

## Release to the Australian Securities Exchange

### XTEK September Quarter Business Update

**12 October 2020:** XTEK Limited (ASX:XTE) (“XTEK” or the “Company”) is pleased to provide a Business Update for the quarter ended 30 September 2020.

#### Key Highlights

- Completed delivery of the first lot of XTclave™ manufactured plates to CPE Production OY in Finland and completed full delivery of plates to Tote Systems Australia
- Received a new testing contract to validate the performance of hard armour plates from the US Department of Defense
- Leveraged its actionable intelligence XTatlas™ software as part of the C4 EDGE funded Program, to demonstrate an integrated Australian industry capability in front line combat management to the Australian army
- Received further orders for SUAS supply and spare parts from the ADF
- XTEK in a strong financial position following successful completion of an oversubscribed capital raising

#### Mr. Phillipe Odouard, XTEK MD, commented:

*“We are pleased with delivering a strong quarter of growth for the Company, in which we achieved several important milestones. Our ballistic commercialisation is progressing well, with the first XTclave deliveries now complete. These milestones illustrate the demand for our state-of-the-art technology and capabilities; and represents external validation of our product quality. We look forward to accelerating our international ballistics commercialisation strategy, underpinned by the recent oversubscribed capital raising. In addition, we continue to engage with potential customers and strategic parties to further commercialise our unique actionable intelligence solutions, which are continuing to gain significant traction, momentum and market interest.”*

#### First deliveries of XTclave™ plates complete

Following the order announced on 19 March 2020, XTEK has successfully completed the delivery of its XTclave™ manufactured ballistics armour plates to Tote Systems Australia. This represents the first use of XTclave™ products in the field by law enforcement, with plates to be used by Officers within an Australian Specialist Law Enforcement Unit.

During the quarter, XTEK also delivered the first lot of XTclave™ manufactured plates to CPE Production OY for use by the Finnish Defence Force (FDF), following the receipt of an initial commercial purchase order announced on 5 May 2020 and the subsequent order upside announced on 5 June 2020, worth ~A\$2m in total. The first delivery represents a shipment 250 plates.

The acceptance of these products follows months of industrialisation of the XTclave™ manufactured plates and completion of comprehensive and rigorous qualification testing. These commercial orders validate both the commercialisation strategy and the technology itself. This external product verification supports XTEK’s engagement in other commercial discussions both locally and abroad.

#### US commercialisation progressing with initial exports delivered and further US Defense order

XTEK has exported multiple deliveries of XTclave™ products to the US for qualification and testing purposes. Interest has been generated with potential law enforcement clients. XTEK has recently received another order from the US Department of Defence (DoD) for further testing of several different hard armour plates, validating the interest of the US DoD for the XTEK XTclave™ technology.

XTEK, via its subsidiary HighCom, is currently marketing XTclave™ products and engaging with potential customers across the US. Additional defence and law enforcement sales resources have been appointed, including Brigadier Mark Smethurst, an Australian special forces retired Brigadier and ex SOCOM US Deputy Commander, now engaged as special adviser to the XTEK Board.

In addition, a number of other products received National Institute of Justice (NIJ) Certification during the quarter, including the soft armour designed specifically for females that was first launched earlier this year. This armour addresses a high unmet demand in the US. NIJ is the governing body for ballistic armour performance in the US, and this approval is a key milestone in the launch of this unique product.

#### **Enhancing XTclave™ manufacturing capability in the Adelaide facility**

XTEK continues to expand its XTclave™ production capacity in its state-of-the-art Adelaide Manufacturing Centre. This expansion is funded by the A\$2.5m loan facility from the Commonwealth Bank of Australia, announced in June 2020 and the Sovereign Industry Capability Priority grant of A\$830k, to enhance its XTclave™ ballistic helmet manufacturing line. An expansion was required in order to produce helmets in large volumes and includes additional commercial-scale preform presses and cutting machines, to be used in conjunction with the patented XTclave™ process. These new machines are progressing well and should be commissioned later in the year and into 2021 as production ramps up. The factory is producing XTclave™ manufactured products and catering for orders received and delivered to date. In parallel, the team is currently finalising the commissioning of the new high capacity XTclave™ machine. While production rates are not at full capacity at this stage, given commissioning process, the plant registration is currently underway and small orders being received are being fulfilled in a timely manner. XTEK is confident that all production lines will be fully operational by the time large scale orders are received.

#### **Actionable intelligence opportunity and further SUAS orders from the ADF**

XTEK is collaborating with 20 other Australian companies in the Government funded C4 Evolutionary Digital Ground Environment (EDGE) Program. Phase 1 of the program is to scope the development of a sovereign land battlegroup C4 (Command Control Communications and Computing) environment demonstration to the Australian Army. The C4 EDGE Program is expected to deliver the demonstration in late 2021, subject to Australian Defence Force (ADF) approval of the next phase. This strategic collaboration provides XTEK the opportunity to leverage the unique capabilities of its proprietary XTatlas™ software to enhance the situational awareness of select frontline soldiers and pass on targets to weapons systems, substantially improving targeting in Army front line operations. XTatlas™ currently focuses on geospatial situational awareness from sensor feeds including Small Unmanned Aerial System (SUAS) video and meta data, and cuing weapons systems from its XTatlas™ platform. Integration into the electronics and communication infrastructure of armoured vehicles has previously been successfully proven. XTEK will further develop and optimise other aspects of its actionable intelligence capability in line with the requirements of the C4 EDGE Program.

XTEK has built a strong and important relationship with the ADF for its SUAS business, with multiple additional purchase orders received during the quarter for the supply of AeroVironment WASP AE SUAS and spare parts. The delivery of 65 systems and spare parts from previous purchase orders was completed, with further deliveries scheduled in FY21. In addition, XTEK continues to service the long-term SUAS support contract.

#### **Corporate update**

In August XTEK raised ~A\$9.2m via an oversubscribed placement and ~A\$2.9m via a Share Purchase Plan (SPP), which was increased from the initial target of A\$2m. The total proceeds will be used to execute XTEK's international ballistic strategy, commercialise the XTclave™ technology, accelerate growth in other operations and for working capital.

#### **Outlook**

XTEK continues to engage in numerous commercial discussions for its XTclave™ manufactured products both locally and abroad. It includes discussions with major operators in the US, which are progressing steadily. Promotion in the US continues with increasing interest, and a number of new XTclave™ products are now presented on the HighCom website and released for sale. Further bidding to other countries is being undertaken with an increasing number of countries specifying performance and weight requirements that XTEK can uniquely deliver. Further deliveries of XTclave™ plates to the Finnish Defence Force are expected to be completed in the short term, and XTEK is exploring additional opportunities in conjunction with the CPE Production Oy.

The recent order for XTclave™ plates for further testing from the US DoD confirms the interest of the largest armour client in the world, and supports XTEK's strategy to accelerate US expansion. XTEK plans to establish a US based XTclave™ manufacturing capability in the medium term, which will enable tendering for large US

defence contracts that require locally made product.

XTEK's SUAS business continues to remain strong, with additional orders received throughout the quarter. As the ADF's SUAS fleet continues to grow, XTEK is well placed to capture additional support revenue, underpinned by growing orders from the ADF for SUAS supply, spare parts and maintenance. XTEK will continue to service the existing repair and maintenance support contract.

Finally, in conjunction with Skykraft, XTEK continues to progress the design for a small satellite launch stack funded by an Australian Space Agency Grant. XTEK's advanced composite materials manufactured using its XTclave™ technology have unique technical advantages in space applications, and the collaboration provides a valuable opportunity to commercialise the XTclave™ technology and increase XTEK's presence in the space sector. XTEK expects to complete this project in late CY21.

**ENDS**

**Announcement authorised by the XTEK Limited Board of Directors.**

**Signed** for and on behalf of XTEK Limited:



**Lawrence A Gardiner**  
Company Secretary  
12 October 2020

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**About XTEK Limited**

XTEK Limited provides high-quality products to deliver tailored solutions to the government, law enforcement, military, space and commercial sectors. XTEK is focused on developing and commercialising its proprietary technologies by leveraging its established distribution network. These technologies include XTclave™ produced ballistic products and advanced composite solutions, and XTatlas™ real time contextual video, which provide unique solutions for western military forces and other government agencies. In addition, the supply and maintenance of Small Unmanned Aerial Systems (SUAS) remains a focus for XTEK. For more information visit the XTEK website at [www.xtek.net](http://www.xtek.net)