mass Disaster/Disaster Victim Identification) or planned (morgue and pathology sections) scenarios. Introduced to the Australian market in late 2009, two systems have been sold to clients in the Disaster Victim Identification and pathology arenas. This system is also being marketed to the Asia Pacific regions for use in Tsunami affected regions.

▶ Laboratory Information Management System (LIMS-Plus®). A comprehensive case management tool that integrates evidence tracking, analytical results and laboratory management information. The system is currently in service with key Australian Federal organizations and is a focus for upcoming State tender opportunities.

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HIGH RISK RESPONSE (HRR) REPORT

By Anthony Tennick

Sporting and HRR Manager XTEK



XTEK High Risk Response involves the importation and provision of specialist first responder products to Law Enforcement, Corrective Services and Military customers. These specialist products include the following:

- ▶ Armadillo Riot Shields;
- ▶ Arnold (UK) Riot Shields;
- ▶ Argus Riot Helmets;
- ▶ Arnold Personal Protective Equipment;
- ▶ Garrett Metal Detectors;
- ▶ Civil Defence Lighting.

XTEK is the exclusive Australian distributor for the hugely popular Armadillo Riot Shields. This has gained the Company significant market share in the High Risk Response arena. Rather than rest on our laurels in this field, however, XTEK has continued to identify high quality products at competitive prices for our customers and is pleased to confirm that it now also exclusively represents Arnold (UK) Riot Shields and Personal Protective Equipment, which we believe will enable us to meet the most demanding future requirements in the Australian security market.

XTEK has established a strong and comprehensive network of relationships in the High Risk Response field, providing Riot Equipment to Law Enforcement and Corrective Services in NSW, QLD, VIC, SA and WA. This has made us the company of choice for High Risk Response equipment across Australia; a factor reflected in XTEK recently having been awarded the contract to supply Western Australia Police with Riot Shields, Riot Helmets and Personal Protective Equipment for the Commonwealth Heads of Government Meeting in Perth later this year.

In addition to this, XTEK also supplies and services Correctional Facilities, the Department of Defence, the Department of Foreign Affairs and Trade, Banks, Night Clubs and Police forces throughout Australia and Papua New Guinea with Garrett Walk Through Metal Detectors and Hand Held Metal Detectors.

Current XTEK initiatives in the High Risk Response field include the development of a specialist equipment pack to protect individuals when Police are required to forcefully remove prisoners from their cells. This pack utilises a range of products from a number of our suppliers and is currently in service with Queensland Police.



LED REPORT

By Al Akkawy
LED Manager XTEK

The XTEK Logistic Engineering Division (LED) workshop satisfies the technical requirements of a large family of high-end equipment suppliers from around the world. It achieves this through the provision of specialist equipment maintenance and logistic support functions for a comprehensive range of electronic and electro-mechanical products. These include Robots, Radio Controlled electronic equipments, Portable and Baggage X-ray Imaging Systems as well as various metal detection and hi-tech security equipments.

THE XTEK LED WORKSHOP HAS THE FOLLOWING ACCREDITATIONS:

- ▶ QMS ISO 9001-2008
- ▶ Department of Defence – DMO Registered Technical Support Agency
- ▶ Member of the Defence Industry Security Program
- ▶ Defence Recognised Supplier of Strategic Capabilities

Equipment support is routinely provided at the XTEK LED workshop facility in Canberra, although technicians can also deploy to client locations to provide bespoke 1st line technical assistance. Some of the specific services provided include:

- ▶ Through Life Support;
- ▶ project delivery;
- ▶ inventory control;
- ▶ routine repairs;
- ▶ equipment maintenance;
- ▶ and specialist technical training for both Government and private sector agencies.

The XTEK LED workshop also offers a manufacturing and assembly facility capable of developing, constructing and testing in-house technical solutions. An example of this is the XTEK designed EOD Static Earthing Kit, which has been in service with the Australian Defence Force since 2005.

Recent activities have provided the LED workshop staff with considerable technical experience with a range of energy efficient products; a field in which it anticipates significant future growth.

