

Release to the Australian Securities Exchange

Non Renounceable Rights Issue

Canberra, 18 July 2012: 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 two (2) New Shares for every five (5) Shares held at an issue price of \$0.026 per ordinary share ("**Offer**") This offer is open to eligible Shareholders, as recorded on the share register as at Thursday 26 July 2012 ("**Record Date**").

The maximum number of New Shares which may be issued under the Rights Issue is 58,302,610 to raise up to approximately \$1,515,868. Given that agency sales have been significantly lower than last year, the Company is undertaking the Rights Issue to provide general working capital and specifically to:

- Market the XTclave™ composite consolidation technology and analyse the market sectors in which XTclave™ technology may have market potential in, beyond the manufacture of ballistic armour systems.
- Meet costs of raw materials for the fulfilling of an imminent substantial order for the supply of body armour plates for a foreign Government Agency. Raw materials as purchased will be used in the manufacture of the armour plates using the XTclave™ plant as part of the Joint Venture (JV) Agreement with Armor Australia. Production is expected to commence within the first quarter of FY 2012 - 2013.

To date, the Company in conjunction with Armor Australia has manufactured and delivered significant quantities of high end body armour plates utilising the XTclave™ technology plant. Body armour plates have been manufactured and delivered as part of the initial acceptance process by the foreign Government Agency. Ongoing contracts achieved through our JV with Armor Australia will see the Company realize a share of profit from the sale of the XTclave™ armour technology products over the next 12 months.

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:

Event	Date
Announcement of Rights Issue and the lodgement of Appendix 3B and Cleansing Notice	Wed, 18 July 2012
Notice to Shareholders informing them of the Rights Issue and the indicative timetable	Thu, 19 July 2012
Ex-date – the date on which Shares commence trading without the Entitlement to participate in the Rights Issue	Fri, 20 July 2012
Record Date for Entitlement to participate in the Rights Issue	Thu 26 July 2012
Offer Document and Entitlement and Acceptance Form dispatched to Shareholders	Mon, 30 July 2012
Closing Date for Receipt of Entitlement and Acceptance Form	Tue, 14 August 2012
Shares are quoted on a deferred settlement basis	Wed, 15 August 2012
ASX notified of under-subscriptions	Fri, 17 August 2012
New Shares are allotted	Mon, 20 August 2012
Holding Statements are dispatched to Shareholders	Tue, 21 August 2012
Normal ASX trading for New Shares commences	Wed, 22 August 2012

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 30 July 2012 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.

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 web site at www.xtek.net

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
Dated: 18 July 2012

**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 two (2) New Shares for every seven (7) Shares held at an issue price of \$0.026 per ordinary share ("**Offer**"). This offer is open to eligible Shareholders, recorded on the share register as at Thursday 26 July 2012 ("**Record Date**"). The maximum number of New Shares which may be issued under the Rights Issue is 58,302,610 to raise up to approximately \$1,515,868.

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 Monday, 30 July 2012.

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 **145,919,196** issued fully paid ordinary shares (**Shares**).

- (b) UDB Pty Ltd (ACN 079 631 931) and its associates (**UDB**) currently hold a relevant interest in 34,878,562 Shares, which equates to a voting power in XTEK of 23.9%.
- (c) UDB has indicated to XTEK that it intends to take up its full entitlement to New Shares under 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 23.9% 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 23.9% to 30.05%. 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: 18 July 2012