



NEWSLETTER

29 September 2008

1. Technology Advancements and Demonstrations.

RTICL has continued further research and development on variations of the Recoilless Technology, as displayed by DVD presentation at the AGM, to form a Gamma prototype. This Gamma prototype was formed by making enhancements to the Beta prototype configuration and in particular the use of more powerful charges to support the fact that the Recoilless Technology can be upscaled to much more potent or larger calibre weapons. The calibre of the enhanced prototype is Winchester .308 (including 7.62 NATO round or its equivalent).

Test firings of the Gamma prototype are now conducted to clearly show the bullet exiting the prototype and penetrating through multiple layers of timber before entering the bullet catcher. The Gamma prototype is mounted on a free moving sliding rig and during test firing accurate measurements of movement can be taken to show the control of recoil with the adaptation of the Recoilless Technology.

During the demonstration, which generally consists of four shots, measurements are taken of the distance the prototype moves on the sliding test rig. The first shot is under full recoil with the following three shots demonstrating controlled recoil using variations in attachments to the prototype and also making adjustments accordingly. Typically these

three shots show movement between a fraction and a few percent of the full recoil. The small amount of recoil displayed with these three shots is another means of providing visual confirmation that the prototype slides freely on the rails of the test rig when the live round of ammunition is discharged and the bullet is released towards the target, penetrates it, and rattles the wooden buffers showing the brute force with which the projectile strikes precisely its intended target, pointed out with a laser sighting system.

Test firing of the Gamma prototype is captured by way of high speed camera footage for further verification of the testing which is very much a spectacular event to watch on the screen directly after each shot is fired which adds scientific value to the experiment.

Demonstrations of the Gamma prototype can now be scheduled for Shareholders and other interested parties who wish to attend. Please contact the office on 03 9769 0770 to arrange a suitable time to witness a demonstration.

In addition to the current IP development and R&D conducted, a new patent application has been filed for the development of a specific technology. However we have since been advised by our patent attorneys, Phillips Ormonde & Fitzpatrick, that a prohibition order has been placed on this application from the Australian Patent Office, which prohibits



us from publishing information with reference to the subject matter of the patent application. We are in the process of negotiating, through our patent attorneys, with the Australian Patent Office for the prohibition order to be lifted and we will advise you of the outcome in due course. It should be noted however, that under the provisions of the Patents Act, the Commonwealth of Australia has the right to exploit (or authorise others in writing to exploit) an invention for the services of the Commonwealth at any time after a patent application has been made. The remuneration and terms for exploitation are determined by agreement between the person entitled to the benefit of the patent application, (or the person's nominee) and the Commonwealth. If there is no agreement, the determination is made by a prescribed court. Under the provisions of the Patents Act, a patent or a patent application may also be acquired by the Commonwealth. In that instance, all rights in the patent, or the patent application, vest in the Commonwealth. Compensation must be paid in an amount to be agreed between the person entitled to be compensated, and the Commonwealth. If there is no agreement, the amount of compensation is determined by a prescribed court. As such an acquisition clearly involves an acquisition of property; the terms of that acquisition must be 'just' within the meaning, of the Constitution of Australia.

The Patents Act also allows the Commissioner of Patents, on the direction of the relevant Minister of the Commonwealth, to prohibit or restrict the publication of information about the subject matter of a patent application. While any such order is in force, the complete specification of the application

is not open to public inspection, acceptance must not be notified and a patent must not subsequently be granted. Disobedience of any such order involves criminal consequences.

It is possible that countries other than Australia could take action which may impact upon RTICL's patents and patent applications.

2. Strategic Partnership - Poland

An election was held in Poland in October 2007 resulting in a change of Government. The flow on from the results of the election is that there have been significant changes to the Heads of various Governments owned and controlled weapons and defence industries. This has led to RTICL having to re-establish relationships in all these areas. RTICL has now been able to identify the relevant personnel with who contact needs to be made and this process is currently well advanced. The changeover brought about by the new Government has been a slow process but has by no means stopped RTICL's progress, only delayed it. RTICL will keep you informed as our negotiations progress.

The strategic partnership will see the Recoilless Technology introduced across the entire spectrum of weapons and weapons platforms used in land warfare and equally in non-defence applications such as agriculture, mining, construction, road building and manufacturing.

3. RTICL and Huta Stalowa Wola

As advised at the Annual General Meeting on 18th January 2008 RTICL and Huta Stalowa Wola SA (HSW) signed a Letter Of Intent (LOI) that would see the



parties commencing further negotiations leading to specific contractual arrangements. The conditions of the LOI prevent RTICL publicly revealing the detailed content of the document. So far RTICL has been negotiating successfully the acquisition of specific hardware to allow RTICL's further advanced research and development to commence, which will see us achieve some of our major R&D and technology goals. As with the change of Government in Poland there has been a partial change of leadership at HSW. RTICL is now in direct contact with the appropriate personnel and negotiations are continuing and the next trip to HSW will see the conclusion of the matter as soon as HSW's busy schedule will allow. HSW is currently Poland's premier manufacturer of construction machines and is the leading manufacturer in their domestic defence industry. For further information about HSW visit their website at www.hsw.pl

Concurrent with this RTICL has developed a Research and Development Project Plan that will support the heavy hardware purchase and negotiations with various parties (Universities and defence and industry partners) are underway for finessing of this plan leading to a Joint Development Agreement/s. It is anticipated that the Joint Development Agreement/s will see the completion of a Concept Technology Demonstrator/s (CTD/s) in heavy calibre/s to be demonstrated to appropriate Government/s personnel. This project/s is expected to take 3 years and following the successful demonstration of the CTD/s substantial Government/s funding is expected that will ultimately see its commercialisation in the market place.

4. European Small Arms Company

RTICL was advised by the Australian Representative of the European Small Arms Company that for a demonstration of the "proof of concept" of the Recoilless Technology to be deemed successful a representative of the European Small Arms Manufacturer was required to physically hold and fire the prototype. Whilst RTICL agreed to this request in principle, this required some serious modifications to be made to the existing firing chamber/range in the Research and Development facility to ensure RTICL complies with all necessary Occupational Health and Safety Regulations as well as the requirements of the Victoria Police Licensing Services Division. Inspections by experts in both these fields have now been completed and RTICL is in the process of finalising the necessary alterations so that a demonstration can be scheduled. Security of the project on which RTICL's business is based also had to be included in the process of the herein mentioned modifications to RTICL's infrastructure. It is expected that such a demonstration will lead to the support and implementation of a Joint Research and Development Project Plan, the result of which will be the completion and successful firing of a Concept Technology Demonstrator (CTD). This project is estimated to take between two and two and a half years to complete from its commencement which will then lead directly to the design and manufacturing of final product/s and commercialisation of the recoilless technology on a mass scale.

To further support this effort, negotiations have been held in Poland with an organisation known as The Bumar Group, and point 2 of this newsletter refers to this association. Their ability to



support our further research and development predominantly in the field of the full range of small arms, up to light anti-aircraft radar controlled automatic artillery, is extensive and as they have previously stated they are enthusiastic about becoming our "strategic business partner," and their former Vice Chairman insisted on such an arrangement as a condition of our mutual collaboration on a major scale.

Bumar sp. z o.o, a leading supplier and exporter of armaments and military equipment manufactured in the Polish defence industry, is the dominant entity of the Bumar Group. The Group consists of 22 manufacturing and trading defence sector companies specialising in munitions, radars, rockets and armour as well as construction, agricultural plant, and construction service companies.

For over 35 years the company has been a leader in the international market of weaponry, construction plant, mining and transportation and handling equipment. Its extensive experience, world-recognized and distinguishable brand name, achievements in implementing new technologies in the Polish industry and in initiating relationships with renowned producers all over the world, professional and skilful personnel are the company's main assets. Bumar has been supplying and selling its equipment and services to over 40 countries, including Europe, Africa, the Far East, South America and the U.S., winning many international bids. For further information visit www.bumar.com.

5. US Deal

As announced at the AGM on 18 January 2008, a Letter of Intent (LOI) was executed in January 2008 between RTICL

and Volch Proprietary Inc that would see up to \$20m raised in the United States of America, most likely from a Venture Capital firm, to enable the further development and advancement of the Recoilless Technology and for a listing on a USA Stock Exchange and most probably the NASDAQ.

One of the key elements of the LOI was that the interests of RTICL Shareholders were of paramount importance and assurance to the protection of these interests was provided and this had to be reflected in any final definitive agreement.

Unfortunately the agreement that was prepared for RTICL to sign, as a consequence of the LOI, did not reflect many of the items agreed to in the LOI. In particular RTICL was being asked to hand over its intellectual property without any guarantee about funding or indeed security of the intellectual property.

Not only was the proposed agreement an issue but demands were subsequently made to reveal the inner workings of the technology before negotiations proceed any further. Again this left RTICL in an untenable situation where we would not be acting in the best interests of shareholders if we agreed to this demand.

To date Joe Vella - Finance/Investments Director & Technology Trustee is still positively negotiating, with the initiator of the Volch Proprietary Inc. financial deal, certain aspects of the promised, and partially executed, investment.

Further discussions, parallel to the above, have now been facilitated with another American colleague, who is an existing RTI investor, and his associates and on a very



recent trip to Australia he was given a demonstration of our latest prototype and was extremely impressed. He immediately renewed his offer of assistance in developing an appropriate structure for our US entity, raising funds without losing our intellectual property along with strategies and a business plan, for the US Board of Directors' approval, when it is formed, which will include steps required for US stock exchange listing. We will receive his advice in the very near future, and will be informing you about the developments of the matter as progress occurs. It should be noted that this was RTICL's original plan of action in relation to the United States in the event that our other negotiations could not be finalised. We have now reverted to this plan, as RTI at all times subscribes to various backup plans in order to secure the company's future.

Alternative fund raising initiatives are now well advanced and we are looking to South East Asia in respect to this matter. Demonstrations of the Recoilless Technology have been given to representatives of a number of organisations and they have shown extreme interest in raising the funding required to secure projects such as that with HSW, and to enable RTICL to proceed to a stock exchange listing etc. Substantial documentation and detail has been provided to representatives from South East Asia including our RTI Singapore Pte Ltd Director/s and our SEA facilitators to deal with the regional clients and many meetings and presentations already have been made on our behalf. Negotiations have proceeded to the point where our Chairman, Managing Director and Chief Technology Architect, Mr Richard Giza, will be invited to the region to meet with scientists and

engineers to discuss in detail the recoilless technology. This step in the process is the most significant and is expected to result in a very positive outcome.

There are also various other facilitators who are approaching a number of different countries on our behalf to organise funding and contractual arrangements with defence industries and manufacturers.

6. TAG Update

RTICL was in contact with Tactical Aerospace Group (TAG) in May 2008 to discuss what is required to proceed based on the Joint Commercialisation Agreement between RTICL and TAG that was signed in November 2006 to incorporate a single-shot 7.62mm calibre recoilless weapon prototype to an Unmanned Aerial Vehicle manufactured by TAG. RTICL is now required to prepare project time frames and a project plan for TAG so that there is a common understanding as to what is involved in the project and the time requirements.

TAG advised that the development of an M750 Rotorcraft has just been completed and this system is being targeted exclusively for the military. TAG is interested in having a recoilless weapon for this project and agreed to provide RTICL with all the necessary specifications and details so that an appropriate solution can be developed. A scaled desktop model of the M750 Rotorcraft will also be provided to RTICL.

TAG will be conducting a flight demonstration for the Australian Defence Force in approximately February 2009 and this may be a perfect opportunity for



RTICL's Recoilless Technology to be showcased. Should a final prototype not be available, the demonstration will be shown by way of DVD, models, drawings and technology related photographs etc. There is a possibility that we may, at least, succeed with an improvised Recoilless Technology based prototype for the purpose of testing its positive effects on the UAV in question providing that the major part of the pending R&D funding will arrive on time to complete the job.

7. Proposal to Purchase Metal Fabrications Company

RTICL intends to secure the purchase of a metal fabrications company in the future once we have a major investor on board. This will provide RTICL with the internal capability to support the development of recoilless larger calibre weapons and weapons platforms and also non weapon related prototypes whilst also providing a substantial asset on RTICL's Balance Sheet and an additional source of revenue.

8. RTICL Subsidiaries

As RTICL moves further towards its global expansion, a Singapore subsidiary was registered on 26 August 2008 (Recoilless Technologies International (Singapore) Pte Ltd) with RTICL as its only Shareholder at this point in time and arrangements for a subsidiary to be registered in Poland (RTI Poland Sp z o. o.) are being finalised. Establishing a subsidiary in Singapore is vital in RTICL's global expansion as Singapore is central to all South East Asian countries. Singapore also has strong military capabilities as well as a strong defence industry for its size. Poland is also a vital country to establish a subsidiary for RTICL as this will provide a convenient and timely means of

communicating with not only the likes of HSW and possibly the Bumar Group etc but also throughout Europe and associated regions.

Together with the subsidiaries already established in the United States of America and New Zealand, in the immediate future RTICL will have four registered subsidiaries.

9. RTICL & MSP

RTICL has recently become associated with a Singaporean company known as MSP Global Pte Ltd. MSP is an abbreviation for Molecular Science Products and this company markets a range of lubricants providing a scientific breakthrough in micro-lubrication which is a very technologically advanced Metal Treatment. A number of field trials are presently underway, both weapons and non weapons related, and the initial results are extremely promising. The technological compatibility and synergies between both RTICL's and MSP's technologies makes this association of benefit to both companies from both a technical as well as a profitability point of view.

RTICL has signed an "in-principle" Memorandum of Understanding with MSP that will enable RTICL to distribute MSP's products and services which will in turn provide an ongoing revenue stream for RTICL. There are many markets globally which have not yet been penetrated by MSP, and their products fit very well with the Recoilless Technology and the industries with which RTICL deals. RTICL foresees this relationship of mutual support as highly beneficial to both companies by expanding the markets for MSP and generating an ongoing revenue stream for RTICL. Already the interest



being generated in the MSP range of products is substantial and we expect to commence sales both locally and internationally in the very near future. Using MSP products in weapons also assists RTICL with maintenance, reliability and performance.

In true nature the technology is rather staggering and renders all defence weapons, their platforms and other defence mechanical equipment, constantly battle ready for extremely prolonged periods of time.

MSP can open doors for RTICL where they currently have relationships and products being used within Defence departments that we have not been in contact with yet. Mutually we can offer the same for MSP with our current relationships in Australia and overseas.

Further details about MSP products can be obtained by contacting RTICL.

10. Patents

A total of 22 patents have now been granted with the latest wave of granted patents being in Poland, Argentina and Colombia and it is expected that additional patent applications will be lodged in the months ahead. Patent renewals for China, Brazil, Canada, Serbia, Norway, Hungary, Europe, South Africa, Russia and Australia; have been secured at a total cost of \$16,199 with further renewals due in the near future. This is one example of the ongoing expenses necessary for RTICL which are critical to the protection of our intellectual property.

11. R&D Tax Concession

RTICL was again successful in obtaining a Research and Development Tax Concession

for the financial year 2006-2007 in association with AusIndustry and the Australian Taxation Office. This is part of an ongoing scheme that allows claims to be made for legitimate and verifiable Research and Development programs. Funding from the tax concession in the vicinity of \$240,000 was received by RTICL and was used to settle a number of liabilities. This funding forms an integral part of RTICL's budget and cash flow projections.

12. Stock Exchange Listing

It is still the clear intention of the RTICL Board of Directors to list on a stock exchange as soon as possible. The goal is to firstly list on a United States Stock Exchange, most likely the NASDAQ, and negotiations are presently in progress to secure sufficient funding to enable this to happen as soon as possible. Having contracts, which are under development, in place for Joint Research and Development Project Plans, for both small and large calibre weapons, will predominantly support a successful listing.

13. Appointment of Auditors

On 17 July 2008, the RTICL Board of Directors signed a Notice of Intention to convene a General Meeting of RTICL on Friday 21 November 2008 to consider, and if thought fit, pass the ordinary resolution that Deloitte Touche Tohmatsu be removed as Auditors of RTICL. The RTICL Board will also be making a recommendation to Shareholders during this AGM that Whelan and Cook be appointed the Auditors of RTICL. This recommendation from the RTICL Board is based purely on the increasing costs of the annual audit process and also the increasing length of time being



experienced in finalising the annual audit reports.

14. Annual General Meeting

The tentative date for the 2007-2008 financial year Annual General Meeting of RTICL's Shareholders is Friday 21 November 2008. The confirmed date, location, time and formal meeting papers will be provided in accordance with meeting notice requirements.

15. Improvements to our testing facility

This year extensive modifications were made to the testing facility enabling the prototypes to be supported by hand, so the full effect of the recoilless technology could be appreciated and confirmed beyond any doubt. This included modifying bullet proof walls, doors and the installation of additional viewing windows (bullet proof glass) along with round openings through the walls in order for an individual to insert his/her hands and arms (at the level of one's elbows for a comfortable movement/manoeuvring of upper limbs) to hold onto a prototype in a secured manner. Protection to hands and arms is provided via mesh wire gloves which are inserted inside arms length leather gloves, under such conditions the shooter will be able to hold on to the prototype, aim the gun at a target with a laser sighting system and with assistance provided by a multi stage electronic, very safe trigger system, discharge the firearm accurately and safely. This modification proved a costly exercise for RTICL but will provide significant opportunity to secure potential contracts in the future by being able to demonstrate the technology using this direct most reassuring method that proves the Recoilless Technology

existence and RTICL's claimed staggering performance.

The opportunity to fire the weapon in this manner is not something that will be offered to every potential investor but can be made available, if needed, to secure a major investment and/or industry alliance deal.

A disclaimer is to be drawn up to protect RTICL against any unforeseeable incident should a potential major investor or industry partner request this service.

16. Continued funding

RTICL has an ongoing funding operation in place and we will accept, from appropriate potential financial benefactor/s, specifically chosen by RTI, limited investments until our extensive work in attracting Major Investors is achieved. To facilitate our Major Investors' wishes, the price for shares will be fixed by a special agreement with such sophisticated incoming financial parties.

The major investments will see our existing relationships and proposed contracts materialise into developing projects, and that will provide the strength, substance and value required for our stock exchange listing, or trade sale, if the situation demands, and according to the majority of RTICL shareholders' wishes.

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