

XTEK Limited

Annual General Meeting

Chairman's Address – Mr. Mark Stevens

23 November 2023

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Introduction

Good afternoon everyone, and welcome to XTEK Limited's 2023 Annual General Meeting. It is great to be able to hold our AGM today and allow shareholders the benefit from attending in person as we feel we have an exciting future before us which we will step you through this afternoon.

From my perspective I would encourage you to also read our recent Annual Report, which spells out what we have achieved and where we see the company going into FY24.

I remind you that recording devices, photographic equipment and mobile phones cannot be used during the meeting.

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XTEK's Board

XTEK is in the fortunate position of having a high-quality Board and significant work has been underway over the past 12 months across our operations and capabilities. We will continue to develop the Board's capabilities and, thanks to Chris Fullerton, now have a fully functioning risk management framework across the whole business which is tailored to XTEK's future. This process has now been rolled out across much of the activity going on in XTEK that we will touch on today.

Our Board Committees continue their great work and I thank my colleagues for their efforts. Ben Harrison continues to lead the Finance and Audit Cte which will also pick up overview of the Board's Risk focus. Mark Smethurst leads our HR Committee which has made some substantial progress on aligning incentives. Adelaide McDonald works with both Ben and Mark and has made a terrific contribution to both of these Committees. I continue to lead the Nominations Cte, supported by Christopher Pyne, whose ongoing contribution has been excellent.

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At this point I wanted to acknowledge that our long-standing Board member Chris Fullerton retires from the XTEK Board today after 5 and a half years of service. Chris' wise council since April 2018 has been exemplary and I have certainly greatly appreciated his guidance and advice to me and contribution on our Board since Feb last year when I became the Chair. He brought deep commercial and capital markets experience to XTEK which, up to that point it had lacked, and this year led and established out Risk Management capabilities. We give deep thanks for his contribution; he has been a great colleague and friend and on behalf of all shareholders I thank you Chris for your contribution. I know this is not the end of our discussions about life at XTEK.

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I also wanted to mention that our Company Secretary Laurie Gardner will retire next month after over 20 years' service to XTEK. Laurie's contribution to the Company has been exceptional and he has been at the centre of every significant business decision in the Company over that time, including its ASX listing. This has been an emotional decision for Laurie and also for the members of the Board and his management colleagues. Laurie, we will miss your wise council as we knew it was always given with the best of intentions for each of us in our respective roles and for the Company which you love and hold very dear. On behalf of our shareholders and my Board colleagues I wish you all of the best that life has to offer as you transition out of XTEK and commence your retirement.

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FY23 Financial performance

Scott will take you through XTEK's performance in detail, but I'll start by outlining a few key highlights from the year.

In FY23 the business achieved record revenue, gross profit, EBITDA and NPAT. HighCom performed well and the resurgence of the Technology Division under Vince Creagh was especially pleasing.

I would be less than honest however if I didn't acknowledge the areas of our operations requiring improvement, namely our cash position and inventory levels. We want our shareholders to know that this is a massive area of focus for the Board and management and will continue to be so, even after we get the settings right.

We continue to execute the strategy we have developed and again recognize that the improvement we had hoped for is taking a little longer to achieve than hoped.

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What I can say is that both the Board and management are working tirelessly to ensure XTEK can realise its full potential. The business is in good shape, is well led and run and is expecting a good FY24. We believe that the revitalization in focus on our core market in the US will be very successful. We now have the team and sales capability to succeed and expect big things there across the next 18 months utilizing a deliberate and longer-term sales approach.

Our focus on cost reduction was a key driver for our decision to close the Adelaide facility and move the XClave to Columbus. We will see immediate cost benefits from this decision.

We have also asked shareholders to approve a name change from XTEK to HighCom Limited to better reflect our core business and major area of focus into the future.

We also have two Board members up for re-election today. Both Mark Smethurst and Christopher Pyne have made fantastic contributions to our Board, and we hope that shareholders will see fit to support our intention to have them as valued Board members for another three years.

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I note today that our share price remains in the mid 40 cents. I want to again assure shareholders that we still believe in the pathway we have created to achieve better shareholder returns and we are fixated on realizing those for you. Global uncertainty remains high, especially in our core market of Defence, and who would have thought it possible that we would be going into Christmas with two major conflicts in Europe and the Middle East.

XTEK's strategy remains as we have discussed with you at the last AGM and is simple, clear and executable. It is to:

- Reinforce success;**
- Explore adjacencies, which we believe is the best way to generate low risk market expansion and product growth; and**
- Create our new future, through our R&D work and greater cost discipline, better sales focus and stronger team where it counts.**

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Ballistics Division

The closure of our Adelaide facility will see our R&D focus move to Columbus, as will the relocation of the XClave. As an Australian company we can sell our US manufactured body armour to the ADF and other customers but need that XClave capability in the US where the US' Berry Amendment requires anything that a US serviceman or woman wears to be wholly manufactured in the US. We are also sourcing a new press to enable us to finish ballistic shields in-house, something we have previously outsourced.

Our new contract announcement on Monday was timely and we expect to see more orders like this in the near term.

We have recruited staff locally here in Canberra to improve our engagement with the ADF with a view to a possible ADF ballistic protection procurement in 2024. Coupled with assistance from the Board, we are well advanced on that pursuit and feel confident with our approach and positioning.

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Technology Division

We have a very good long-term contract with the ADF for our AeroVironment UAS which gives the team and XTEK certainty for the next decade. We will continue to be opportunistic on the product set.

Conclusion

In conclusion, we enter FY24 in a strong position with much of the difficult work of remaking XTEK now behind us. We have a simple and actionable strategy, strong Board, excellent leadership through our Group CEO Scott Basham and a great sales and business development focus. Our cost base is now more appropriate for the business as it currently exists, and we have a number of initiatives underway to further develop XTEK as a global defence and law and order business.

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We expect much of ourselves in 2023 and our shareholders' interests remain front of mind. I thank our shareholders for your continued support of the Company and I look forward to sharing XTEK's journey in the coming year with you.

On the Board's behalf, it remains for me to thank XTEK's management and staff for their outstanding efforts in delivering a record result. The team, led by Scott, is doing a great job. We have much more to do but I think it appropriate to take a moment to recognize this year's successes.

That concludes my opening remarks. Thank you for your attention and support of XTEK. I will now hand over to Scott to discuss the results in more detail and update you on recent performance.