XTEK LTD
PROTECT AND SUSTAIN

XTEK

AGM PRESENTATION

27 November 2020

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WORLD CLASS SOLDIER SOLUTIONS

XTEK LTD
PROTECT AND SUSTAIN

BALLISTIC SOLUTIONS

- Helmet Systems
- Hard Armour
- Soft Armour
- Ballistic shields & platform armour

ACTIONABLE INTELLIGENCE

- XTatlas™
- SARBI™

UNMANNED SYSTEMS

- Small Unmanned Aerial Systems
- Ground robots
- Space craft

PROTECTING THE FRONTLINE PROTECTORS

YEAR IN REVIEW

October 2019
Acquisition of US-based HighCom Armor completes

January 2020
First XTclave products launch in the US (at Shot Show(R))

February 2020
XTclave Manufacturing Centre officially opens in Adelaide

March 2020
First commercial XTclave order received (Tote Systems Australia)

April 2020
SICP Grant received, for the industrialisation of the ballistic helmet production line

May 2020
First international order for XTclave plates by the Finnish Defence Force (FDF)

June 2020
Loan facility secured to mass produce ballistic helmets
Skykraft, in conjunction with XTEK, awarded Space Agency grant

August 2020
C4 EDGE Program for the Aus Army, leveraging actionable intelligence software
Oversubscribed capital raise, to fund US expansion and other growth activities

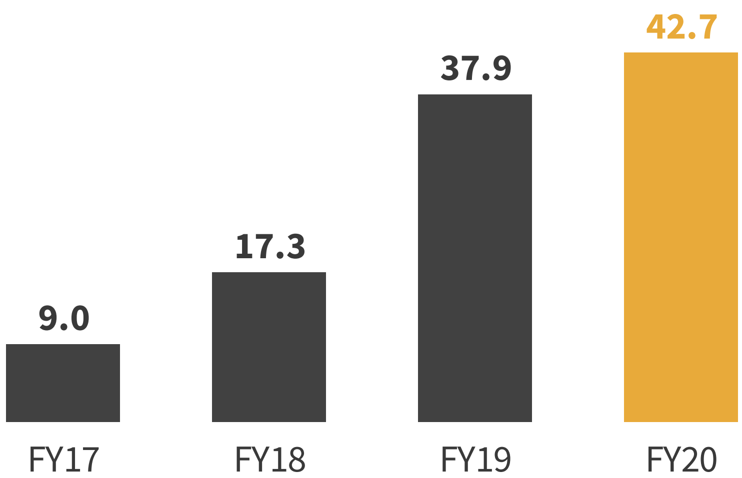
October 2020
Appointment of strategic advisor, Brigadier Mark Smethurst DSC, AM (Ret'd)

November 2020
Delivery of first tranche of XTclave plates to the Finnish Defence Force

FINANCIAL OVERVIEW

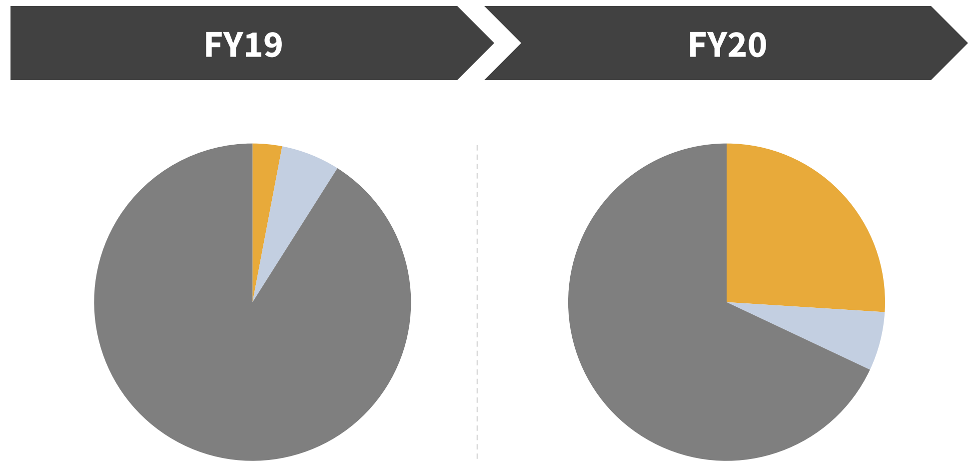
XTEK achieved record FY20 revenue, underpinned by HighCom contribution[1] in the US, shift to higher margin proprietary products and ongoing SUAS supply and support

XTEK Revenue[1] (A$m)



Gross Profit	A$6.9m	A$8.6m	*+25%*
Gross Margin	18%	20%	*+200bps*
EBITDA	A$0.3m	~A$0.8m	*+166%*

Shifting Revenue Mix



Proprietary products
(including ballistics and XTatlas™ software)

Repair and maintenance
(including SUAS support)

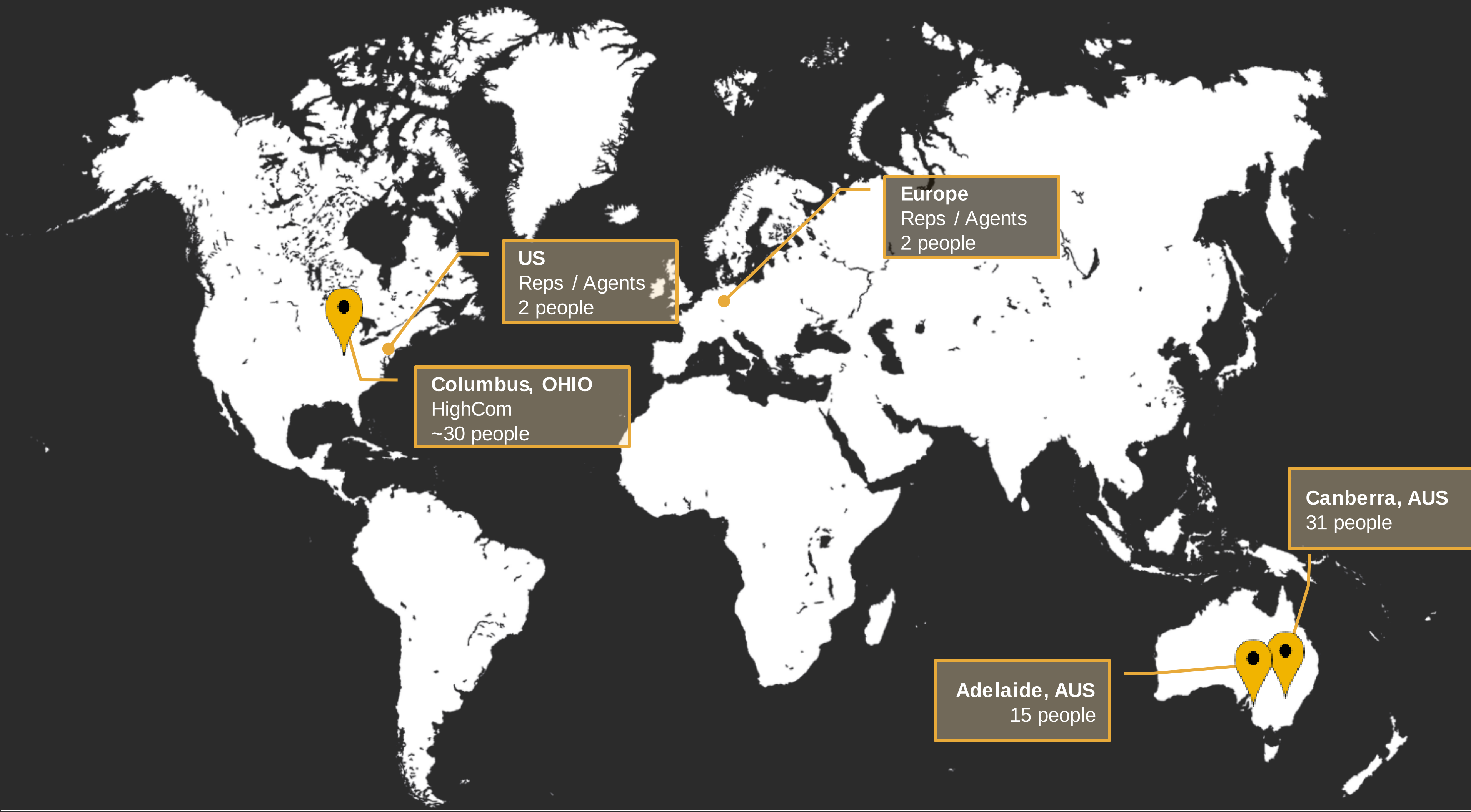
Distribution
(including reseller products)

1. XTEK's FY20 revenue incorporates ~9 months of HighCom revenue, following acquisition completion on 29 September 2019.

OPERATIONAL UPDATE

GLOBAL BALLISTICS NETWORK

Building expertise and competence with people located across the world



US BALLISTICS UPDATE

✓ Increasing channels to access potential customers

- Broadening distributor base across the US, to access new sales channels including potential new customers and locations
- Ex Deputy Chief of Operations for US Special Operations Command appointed as strategic advisor to the XTEK Board – Brigadier Mark Smethurst DSC, AM (Ret'd)
- Order from the US Department of Defence, for testing and qualification purposes

✓ Strong performance

- Operations remained robust throughout COVID-19 pandemic, with situation being carefully managed
- Substantial growth in US sales in last 12 months, with increasing demand for ballistic products and new products launched

✓ Further synergies for XTEK & HighCom

Progressing towards:

- Mutual tech platforms and services
- Collaborative new product development
- Fully integrated management team

ADELAIDE MANUFACTURING CENTRE (AMC)

DR. ADRIANO DI PIETRO

XTEK CHIEF TECHNOLOGY OFFICER

XTEK AMC CAPABILITIES

✓	✓	✓	✓	✓
People	**Processes**	**Plant**	**Production**	**Products**

XTEK has used the Low Rate Initial Production period to enhance these capabilities, prior to ramping up production

XTEK AMC PLY CUTTING

This is the process of cutting material into the specific pattern shapes for the products

XTEK increased efficiency of cutting[1], to achieve:

✓ Reduction in material waste

✓ Significant reduction in the time to assemble

1. During Low Rate Initial Production (LRIP)

XTEK AMC XTCLAVE™ CONSOLIDATION

The XTclave is an **advanced composite materials curing and consolidation technology,** that uses ultra-high isostatic pressure at elevated temperatures

This ensures **improved and consistent protection,** in a lightweight solution

XTEK AMC QUALITY ASSURANCE

XTEK guarantees the highest performing and lightest weight products through precise process control and inspection

- In August, XTEK passed the ISO9001:2015 QA standard for the engineering and manufacturing in Adelaide
- During early stage, low rate production XTEK **reduced defect rates by more than 30%**

QA: Quality assurance

XTEK AMC COVERING

Each plate is covered with a water and dust repellent cover

- The cutting of materials has now been automated
- Most labour intensive process; requires high skill craftmanship, with trained staff in place
- ➢ **Reduction in covering time reduced by half**

XTEK AMC HELMET CUTTING

Multiple options for helmet cuts:

A machine for cutting helmets has been designed and ordered

Funded by the SICP grant and CBA loan; expected to be installed by end CY20

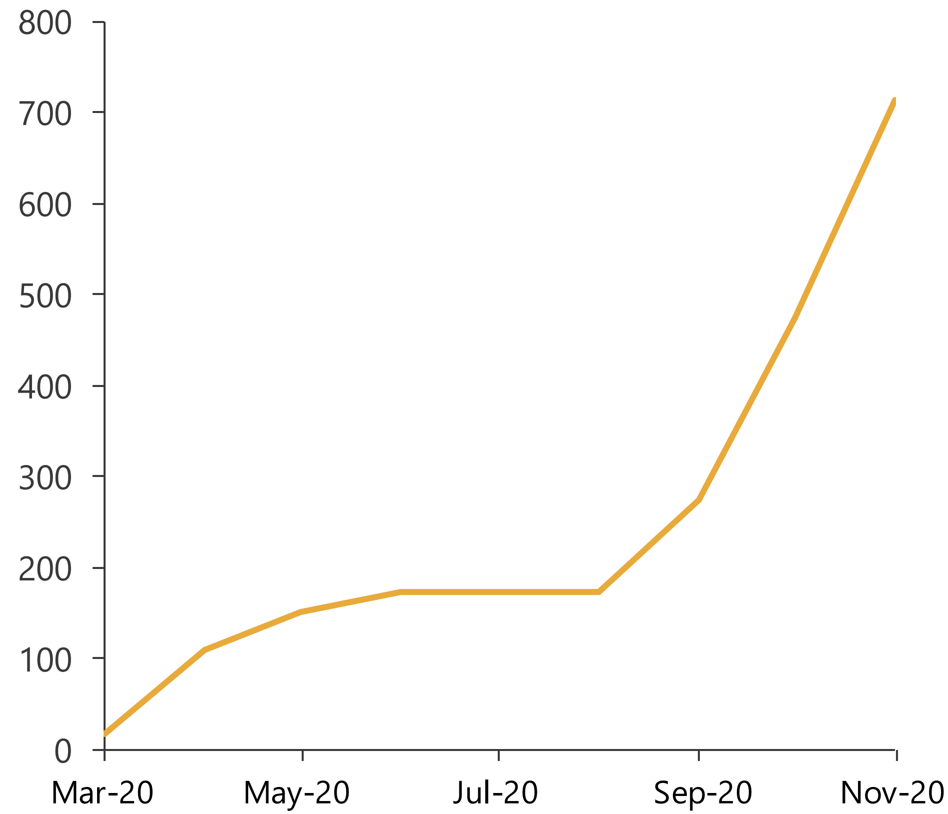
SICP: Sovereign Industrial Capability Priority

XTEK AMC RAMPING UP PRODUCTION

Enhancing operations

- ✓ **People:** recruiting and training of staff
- ✓ **Processes:** optimisation of processes, achieving significant cost reductions
- ✓ **Plant:** equipment continues to be installed and commissioned expanding our unique offerings
- ✓ **Production:** new ERP provides traceability for each individual product, reducing warranty costs and risks
- ✓ **Products:** portfolio of unique and competitive products growing

Cumulative XTEK AMC revenue (A$k)



BALLISTIC PRODUCT RANGE

XTclave manufactured products are best in class, with a unique set of performance characteristics. Expanding XTEK's growing offering for a range of ballistic products to address different markets

Expanding ballistic range, including different levels of protection and plates thickness

XTclave products

4 types of **Ballistic Plates**

Unique, lightweight

Striker Arditi **Rifle Helmet**

Unique, lightweight AK-47 protection

Other ballistic products

Plates

Helmets

Shields

Soft armour

Accessories

>1000 individual products available[1]

Delivery of first tranche of XTclave plates to the FDF[2] complete

1. Products available through XTEK's US subsidiary, HighCom
2. The full first tranche of the XTclave plate contract for the Finnish Defence Force (FDF) is now complete.

ACTIONABLE INTELLIGENCE MARKET CHANNELS

Established networks with broad access to customer channels provide significant opportunities to commercialise the XTatlas™ software applications, with demonstrations and discussions ongoing

C4 EDGE Program

- **C4 EDGE** (Evolutionary Digital Ground Environment) is a **defence industry cooperative program**
- Aim to demonstrate an Australian C4 (command control communications and computers) industry capability for a land battlegroup to the **Australian Army**
- **Leveraging integration of XTatlas at the core of a situational awareness and targeting picture**

SUAS supply and maintenance

- Leading full-service **supplier of Small Unmanned Aerial Systems (SUAS)**
- Strong relationship with the ADF, including delivery of **SUAS products**[1] **and a long-term repair and maintenance services** contract[2]

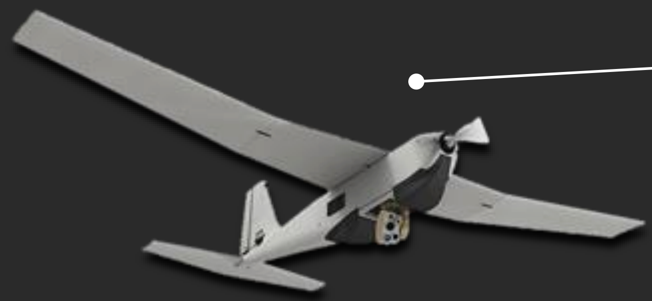
Other hardware

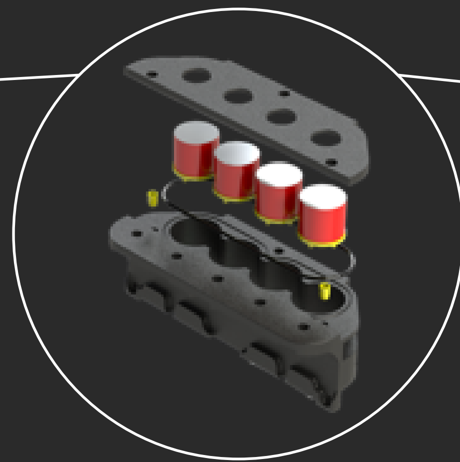
- Opportunities to interface XTatlas with other existing hardware, such as **ground robots**
- XTatlas can be **fully integrated** into ground vehicle architecture (GVA) of armoured vehicles

1. XTEK has an exclusive agreement with AeroVironment, the leading defence SUAS supplier globally, for Australia & NZ
2. Exclusive long-term support services contract to mid 2022, with multiple options to extend through to mid 2025, expected to be worth up to A$35m

SARBI – A MODULE OF XTATLAS

SARBI: Sensor and Radiation Battlefield Interface

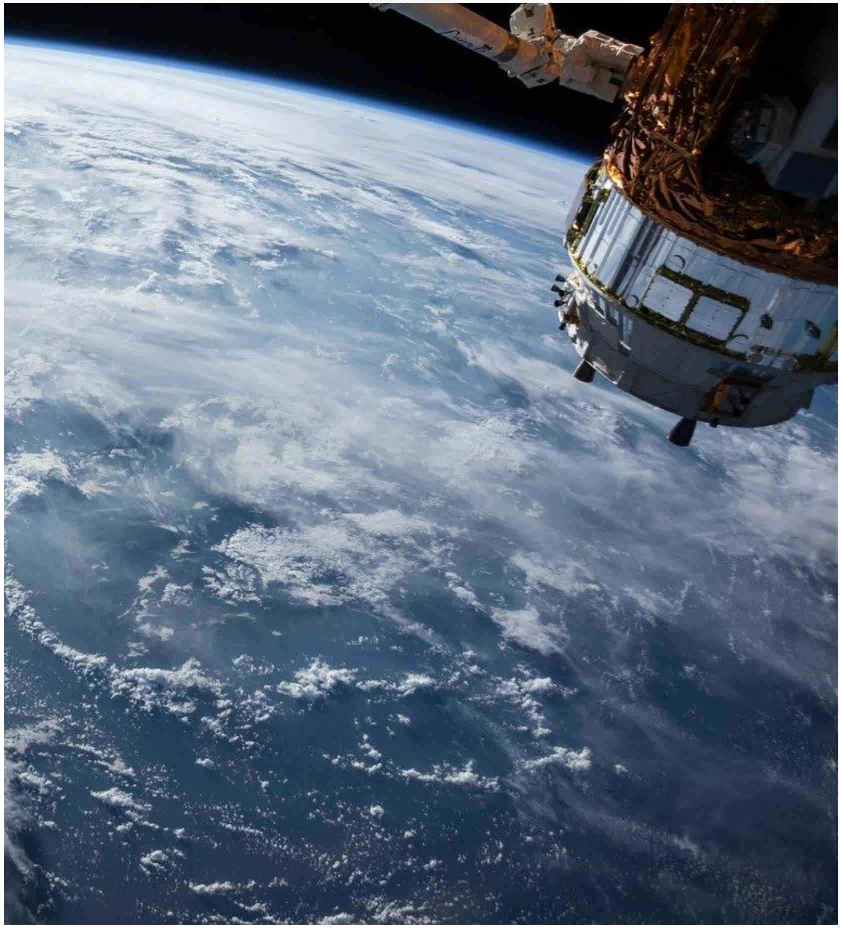




The SARBI application allows accurate and near real time mapping from **chemical, biological, nuclear and radiological sources**

ADVANCED COMPOSITE SPACE SOLUTIONS

XTclave technology has unique technical advantages that can be leveraged into other applications and applied in new sectors, with space applications presenting an attractive opportunity



XTclave key advantages for space applications:

- Produces materials with **higher specific strength to weight ratio**
- Ultra-high process pressure can **reduce composite outgassing**, often a limiting factor for use of composites in space

XTEK's commercial partnerships

Skykraft partnership to design **small spacecraft and launcher systems**, with recent ASA grant[1] awarded for a satellite launch stack

Joint Statement of Strategic Intent signed with Australian Space Agency (ASA) to develop Australian space capabilities

1. Australian Space Agency International Space Investment grant, for a total of ~A$880k with $400k to XTEK (Source: Business.gov.au); Note: All logos are registered trademarks of their respective owners.

OUTLOOK

PIPELINE OPPORTUNITIES

Targeting opportunities to underpin future revenue

- ✓ 'Recurring' US ballistic sales of ~A$14m p.a. (based on HighCom network)
- ✓ Finnish defence ballistic order of ~A$2m (with potential for further orders)
- ✓ SUAS support and maintenance contract worth ~A$5m p.a. (expected to increase as SUAS fleet grows)
- ✓ SUAS supply and spare parts to the ADF worth ~A$10m
- A$70m+ of near-term opportunities across ballistic, SUAS and other solutions
- Expect up to ~A$25m of other opportunities to formally arise during FY21

Drivers of medium / long term order book

- Establishment of US based XTclave manufacturing capability will enable tendering for large US defence contracts that require locally made product
- Increased focus on new product development – pipeline of new products to further drive growth
- Increased sales and marketing resources deployed in the US and EU to handle anticipated growth in demand

OUTLOOK

Strong and exciting outlook with future margins expected to increase, underpinned by a shift to proprietary products that have higher margins than existing revenue mix

Strong Financial Outlook

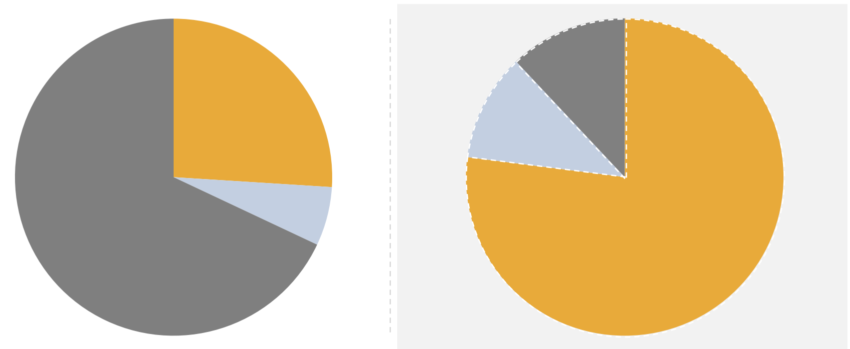
Medium to long term target	A$100m Revenue	~30% Gross Margin

Underpinned by:

- ✓ **XTclave manufacturing capability**
- ✓ **US distribution and manufacturing base**
- ✓ **Established global networks for exports**
- ✓ **Continued SUAS supply and maintenance**
- ✓ **Growth in actionable intelligence**
- ✓ **Interest in advanced composite materials**

Shifting Revenue Mix

FY20 → **Medium / Long term**



Proprietary products
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(including reseller products)

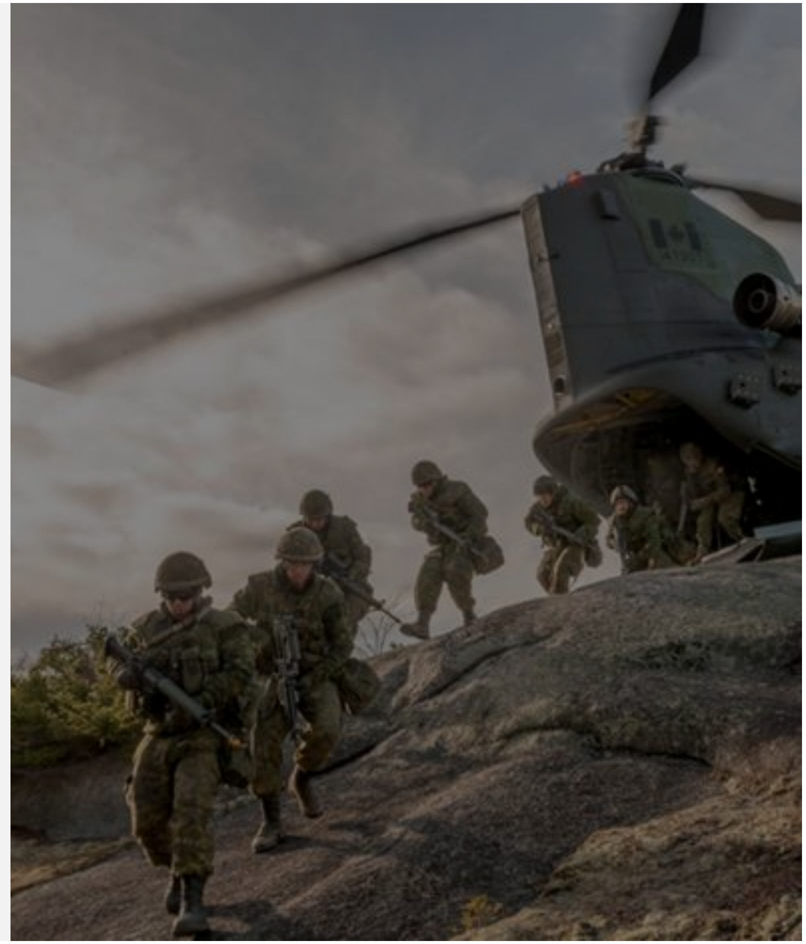
XTEK expects to significantly increase gross margins through shift to proprietary products[1]

1. Driven by ballistic sales directly into key markets (e.g. US law enforcement market), expansion of proprietary XTclave product lines, sales of XTatlas actionable intelligence software, repair and maintenance revenue from servicing ADF's growing SUAS fleet

KEY CATALYSTS

Significant events expected to be announced over the next 12 months (and beyond)

- ✓ Appoint additional global defence / law enforcement sales resources (4Q CY20), including a strategic adviser to the Board
- Delivery of ~A$2m of ballistic plates to Finnish Defence
  - ✓ First tranche complete (one third of total contract)
  - Delivery of final tranche (Q1 CY21)
- Launch additional ballistic products in the US, with near-term exports of XTclave products (CY20-CY21)
- Order key parts for US XTclave machine (CY21)
- Installation, commissioning and optimisation of US XTclave machine (CY22)
- Completion of space project in partnership with Skykraft and international parties (2H CY21)
- Achieve further commercial orders for XTclave products across domestic and international target parties
- Supply of SUAS supply and maintenance and other reseller products to ADF



KEY INVESTMENT HIGHLIGHTS

XTEK is well positioned for growth, underpinned by accelerated commercialisation of high value proprietary solutions and favourable market sentiment within the domestic and global defence industry

Focused on market leading soldier solutions

US expansion accelerates ballistic solutions strategy

Actionable intelligence solution

Favourable defence market sentiment

Strong outlook

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