

Release to the Australian Securities Exchange

Non Renounceable Rights Issue

Canberra, 25 September 2013: The Company (ASX:XTE) is pleased to announce that it intends to make a non-renounceable rights issue ("**Rights Issue**") to eligible shareholders on the basis of one (1) New Share for every seven (7) Shares held at an issue price of \$0.027 per ordinary share ("**Offer**"). This offer is open to eligible Shareholders, as recorded on the share register as at Thursday 3 October 2013 ("**Record Date**").

The maximum number of New Shares which may be issued under the Rights Issue is 25,158,934 to raise up to approximately \$679,291.21. The Company is undertaking the Rights Issue to provide general working capital. Current projects include:

- a. Marketing the XTclave™ composite consolidation technology across the lucrative global composites market and analysing the sectors in which the technology may have market potential, beyond the manufacture of ballistic armour systems.
- b. Meeting the costs of entering new markets and diversifying 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.

Testament to the market potential of the XTclave™ composite consolidation technology is the fact that in July 2013 XTEK was awarded a significant international contract up to the value of \$1,502,166.10 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 Composite Consolidation Technology (CCT).

The US armour market is clearly the largest armour market in the world for both body armour plates and other armour requirements. It is estimated that the US Defense market alone has a requirement for around 1.5 million sets of body armour plates. The global market provides further opportunities for XTEK. We will also 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.

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

Shortfall Shares will only be issued to the extent necessary to make up any shortfall in subscriptions. The Company intends to also present potential shortfall opportunities to exempt investors under section 708 of the *Corporations Act 2001*. If the Company receives applications for Shortfall Shares that result in the Rights Issue being oversubscribed then it reserves the right to accept or not accept such oversubscriptions and will accept or reject applications (in part or whole) at its absolute discretion.

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

All application monies received but not applied towards subscriptions will be refunded as soon as practicable. No interest will be paid on application monies held and returned. Furthermore, the Company will not issue Shortfall Shares where to do so would result in a breach of the *Corporations Act 2001* or ASX Listing Rules.

Timetable for the Rights Issue

The proposed timetable for the Rights Issue is as follows:

Announcement of Rights Issue and the lodgement of Appendix 3B and Cleansing Notice	Wed, 25 September 2013
Notice to Shareholders informing them of the Rights Issue and the indicative timetable	Thu, 26 September 2013
Ex-date – the date on which Shares commence trading without the Entitlement to participate in the Rights Issue	Fri, 27 September 2013
Record Date for Entitlement to participate in the Rights Issue	Thu 3 October 2013
Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	Tue 8 October 2013
Closing Date for Receipt of Entitlement and Acceptance Form	Tue, 22 October 2013
Shares are quoted on a deferred settlement basis	Wed, 23 October 2013
ASX notified of under-subscriptions	Fri, 25 October 2013
New Shares are allotted	Mon, 28 October 2013
Normal ASX trading for New Shares commences	Tue, 29 October 2013
Holding Statements are dispatched to Shareholders	Wed, 30 October 2013

Subject to the ASX Listing Rules, the Closing Date may be extended. This would impact on subsequent dates in the above timetable.

Eligibility to Participate in the Rights Issue

Shareholders at the Record Date with a registered address outside of Australia or New Zealand will not be eligible to participate in the Rights Issue, unless XTEK is satisfied that it is not precluded from lawfully issuing New Shares to that shareholder.

Other terms of the Rights Issue and Offer Document

Further terms of the Rights Issue will be lodged with the ASX in the form of an Offer Document on or about 8 October 2013 and therefore sent to Shareholders with a copy of the Notice under section 708AA of the *Corporations Act 2001* in accordance with the above timetable.

A Cleansing Notice given under section 708AA of the *Corporations Act 2001* (Cth) together with an Appendix 3B form part of this overall announcement.

XTEK Ltd is a leading company in the Australian Homeland Security Market. XTEK's knowledge and expertise is focused on the delivery of protection and sustaining solutions for defence forces, state and federal law enforcement agencies, corrections and customs services and government clients. For more information visit the XTEK website at www.xtek.net

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
Dated: 25 September 2013

**CLEANSING NOTICE UNDER SECTION 708AA(2)(f) OF THE CORPORATIONS ACT 2001
(AS NOTIONALLY MODIFIED BY ASIC CLASS ORDER [CO 08/35])**

This notice is given by XTEK Limited (ASX: XTE) (**XTEK**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally modified by ASIC Class Order [CO 08/35] (**CO 08/35**)).

XTEK proposes to make a non-renounceable rights issue ("**Rights Issue**") to eligible shareholders on the basis of one (1) New Share for every seven (7) Shares held at an issue price of \$0.027 per ordinary share ("**Offer**"). This offer is open to eligible Shareholders, recorded on the share register as at Thursday 3 October 2013 **Record Date**"). The maximum number of New Shares which may be issued under the Rights Issue is 25,158,934 to raise up to approximately \$679,291.21

In addition to being able to apply for new fully paid ordinary shares in the capital of XTEK under the Rights Issue (**New Shares**), shareholders who take up their full entitlement under the Rights Issue will be able to apply for additional shares in XTEK out of any New Shares for which subscriptions are not made under the Rights Issue (**Shortfall Shares**).

An Offer Document in relation to the Rights Issue, together with an Entitlement and Acceptance Form, will be dispatched to all shareholders on Tuesday, 8 October 2013.

Pursuant to section 708AA(2)(f) of the Corporations Act, XTEK advises as follows:

1. XTEK will offer the New Shares for issue without disclosure to investors under Part 6D.2 of the Corporations Act.
2. XTEK is giving this notice under section 708AA(2)(f) of the Corporations Act (as notionally modified by CO 08/35).
3. As at the date of this notice, XTEK has complied with:
 - (a) the provisions of Chapter 2M of the Corporations Act as they apply to XTEK; and
 - (b) section 674 of the Corporations Act.
4. As at the date of this notice there is no information:
 - (a) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (b) that investors or their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of XTEK; or
 - (ii) the rights and liabilities attaching to the New Shares.
5. The potential effect the Rights Issue will have on the control of XTEK and the potential consequences of that effect are as follows:
 - (a) As at the date of this notice, the issued share capital of XTEK consists of **176,112,537** issued fully paid ordinary shares (**Shares**).

- (b) UDB Pty Ltd (ACN 079 631 931) and its associates (**UDB**) currently hold a relevant interest in 41,603,135 Shares, which equates to a voting power in XTEK of 23.6%.
- (c) UDB has indicated to XTEK that it intends to participate in the Rights Issue.
- (d) If the Rights Issue is fully subscribed (or the Shortfall Shares are fully subscribed by persons other than UDB), there will be no effect on the control of XTEK. In these circumstances, UDB will hold 23.6% of the Shares.
- (e) If the Rights Issue is taken up only by UDB and no Shortfall Shares are issued, then the shareholding of UDB will increase from 23.6% up to 26.1%. Although in these circumstances, the increase in UDB's shareholding may consolidate the ability of UDB to exercise a greater degree of influence over the affairs of XTEK through its voting rights as a shareholder, the Rights Issue is not expected to have a significant effect or consequence on the control of XTEK.

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary

Dated: 25 September 2013

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

XTEK Limited (XTE)

ABN

90 103 629 107

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--------------------------------------|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares (fully paid) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 25,158,934 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Issued as fully paid ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>				
<p>5 Issue price or consideration</p>	<p>\$0.027 per share</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The purpose of the issue is to raise capital of up to \$679,291 (before transaction costs) which will be used by the Company to supplement general working capital.</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>30 October 2013</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="721 1199 997 1230">Number</th> <th data-bbox="1002 1199 1268 1230">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="721 1236 997 1390"> <p>201,271,471 fully paid ordinary shares are quoted.</p> </td> <td data-bbox="1002 1236 1268 1390"> <p>Ordinary</p> </td> </tr> </tbody> </table>	Number	+Class	<p>201,271,471 fully paid ordinary shares are quoted.</p>	<p>Ordinary</p>
Number	+Class				
<p>201,271,471 fully paid ordinary shares are quoted.</p>	<p>Ordinary</p>				

+ See chapter 19 for defined terms.

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	N/A	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Unchanged	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No	
12	Is the issue renounceable or non-renounceable?	non - renounceable	
13	Ratio in which the +securities will be offered	1 new share for every 7 shares held at the record date	
14	+Class of +securities to which the offer relates	Ordinary shares	
15	+Record date to determine entitlements	Thursday 3 October 2013	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Yes	
17	Policy for deciding entitlements in relation to fractions	Fractional entitlements will be rounded up to the nearest whole number	
18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	The offer will not be open to security holders with a registered address outside of Australia or New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing new shares to a shareholder with a registered address outside of Australia and New Zealand under the Rights Issue	
19	Closing date for receipt of acceptances or renunciations	Tuesday 22 October 2013	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	The Rights Issue is partially underwritten by UDB Pty Ltd up to a value of \$500,000
21	Amount of any underwriting fee or commission	\$30,000
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement was sent to persons entitled	Tuesday 8 October 2013
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

- 32 How do +security holders dispose of their entitlements (except by sale through a broker)?
- 33 +Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities - NA

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

N/A

39 Class of +securities for which
 quotation is sought

N/A

40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

N/A

41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

N/A

42 Number and +class of all +securities
 quoted on ASX (including the
 securities in clause 38)

Number	+Class
N/A	

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Print name: Lawrence A. Gardiner
Position: Company Secretary
Date: 25 September 2013

+ See chapter 19 for defined terms.