



## OFFER DOCUMENT NON-RENOUNCEABLE RIGHTS ISSUE



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**1 New Shares for every 7 Existing Shares at \$0.027 to raise up to \$679,291.21  
The Rights Issue closes at 5.00pm (Melbourne time) on Wednesday 23 October 2013**

*This Offer Document is an important document and requires your immediate attention. It should be read in its entirety and before you decide whether to participate in the Rights Issue. If you have any questions about any part of the Offer Document you should consult your professional adviser. Shareholders should be aware that their Rights may have value. Shareholders should also be aware that their Rights cannot be traded.*

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## Important Information

### **Not a prospectus**

This Offer Document has been prepared by XTEK Limited. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission (**ASIC**).

### **Not financial product advice**

The information in this Offer Document is not financial product advice, does not purport to contain all the information that you may require in evaluating a possible acquisition of New Shares and has been prepared without taking into account your investment objectives, financial situation and needs.

### **Section 708AA of the Corporations Act**

This Offer Document has been prepared in connection with section 708AA of the Corporations Act (as notionally modified by ASIC Class Order [CO 08/35]. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is less than the level of disclosure required in, and which you would expect to find in, a prospectus.

Section 708AA of the Corporations Act requires companies to lodge a "cleansing notice" with the ASX. The Company lodged a cleansing notice with ASX on Wednesday, 26 September 2013.

You should conduct your own independent review, investigation and analysis of the Company and the New Shares that are the subject of the Offer. You should obtain any professional advice you require to evaluate the merits and risks of an investment in the Company before making any investment decision based on your investment objectives.

### **Disclaimer**

No person is authorised to give any information or make any representation in connection with the Rights Issue or Offer described in this Offer Document, which is not contained in this Offer Document. Any information or representation not contained in this Offer Document may not be relied on as having been authorised by the Company in connection with the Rights Issue.

Except as required by law, and then only to the extent required, none of XTEK, its Directors or any other person associated or related in any way to XTEK warrants or guarantees the future performance of XTEK or any return on any investment made pursuant to this Offer.

## Key Statistics

Offer Price for New Shares	\$0.027 per share
Number of New Shares to be issued	Up to 25,158,934
Entitlement	1 New Share for every 7 Existing Shares
Rights Issue — Gross Proceeds	Up to approximately \$679,291.21
Offer closes	5.00pm (Melbourne time) on Wednesday, 23 October 2013

## Key Dates

This Offer Document, which is prepared in accordance with the Corporations Act and ASX Listing Rules, is dated 4 October 2013. The following are the key dates relating to the Offer that you need to be aware of:

Event	Date
Announcement of Rights Issue and the lodgment of Appendix 3B and Cleansing Notice	Thu, 26 September 2013
Notice to Shareholders informing them of the Rights Issue and the indicative timetable	Fri, 27 September 2013
Ex-date – the date on which Shares commence trading without the Entitlement to participate in the Rights Issue	Mon, 30 September 2013
Record Date for Entitlement to participate in the Rights Issue	Fri, 4 October 2013
Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	Wed, 9 October 2013
Closing Date for Receipt of Entitlement and Acceptance Form	Wed, 23 October 2013
Shares are quoted on a deferred settlement basis	Thu, 24 October 2013
ASX notified of under-subscriptions	Fri, 25 October 2013
New Shares are allotted	Mon, 28 October 2013
Holding Statements are dispatched to Shareholders	Tue, 29 October 2013
Normal ASX trading for New Shares commences	Wed, 30 October 2013

The above dates are indicative only and are subject to change. The Company reserves the right to amend this indicative timetable at any time and in particular, subject to the Corporations Act and ASX Listing Rules, to extend the latest date for receipt of Entitlement and Acceptance Forms, to accept late Entitlement and Acceptance Forms either generally or in particular cases, or to cancel the Rights Issue without prior notice. Accordingly, Shareholders are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Offer opens.

## Letter to Shareholders

Dear Shareholder,

On behalf of the Board of XTEK, I am pleased to advise that the Company is to offer shareholders an opportunity to participate in a Non-Renounceable Rights Issue. XTEK offers its Eligible Shareholders, recorded on the share registry as at Friday, 4 October 2013 (**Record Date**), an entitlement to participate in the pro-rata Non-Renounceable Rights Issue of up to 25,158,934 New Shares to raise up to approximately \$679,291.21. Under the Rights Issue, Eligible Shareholders of XTEK Limited will have an Entitlement to acquire 1 New Share for every 7 Existing Shares at a price of \$0.027 per Share (**Offer**).



### Why capitalise on your investment in XTEK now

This is a tremendously exciting time for XTEK as our revolutionary XTclave™ Composite Consolidation Technology (CCT) has captured the interest of the US military.

In 2013, XTEK Limited was awarded a significant contract up to US\$1,502,166 by the United States (US) Department of Defense (DoD) Foreign Comparative Testing (FCT) Program. The funding is enabling XTEK to undertake development and testing work for the US Army over the next two years to develop advanced lightweight hard armour plate solutions using XTEK's novel XTclave™ isostatic CCT capability. The US armour market is one of the largest in the world for both body armour plates and other armour requirements with the US Defence market alone requiring around 1.5 million sets of body armour plates.

We will also be investigating the global market opportunities for further diversification. The ability of XTclave™ to consistently produce advanced technical composites, such as precision, void-free, structural carbon-fibre reinforced laminates capable of withstanding extreme thermal loading is significant and could have considerable applications in the aerospace and aviation industries.

Licensing the XTclave™ CCT manufacturing process to established composite manufacturers and system integrators as well as establishing new and growing existing markets and licensing new partners to extend into new markets by market segment are our priorities. This could include additional plants for one or more partners in the defence armour systems market; new plants and license arrangements with world leading commercialisation partners for the broader defence, UAV, wind energy, automotive and aircraft component industries. To fast track capacity we plan to build and sell XTclave™ manufacturing plants to realise royalties that will build strong revenue streams from manufacturing output. Closer to home our facility in Adelaide will remain focussed on early stage commercialisation for emerging markets, product design and build-to-order low volume specialised parts.

Despite continued budget constraints on Government expenditure in the Defence and Homeland Security sectors during 2013, our revenue is up seven percent. XTEK has also been awarded Preferred Supplier status within the Australian and New Zealand Defence Forces.

Funds raised through the Rights Issue will be used to retire debt, meet the costs of entering new markets with new products and services, adding value to the existing product range, enhancing XTEK's Unmanned Aerial Vehicles (UAVs) capabilities and bring specialist XTEK products to market.

### Important information for shareholders

In addition to being able to apply for New Shares in the manner described above, subscribing Shareholders also will have the opportunity to apply for New Shares that are not subscribed for under the Rights Issue (**Shortfall Shares**). The Shortfall Shares will be issued at the same price and on the same terms as the New Shares. I encourage you to apply for Shortfall Shares at the same time as subscribing for your Rights Issue entitlement

However, Shortfall Shares will only be issued to the extent necessary to make up any shortfall in subscriptions under the Rights Issue. If XTEK receives applications for Shortfall Shares that would result in the Rights Issue being oversubscribed then it will not accept such over subscriptions and will reject applications (in part or in whole) at its absolute discretion. Application monies received but not applied towards subscriptions will be refunded as soon as practicable. No interest will be paid on application **monies returned** to Shareholders. Further, XTEK will not issue Shortfall Shares where to do so would result in a breach of the Corporations Act or the ASX Listing Rules.

The Rights Issue is substantially underwritten by UDB Pty Ltd (a company controlled by myself).

All Directors have indicated that they intend to participate in the Rights Issue. All Shareholders are encouraged to take up their full entitlement and thereby maintain their current percentage shareholding in the Company.

Shareholders with a registered address in Australia or New Zealand as at the Record Date are eligible to participate in the Rights Issue. In this Offer Document, you will find details of the Offer and instructions on how to accept your Entitlement, as well as other important information.

### How to Take Up the Offer

Eligible Shareholders should note that instructions on how to take up the Offer differ, dependent on how your Shares are held. Eligible Shareholders who hold their Shares directly on the Australian registry should carefully read the instructions and information contained in this Offer Document and have regard to the "Key Dates" on page 4 for the timing of specific instructions and information contained within this Offer as it relates to you.

A personalised Entitlement and Acceptance Form accompanies this Offer Document. You should read and refer to the instructions and information contained within this Offer Document and the separate letter in their entirety and have regard to the timing in that letter for specific actions.

If, after reading the Offer Document, you are unsure about any aspects of the Offer or its merits, we encourage you to consult your financial or other adviser.

Finally, the Board and Management is of the strong view that this is an exceptional opportunity for Shareholders as we work towards firmly establishing XTEK as a global leader in composite consolidation technology products and services.

I commend the Rights Issue to you and recommend your participation.

Yours sincerely



Uwe Boettcher  
Chairman  
XTEK Limited  
4 October 2013

## 1. DETAILS OF THE RIGHTS ISSUE

### 1.1 Offer

The Company is making an Offer to Eligible Shareholders of up to 25,158,934 New Shares at an issue price of \$0.027 for each New Share, by way of a pro-rata Non-Renounceable Rights Issue. The Offer Price is payable in full by Eligible Shareholders on acceptance of the Offer.

Each Eligible Shareholder is entitled to subscribe for one (1) New Share for every seven (7) Existing Shares held on the Record Date.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares will be rounded up to the nearest whole number of New Shares.

There is no minimum subscription under the Offer.

### 1.2 Eligible Shareholders

To qualify for the Rights Issue a Shareholder must:

- a. be registered as a Shareholder at the close of business on the Record Date; and
- b. have an Australia or New Zealand address recorded on the Share Registry as at the Record Date.

### 1.3 Purpose of the Rights Issue

The purpose of the Rights Issue is to raise up to approximately \$679,291.21 before transaction costs which will be used to provide general working capital to the Company. Projects include:

- a. Marketing the XTclave™ composite consolidation technology across the lucrative global composites market and analyse the sectors in which the technology may have market potential, beyond the manufacture of ballistic armour systems. We will investigate opportunities to diversify into further technical fields. The ability of XTclave™ to consistently produce advanced technical composites, such as precision, void-free, structural carbon-fibre reinforced laminates capable of withstanding extreme thermal loading is significant. It is believed that this could have considerable utility in areas such as the aerospace and aviation industries.

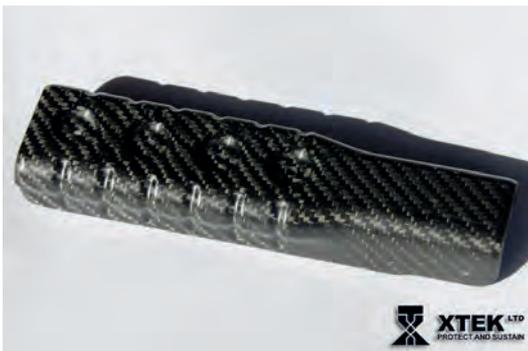


Figure 1: Carbon fibre weapon components      Figure 2: Carbon fibre radius bonding

- b. Meeting the costs of entering new markets and diversification costs to develop new products and services for alternative market sector applications including the regional mining sector.
- c. Adding value to our products range, specialist training, maintenance through life support capabilities and operational UAV capacity to enhance the operational capability of Defence, Law Enforcement and other Government agencies.
- d. Building upon our research and development success to bring further specialist XTEK products to the market to meet specific client requirements.

## 1.4 Underwriting

The Offer will be substantially underwritten to the value of \$500,000, by one of our major shareholders, UDB (a Company controlled by XTEK's Chairman). The continued support from UDB is greatly appreciated and provides a lead for all other shareholders.

## 1.5 Major Shareholders

The Company has been notified by UDB (a company controlled by the Chairman of the Company, Uwe Boettcher) that UDB, which currently hold approximately 23.6% of the Company's shares, that it intends to participate in the Rights Issue.

## 1.6 Allotment of New Shares

New Shares under the Rights Issue are expected to be allotted on or about 28 October 2013 (subject to variation at the discretion of the Company).

## 1.7 ASX Quotation

Application has been made to ASX for official quotation of the New Shares to be issued under this Offer Document. If permission for quotation is not granted by ASX, the New Shares will not be allotted and Application Monies will be refunded (without interest) as soon as practicable.

## 1.8 Application Monies

Until New Shares are issued, the Company will hold the Application Monies on trust in bank accounts in Australia. The accounts will be established and kept solely for the purpose of depositing Application Monies and retaining those funds for as long as required under the Corporations Act.

Any interest accrued on Application Monies will be retained by the Company and will not be paid to the relevant Eligible Shareholder (including if the Rights Issue is cancelled or withdrawn).

An Application Payment received for more than your final allocation of New Shares and Shortfall Shares will be refunded to you by cheque to the registered address of the shareholding. Note that it is not practical to refund amounts less than \$2.00 and these will be retained. No interest will be paid on any refunded amount.

## 1.9 Market Prices for Shares on ASX

The lowest and highest market prices of Shares traded on ASX during the 3 months immediately preceding the date of this Offer Document were \$0.026 and \$0.033 respectively. The volume weighted average price for Shares traded on ASX over the 5 trading days preceding the date of announcement of the Rights Issue was \$0.028.

## 1.10 Foreign Shareholders

The New Shares being offered under this Offer Document are only being offered to Eligible Shareholders i.e. those Shareholders with registered addresses in Australia or New Zealand.

The Rights Issue will not be offered to Non-Eligible Foreign Shareholders. XTEK Limited has determined that it is not economically viable for it to make offers to Non-Eligible Foreign Shareholders due to the cost of meeting compliance requirements with securities laws in each applicable jurisdiction in which Non-Eligible Foreign Shareholders reside. The Company reserves the right in its absolute discretion to offer participation in the Rights Issue to a Shareholder with an address in the Company register of Shareholders outside Australia and New Zealand if the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable.

This Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the New Shares or otherwise permit an offering of New Shares in any jurisdiction outside of Australia and New Zealand.

The distribution of this Offer Document outside Australia or New Zealand may be restricted by law. If you come into possession of this Offer Document, you should observe any such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

### **1.11 Taxation Implications**

Shareholders should be aware that there may be taxation implications of participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder.

Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

### **1.12 Risks**

There are a number of risks associated with an investment in the Company, which may affect its financial performance, financial position, cash flows, distributions, growth prospects and Share price. The key risk factors have been summarised in Section 5.

### **1.13 Regular Reporting and Disclosure**

The Company is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company, which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from the Company's website [www.xtek.net](http://www.xtek.net), ASX or its website [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit review or report. These reports are released to ASX and published on the Company and ASX websites.

### **1.14 Rights and Liabilities Attaching to New Shares**

New Shares issued pursuant to this Offer Document will be fully paid ordinary shares in the capital of the Company and will rank equally with the Existing Shares including for any dividend issued after the date of this Offer Document.

The rights and liabilities attaching to Shares are set out in the Company's Constitution and are regulated by the Corporations Act, the general law, the ASX Listing Rules and ASTC Settlement Rules. The Constitution may only be varied by a special resolution passed by at least 75% of Shareholders present (and entitled to vote).

### 1.15 Shortfall Shares

In addition to being able to apply for New Shares in the manner described above, subscribing Shareholders also will have the opportunity to apply for New Shares that are not subscribed for under the Rights Issue (**Shortfall Shares**). Shortfall Shares can be applied for at the same time as shareholders apply for the New Shares.

The issue price of the Shortfall Shares will be \$0.027 per Share, being the same price at which Entitlements are offered to Eligible Shareholders under the Offer Document. Any Shortfall Shares issued will rank equally with all other Shares on issue. XTEK reserves the right to issue Shortfall Shares at the discretion of the Directors to Eligible Shareholders or exempt investors under section 708 of the Corporations Act. **There is no restriction on the number of Shortfall Shares for which an Eligible Shareholder may apply**, however, XTEK reserves the right to scale back applications for Shortfall Shares.

Shortfall Shares will only be issued to the extent necessary to make up any shortfall in subscriptions. If XTEK receives applications for Shortfall Shares that would result in the Rights Issue being oversubscribed, it will not accept such oversubscriptions and will accept or reject applications (in part or in whole) at its absolute discretion. Shortfall Share application monies received but not applied towards subscriptions will be refunded as soon as practicable. No interest will be paid on application monies returned. Furthermore, XTEK will not issue Shortfall Shares where to do so may result in a breach of the Corporations Act or the ASX Listing Rules.

### 1.16 Financial Amounts

Money as expressed in this Offer Document is in Australian dollars unless otherwise indicated. Any discrepancies between totals in tables and sums of components in tables in this Offer Document and between those figures and figures referred to in other parts of this document are due to rounding.

## 2. REQUIRED ACTIONS

### 2.1 Eligible Shareholders —Australia and New Zealand

If you are an Australian or New Zealand Eligible Shareholder you may:

- take up all or part of your Entitlement in accordance with this Offer Document;
- if you take up all of your Entitlement, you may also apply for Shortfall Shares; or
- decline to take up any or all of your Entitlement.

If you are an Australian or New Zealand Eligible Shareholder and wish to take up all or part of your Entitlement (or, if you wish to take up all of your Entitlement, and also wish to apply for Shortfall Shares):

- a. read this Offer Document in full;
- b. consider the risks associated with the Rights Issue, as summarised in Section 5, in light of your personal circumstances;
- c. decide whether to participate in the Rights Issue;
- d. complete the personalised Entitlement and Acceptance Form accompanying this Offer Document in accordance with the instructions set out on the form. If you have not received a personalised Entitlement and Acceptance Form please call the Offer Information Line; and
- e. return the completed Entitlement and Acceptance Form together with payment in accordance with section 2.2 below, using the enclosed reply paid envelope or to the following address so that it is received **by no later than 5.00pm (Melbourne time) on Tuesday 22 October 2013** (or such other date as may be determined by the Company):

**Australia & New Zealand** — By mail — postal delivery  
Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001  
Australia

Completed Entitlement and Acceptance Forms and Application Monies will not be accepted at the Company's registered office. A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required. If mailed from New Zealand, correct postage must be affixed. Eligible Shareholders should ensure that their Entitlement and Acceptance Form and Application Monies are mailed early to ensure they arrive at the postal address specified above by 5.00pm (Melbourne time) on **Tuesday, 22 October 2013** (or such other date as may be determined by the Company).

If you have any questions about the Rights issue, please call the Offer Information Line on 1300 850 505 at any time from 8.30am to 5.00pm (Melbourne time) Monday to Friday until Wednesday, 23 October 2013, or any other date as may be determined by the Company.

### 2.2 Payment

The Offer Price of \$0.027 per New Share is payable in full on exercise of your Entitlement. For all Australian and New Zealand Eligible Shareholders, payments by cheque, money order and electronic funds transfers must be received by no later than 5.00pm (Melbourne time) on Tuesday, 22 October 2013. BPAY® payments must be received by no later than 5.00pm (Melbourne time) on Wednesday, 23 October 2013 (or such other date as may be determined by the Company).

Shareholders should be aware of the time required to process payments by cheque, electronic funds transfer and BPAY® in choosing the appropriate Application and payment method.

Payment will only be accepted in Australian currency and must be:

- through the BPAY® facility according to the instructions set out on the Entitlement and Acceptance Form.

Cash will not be accepted. Receipts for payment will not be issued. If you provide insufficient funds to meet the Application Monies due to take up all or part of your Entitlement, you may be taken by the Company to have applied for such lower number of New Shares as your cleared Application Monies will pay for, or your Application may be rejected.

#### **Australian Eligible Shareholders may pay through BPAY®**

Payment by BPAY® should be made in accordance with the instructions set out in the Entitlement and Acceptance Form using the reference number shown on that Form and must be received by Computershare **by no later than 5.00pm (Melbourne time) on Wednesday, 23 October 2013** (or such other date as may be determined by the Company). Applicants should be aware that their own financial institution may implement earlier cut-off times with regards to electronic payment. Applicants should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY® are received by this time.

The reference number is used to identify your holding. If you have multiple holdings you will also have multiple reference numbers. You must use the reference number shown on each Entitlement and Acceptance Form to pay for each holding separately. If you pay by BPAY® and do not pay for your full Entitlement, your remaining Entitlements will lapse.

If you make your payment by BPAY® you do not need to lodge the Entitlement and Acceptance Form.

Your completed Entitlement and Acceptance Form or BPAY® acceptance, once sent to Computershare, cannot be withdrawn.

### **2.3 Declining all or part of your Entitlement**

If you decide not to take up all or part of your Entitlement, the Rights which are unexercised will lapse and the relevant New Shares with respect to those Rights will not be allotted to you.

You will receive no payment for Rights not taken up or sold. If you decide not to participate in the Rights Issue, you do not need to fill out or return the accompanying Entitlement and Acceptance Form. Although you will continue to own the same number of Shares, your percentage shareholding in the Company will be diluted.

### **2.4 Non-Eligible Foreign Shareholders**

If you are a Non-Eligible Foreign Shareholder, you may not take up any of, or do anything in relation to, your Entitlement under the Rights Issue. Although you will continue to own the same number of Shares, your percentage shareholding in the Company will be diluted.

### 3. COMPANY OPERATIONS

#### 3.1 General

XTEK, established in 1978, is listed on the Australian Securities Exchange main board (ASX code: XTE) and is among the top SME Defence Contractors within Australia. XTEK's business consists of two divisions:

- First, an agency division that supplies specialist high-risk search and response equipment for Counter Terrorism, Explosive Ordnance Disposal (EOD), Improvised Explosive Device Disposal (IEDD), Ammunition and Weapons, Forensic Science applications and training. In addition, the agency division provides a professional logistic engineering support service for all products and services as supplied to clients;
- Second, an engineering development division that has developed a unique process (XTclave™) for developing lightweight body armour and for developing shapeable composite consolidated technology for highly specialised Defence and national security purposes. This division also designs and manufactures specialised parts and fittings for weapons used by the Australian Defence Force (ADF) Special Forces.

The Company maintains offices in Canberra, Adelaide, and co-located with its logistic hub in Sydney.

#### 3.2. Use of Funds

Further to the Company's 25 September 2013 ASX announcement to the market, the Company confirms the funds raised from the Rights Issue will be used to provide general working capital to the Company. Projects include:

- a. Marketing the XTclave™ composite consolidation technology across the lucrative global composites market and analyse the sectors in which the technology may have market potential, beyond the manufacture of ballistic armour systems. We will investigate opportunities to diversify into further technical fields. The ability of XTclave™ to consistently produce advanced technical composites, such as precision, void-free, structural carbon-fibre reinforced laminates capable of withstanding extreme thermal loading is significant. It is believed that this could have considerable utility in areas such as the aerospace and aviation industries.



**Figure 1: Carbon fibre weapon components**    **Figure 2: Carbon fibre radius bonding**

- b. Meeting the costs of entering new markets and diversification costs to develop new products and services for alternative market sector applications including the regional mining sector.
- c. Adding value to our products range, specialist training, maintenance through life support capabilities and operational UAV capacity to enhance the operational capability of Defence, Law Enforcement and other Government agencies.
- e. Building upon our research and development success to bring further specialist XTEK products to the market to meet specific client requirements.



Figure 3: XTclave™ produced Body Armour

#### 4. EFFECT OF THE OFFER ON CONTROL OF THE COMPANY

The interests of existing Shareholders who do not participate in the Rights Issue will be diluted. Similarly, Shareholders who take up part only of their Entitlement will also be diluted, but to a lesser extent.

The Company has been advised by its major shareholder, UDB, that it intends to participate in the Rights Issue. UDB is controlled by the Chairman of the Company, Mr. Uwe Boettcher.

The potential effect that the issue of the New Shares under the Rights Issue will have on the control of the Company is set out below.

##### 4.1 If the Rights Issue is fully subscribed (or the Shortfall Shares are fully subscribed)

If UDB (and its associates) take up their full Entitlements and the remaining Eligible Shareholders similarly take up their full Entitlement (or Shortfall Shares are otherwise fully subscribed by persons other than UDB, and associates), the Rights Issue will have no effect on the control of the Company (as indicated in the table below):

	Number of Existing Shares	% of issued Shares before issue of New Shares	Number of Shares after issue of New Shares	% of issued Shares after issue of New Shares
<b>Total Shares on issue</b>	176,112,537	100%	201,271,501	100%
<b>UDB and its associates</b>	41,603,135	23.62%	47,546,440	23.62%
<b>Remaining Shareholders</b>	134,509,402	76.38%	153,725,031	76.38%

In these circumstances, the voting power of UDB (or any other Shareholder) will not change.

#### 4.2 If the Rights Offer is only taken up by UDB (and no Shortfall Shares are issued)

Alternatively, if UDB (and its associates) take up their full Entitlements under the Rights Issue, but no other Eligible Shareholder takes up its Entitlement under the Rights Issue (and no subscriptions are received for any Shortfall Shares), the Rights Issue will result in an increase in the voting power of UDB (and its associates) from 23.62% to 26.12%. This effect on control of the Company is demonstrated in the following table:

	Number of Existing Shares	% of issued Shares before issue of New Shares	Number of Shares after issue of New Shares	% of issued Shares after issue of New Shares
<b>Total Shares on issue</b>	176,112,537	100%	182,055,842	100%
<b>UDB and its associates</b>	41,603,135	23.62%	47,546,440	26.12%
<b>Remaining Shareholders</b>	134,509,402	76.38%	134,509,402	73.68%

This increase in the relevant interests held by, and the voting power of UDB and its respective associates is likely to consolidate the ability of this entity to significantly influence the affairs of the Company (through their respective voting power as a Shareholder).

#### 4.3 If the Rights Issue is taken up by UDB in full and other Eligible Shareholders take up 50% of their Entitlement (and no Shortfall Shares are issued)

If UDB (and its associates) take up their full Entitlements and the remaining Eligible Shareholders take up 50% only of their Entitlements (and there are no subscriptions for Shortfall Shares), the Rights Issue will result in an increase in the voting power of UDB (and its associates) from 23.62% to 24.81%. This effect on control of the Company is demonstrated in the following table:

	Number of Existing Shares	% of issued Shares before issue of New Shares	Number of Shares after issue of New Shares	% of issued Shares after issue of New Shares
<b>Total Shares on issue</b>	176,112,537	100%	191,663,656	100%
<b>UDB and its subsidiaries</b>	41,603,135	23.62%	47,546,440	24.81%
<b>Remaining Shareholders</b>	134,509,402	76.38%	144,117,216	75.19%

This increase in the relevant interests held by, and the voting power of, UDB and associates may consolidate the ability of this entity to significantly influence the affairs of the Company (through its voting power as a Shareholder).

## **5. RISK FACTORS**

A decision to invest in the Company is a decision which is subject to the same type of general risks that are ordinarily associated with purchasing shares in any ASX listed companies. The brief summary of risk factors set out below is not exhaustive.

Eligible Shareholders should consider these risks carefully and, if they are in any doubt, should consult their stockbroker or other professional adviser.

### **5.1 Economic conditions**

The Company may be affected by general economic conditions and the business cycle (including, for example, exchange rates, interest rates, inflation and Federal and State budgets). Changes in economic conditions and Government policies in the markets in which the Company operates may materially affect the demand for the Company's products and trading and the financial position generally of the Company.

### **5.2 Movement in exchange rates**

Any movement in exchange rates could affect product sales, particularly those subject to 'standing offer' arrangements.

### **5.3 Industry risk**

Both costs and timeframes for the introduction of new products and product and process developments can be influenced by factors outside of the Company's control.

The Defence and homeland security sectors are particularly susceptible to changes in Government policy leading to the cancellation or postponement of projects.

### **5.4 The Rights Issue is substantially undersubscribed**

The Rights Issue is substantially underwritten to the value of \$500,000 by UDB Pty Ltd. However, there may be a shortfall in the subscriptions from Shareholders. The Board has attempted to mitigate this potential risk by applying a Shortfall Shares take-up option for Eligible Shareholders who have taken up their Entitlements in full. The Company's major shareholder (UDB) has advised the Company that it intends to participate in the Rights Issue. In addition, the XTEK Directors, have indicated their intention to support the Rights Issue. As such, the Company anticipates that the minimum amount raised under the Rights Issue will be approximately \$500,000. To the extent that a shortfall eventuates, the rate at which the Company will be able to implement the activities described in sections 1.3 and 3.2 of this Offer Document will be impaired.

### **5.5 Law, regulatory and policy risk**

Changes in government legislation, regulation and policy in jurisdictions in which the Company operates may adversely affect the operations of the Company, future earnings of the Company, asset values of the Company, the timing of revenues and the market value of Shares quoted on the ASX.

## 6. GLOSSARY

<b>Applicant</b>	An Eligible Shareholder who applies for New Shares under this Offer Document
<b>Application</b>	An application for a specified number of New Shares by an Applicant under this Offer Document
<b>Application Monies</b>	Funds accompanying an Entitlement and Acceptance Form
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASTC Settlement Rules</b>	The operating rules of the settlement facility operated by the Australian Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532)
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the financial market operated by it, as the context requires
<b>ASX Listing Rules</b>	The listing rules of ASX
<b>Board</b>	The Directors of XTEK acting as a board of the Company
<b>Cleansing Notice</b>	The notice provided to the ASX on Wednesday, 25 September 2013 in compliance with section 708AA(2)(f) of the Corporations Act
<b>Closing Date</b>	The date on which the Offer closes, which is intended to be Wednesday, 23 October 2013
<b>Company or XTEK</b>	XTEK Limited (ABN 90 103 629 107)
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Eligible Shareholder</b>	All Shareholders other than Non-Eligible Foreign Shareholders as at the Record Date
<b>Entitlement</b>	The number of New Shares each Eligible Shareholder is offered under the Offer as designated on their personalised Entitlement and Acceptance Form
<b>Entitlement and Acceptance Form</b>	The application form which is included in or accompanies this Offer Document
<b>Existing Shares</b>	Shares on issue at the Record Date
<b>New Share</b>	A Share offered and issued under this Offer Document, the terms and conditions of which are set out in this Offer Document
<b>Non-Eligible Foreign Shareholder</b>	A Shareholder with an address in the Company's Register of Shareholders that is outside Australia and New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous
<b>Offer</b>	The offer is for 1 New Share for every 7 Existing Shares held as at the Record Date
<b>Offer Price</b>	The price payable for one New Share under this Offer Document or \$0.027
<b>Offer Document</b>	This Offer Document
<b>Offer Information Line</b>	1300 850 505 at any time from 8.30am to 5.00pm (Melbourne time) Monday to Friday until Wednesday, 23 October 2013
<b>Record Date</b>	Friday, 4 October 2013
<b>Relevant Period</b>	The shorter of the period during which the Existing Shares were quoted and the period of 12 months before the day on which the Offer is made
<b>Rights Issue</b>	The pro rata entitlement to New Shares available for issue under this Offer Document
<b>Share</b>	A fully paid ordinary share in the capital of the Company
<b>Shareholder</b>	A holder of Shares as recorded on the Company's Share register maintained by the Share Registry
<b>Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277
<b>UDB</b>	UDB Pty Ltd (ACN 079 631 931), a company controlled by Mr. Uwe Boettcher, the Chairman of the Company



**XTEK LTD**  
ABN 90 103 629 107

**For all enquiries:**

**Phone:**



(within Australia) 1300 850 505

(outside Australia) 61 3 9415 4000



┌ 000001 000 XTE  
MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

**Make your payment:**



See over for details of the Offer and how to make your payment

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## Non-Renounceable Rights Issue — Entitlement and Acceptance Form

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 **Your payment must be received by 5:00pm (AEDST) Tuesday, 22 October 2013**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

### Step 1: Registration Name

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

### Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of new shares you wish to apply for and the amount of payment for those shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Offer Booklet dated .

Choose one of the payment methods shown below.

**BPAY®:** See overleaf. Do not return the slip with BPAY payment.

**By Mail:** Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "**XTEK Limited - Offer Account**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

**Turn over for details of the Offer →**

XTEK Limited Non-Renounceable Rights Issue  
Payment must be received by 5:00pm (AEDST) Tuesday, 22 October 2013

© Registered to **BPAY** Pty Limited ABN 69 079 137 518

# Entitlement and Acceptance Form with Additional Shares

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## STEP 1 Registration Name & Offer Details

 For your security keep your SRN/  
HIN confidential.

**Registration Name:** MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

Entitlement No: 12345678

**Offer Details:** Existing shares entitled to participate as at  
4 October 2013:

4,000

Entitlement to new shares  
on a 1 for 7 basis:

1

Amount payable on acceptance  
at \$0.027 per share:

\$0.01

## STEP 2 Make Your Payment

	Billers Code: 224238 Ref No: 1234 5678 9123 4567 89
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### Pay by Mail:



Make your cheque, money order or bank draft payable to "XTEK Limited - Offer Account".

Return your cheque with the below slip to:  
**Computershare Investor Services Pty Limited**  
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

#### Lodgement of Acceptance

If you are applying for shares and your payment is being made by BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5:00pm (AEDST) on the closing date. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor XTEK Limited accepts any responsibility for loss incurred through incorrectly completed BPAY® payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by this time.

If you are paying by cheque, bank draft or money order the slip below must be received by CIS by no later than 5:00pm (AEDST) on the closing date. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the slip below with cheque attached. Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means. If you are applying for Shortfall Shares in addition to your normal entitlement for New Shares, please complete the relevant payment details below.

#### Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

Detach here -----

### Acceptance Payment Details

Entitlement taken up:

Number of Shortfall Shares applied for:

Amount enclosed at \$0.027 per new share: **A\$**



Entitlement No: 12345678

**Payment must be received by 5:00pm (AEDST) Tuesday, 22 October 2013**

MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

### Contact Details

Contact Name \_\_\_\_\_ Daytime Telephone \_\_\_\_\_

### Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+000000001-3051+14