



XTEK LTD
PROTECT AND SUSTAIN

Chairmans Address
2017 AGM
24 November 2017



XTEK AGM – Chairman’s address:

Good afternoon and welcome to XTEK’s annual general meeting for 2017.

A number of major milestones were achieved, namely a return to profitability and a significant increase in revenues and contracts won.

Of great significance was our contract win for the supply of Small Unmanned Aerial Systems capability for the Australian Defence Force, which represents a major step-change for our business in terms of revenue generation.

At the same time, the increase in Australian defence expenditure and a focus on better technical detection and response solutions to address growing global and regional security threats represents a significant opportunity for XTEK.

Total defence expenditure is forecast to grow by 54% to 2021 and reach an annual expenditure of 2% of Australia’s GDP.

The Australian Government intends to spend \$200 billion on Defence in the next 10 years. This substantial level of expenditure, together with mandated Australian Defence Industry content, creates enormous opportunities for XTEK

The increase in capital expenditure by Federal and State Governments during the second half of financial year 2017 saw XTEK respond strongly, through the provision of specialist defence and homeland security products and services.

This resulted in significant sales of Explosive Ordnance Disposal equipment and tactical weapon systems over FY2017, through the sale of unmanned ground vehicles, bomb response equipment and Tac2 Sniper Rifle systems as well as the small unmanned aerial systems.

At the same time, we continued the development and commercialisation of the XTclave™ isostatic Composite Consolidation Technology (armour) and XTatlas™ contextual video and mosaic mapping technology during the year.

For the XTclave™, we undertook development and testing work on advanced lightweight hard armour body plate solutions for defence applications.

Our independent testing has confirmed that up to 30% weight reduction has been achieved for polyethylene plates, whilst still providing a similar level of ballistic protection provided by plates manufactured by traditional means.

To meet buoyant demand, we have commenced building a new next generation commercial-scale XTclave™ plant and are investing in a production facility for ballistic products that will be opened during 2018.

For the XTatlas™, we continued development of the imagery technology (a UAV sub-system) to display a real-time video feed as a moving georeferenced image over a digital

map and to create a near real-time mosaic mapping capability. Commercialisation pathways also commenced in the second half of FY2017, with global demand being identified worldwide.

As I mentioned earlier, XTEK returned to profitability in the 2017 financial year, with the net profit result helped by a robust second half performance, while revenues increased due to higher sales for both XTEK's value-added reseller and in-house manufactured products.

In addition, we conducted a successful capital raise of \$4.6 million this calendar year. The funds raised are being used for further XTatlas™ development and XTclave™ commercialisation, including the construction of XTEK's own ballistic production plant and expansion capital.

XTEK ended the financial year without debt as a result of its successful trading performance. Xtek remains free of debt and has \$3.5m in the bank at this time.

I'd like to take this opportunity to thank our Managing Director, Philippe Odouard, the executive management team and XTEK staff for their dedication and passion for our business. I would also like to thank my fellow Board members for their contributions and expertise through the year.

Going forward, we expect to continue our strong momentum in FY2018, with continued revenue growth. XTEK remains well placed for further contract wins due to increased spending by Australian State and Federal Governments on defence and tactical capabilities. We will focus on commercial opportunities for our in-house XTclave™ and XTatlas™ technology on the world market over the next 12 months.

Thank you

Uwe Boettcher
Chairman