

Release to the Australian Securities Exchange**Non Renounceable Rights Issue Offer Document****Canberra, Monday 30 July 2012**

On 18 July 2012, XTEK Limited (ASX:XTE) announced an offer to eligible shareholders to participate in a 2 for 5 Non Renounceable Rights Issue ("**Rights Issue**") to raise up to approximately \$1,515,868.

XTEK advises that the Non Renounceable Rights Issue Offer Document ("**Offer Document**") and associated documentation (Entitlement and Acceptance Forms) have been finalised and will be dispatched to all Shareholders by Computershare today. A copy of the Offer Document is attached and forms part of this 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 web site at www.xtek.net

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
Dated: 30 July 2012

OFFER DOCUMENT

NON-RENOUNCEABLE RIGHTS ISSUE

2 New Shares for every 5 Existing Shares at \$0.026 to raise up to approximately \$1,515,868

XTEK Limited
ABN 90 103 629 107



The Rights Issue closes at 5.00pm (Melbourne time) on Tuesday, 14 August 2012

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.

Table of Contents

Important Information.....	3
Key Statistics	4
Key Dates	4
Letter to Shareholders	5
1. DETAILS OF THE RIGHTS ISSUE.....	7
2. REQUIRED ACTIONS	11
3. COMPANY OPERATIONS	13
4. EFFECT OF THE OFFER ON CONTROL OF THE COMPANY.....	14
5. RISK FACTORS	16
6. GLOSSARY	17

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, 18 July 2012.

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	\$0.026 per share
Number of New Shares to be issued	Up to 58,302,610
Entitlement	2 New Shares for every 5 Existing Shares
Rights Issue — Gross Proceeds	Up to approximately \$1,515,868
Offer closes	5.00pm (Melbourne time) on Tuesday, 14 August 2012

Key Dates

This Offer Document, which is prepared in accordance with the Corporations Act and ASX Listing Rules, is dated 25 July 2012. 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	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

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 Thursday, 26 July 2012 (**Record Date**), an entitlement to participate in the pro-rata Non-Renounceable Rights Issue of up to 58,302,610 New Shares to raise up to approximately \$1,515,868. Under the Rights Issue, Eligible Shareholders of XTEK Limited will have an Entitlement to acquire 2 New Shares for every 5 Existing Shares at a price of \$0.026 per Share (**Offer**).



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.

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 partially 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.

With significantly reduced Government expenditure on Defence and Homeland Security there has been a significant reduction in agency sales revenue resulting in a further loss for 2011/12.

I am pleased to advise that despite the difficult trading conditions we have not lost our way to the commercialisation of the promising XTclave™ technology. The Company has been able to complete the large scale XTclave™ technology plant on schedule. This is a significant achievement for the Company and positions the Company for a future largely based around the XTclave™ technology.

The XTclave™ production plant is now ready to satisfy an anticipated order to supply a substantial quantity of body armour plates to a foreign Government Agency as part of the Company's Joint Venture with Armor Australia.

The Company has also continued to review its business practices in light of the changing fiscal environment and not only has it continued to drive down recurring operational expenditure but it has reinvigorated a number of its agency lines with cutting edge products and highly-proficient Sales managers. It is believed that this will position the Company well to meet the challenges of the current economic climate.

Looking forward, the focus of the Board and Management will be on the market development of the XTclave™ composite consolidation technology. The Company, in conjunction with Armor Australia, has already manufactured and delivered significant quantities of high end body armour plates utilising XTclave™ as part of the initial acceptance process by the aforementioned foreign Government Agency. The Company also expects to realise a share of profit from XTclave™ armour products through its Joint Venture Agreement with Armor Australia over the coming 12 months. Further analysis of other market sectors in which XTclave™ technology may have potential is now required to ensure that we capitalise on the true value of our IP in a global composites market estimated to reach over US\$60bn in 2012.

Shareholders also have the opportunity to apply for Shortfall Shares in addition to the Rights Issue. Please carefully consider the opportunity to take up Shortfall Shares in addition to the Rights Issue.

The Company will also be presenting this potential shortfall opportunity to exempt investors under section 708 of the *Corporations Act 2001*.

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 for Shareholders.

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.

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

Yours sincerely



Uwe Boettcher
Chairman
XTEK Limited

25 July 2012

1. DETAILS OF THE RIGHTS ISSUE

1.1 Offer

The Company is making an Offer to Eligible Shareholders of up to 58,302,610 New Shares at an issue price of \$0.026 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 two (2) New Shares for every five (5) 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 \$1,515, 868 before transaction costs which will be used to repay debt and provide general working capital to the Company and specifically to:

- a. market the XTclave™ composite consolidation technology and analyse the market sectors in which XTclave™ technology may have market potential, beyond the manufacture of ballistic armour systems; and
- b. meet costs of raw materials to fulfill 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.

1.4 Underwriting

The Offer will be partially 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 23.9% 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 20 August 2012 (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 \$0.028 and \$0.030 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, ASX or its website 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**).

The issue price of the Shortfall Shares will be \$0.026 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, 14 August 2012 (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 253
Sydney NSW 2001

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 in New Zealand 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, 14 August 2012 (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 Tuesday, 14 August 2012, or any other date as may be determined by the Company.

2.2 Payment

The Offer Price of \$0.026 per New Share is payable in full on exercise of your Entitlement. For all Australian and New Zealand Eligible Shareholders payments must be received by 5.00pm (Melbourne time) on Tuesday, 14 August 2012, (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:

- by cheque, money order or bank draft drawn on an Australian financial institution, made payable to "XTEK Limited - Rights Issue" and crossed "Not Negotiable"; or
- 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 Tuesday, 14 August 2012 (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 specialized Defence and national security purposes. This division also designs and manufactures specialized parts and fittings for weapons used by the Australian Defence Force (ADF) Special Forces.

The Company maintains offices in Canberra and Adelaide, and a warehousing facility in Sydney.

3.2. Use of Funds

Further to the Company's 18 July 2012 ASX announcement to the market, the Company confirms the funds raised from the Rights Issue will be used to reduce debt, supplement general working capital for the Company and specifically to:

- a. market the XTclave™ composite consolidation technology and analyse the market sectors in which XTclave™ technology may have market potential, beyond the manufacture of ballistic armour systems. The Company intends to 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 and it is believed that this could have considerable utility in arenas such as the aerospace and aviation industries.

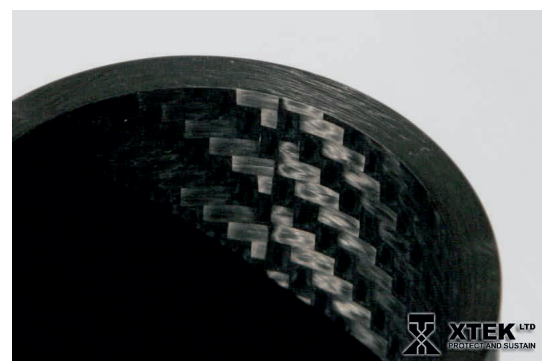
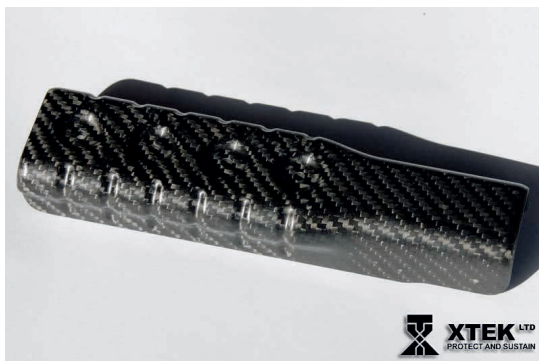


Figure 1: Carbon fibre weapon components Figure 2: Carbon fibre radius bonding

- b. meet costs of raw materials to fulfill 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.



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
Total Shares on issue	145,919,196	100%	204,221,806	100%
UDB and its associates	34,878,562	23.90%	48,829,986	23.90%
Remaining Shareholders	111,040,634	76.10%	155,391,820	76.10%

In these circumstances, the voting power 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 23.90% to 30.54%. 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
Total Shares on issue	145,919,196	100%	159,870,620	100%
UDB and its associates	34,878,562	23.90%	48,829,986	30.54%
Remaining Shareholders	111,040,634	76.10%	111,040,634	69.46%

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 23.90% to 26.82%. 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
Total Shares on issue	145,919,196	100%	182,078,746	100%
UDB and its subsidiaries	34,878,562	23.90%	48,829,986	26.82%
Remaining Shareholders	111,040,634	76.10%	133,216,227	73.18%

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 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

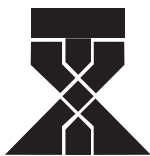
The Rights Issue is partially underwritten to the value of \$500,000 by UDB Pty Ltd. However, there may be a shortfall in the subscriptions from Shareholders. The Board has attempted to mitigate this potential risk by applying a Shortfall Shares take-up option for Eligible Shareholders who have taken 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

Applicant	An Eligible Shareholder who applies for New Shares under this Offer Document
Application	An application for a specified number of New Shares by an Applicant under this Offer Document
Application Monies	Funds accompanying a Entitlement and Acceptance Form
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	The operating rules of the settlement facility operated by the Australian Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532)
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by it, as the context requires
ASX Listing Rules	The listing rules of ASX
Board	The Directors of XTEK acting as a board of the Company
Cleansing Notice	The notice provided to the ASX on Wednesday, 18 July 2012 in compliance with section 708AA(2)(f) of the Corporations Act
Closing Date	The date on which the Offer closes, which is intended to be Tuesday, 14 August 2012
Company or XTEK	XTEK Limited (ABN 90 103 629 107)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Eligible Shareholder	All Shareholders other than Non-Eligible Foreign Shareholders as at the Record Date
Entitlement	The number of New Shares each Eligible Shareholder is offered under the Offer as designated on their personalised Entitlement and Acceptance Form
Entitlement and Acceptance Form	The application form which is included in or accompanies this Offer Document
Existing Shares	Shares on issue at the Record Date
New Share	A Share offered and issued under this Offer Document, the terms and conditions of which are set out in this Offer Document
Non-Eligible Foreign Shareholder	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
Offer	The offer is for 2 New Shares for every 5 Existing Shares held as at the Record Date
Offer Price	The price payable for one New Share under this Offer Document or \$0.026
Offer Document	This Offer Document
Offer Information Line	1300 651 162 at any time from 8.30am to 5.00pm (Melbourne time) Monday to Friday until Tuesday, 14 August 2012
Record Date	Thursday, 26 July 2012
Relevant Period	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
Rights Issue	The pro rata entitlement to New Shares available for issue under this Offer Document
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares as recorded on the Company's Share register maintained by the Share Registry
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
UDB	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

Web:
 www.investorcentre.com/contact


000001 000
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

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm (AEST) Tuesday, 14 August 2012**

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 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 25 July 2012.

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 →


Entitlement and Acceptance Form

X 9999999991IND

STEP 1

Registration Name & Offer Details

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


 For your security keep your SRN/
HIN confidential.

Entitlement No: 00005856

Offer Details:	Existing shares entitled to participate as at 26 July 2012:	4,000
	Entitlement to new shares on a 2 New Shares for every 5 Existing Shares basis:	1
	Amount payable on acceptance at \$0.026 per share:	\$0.01

STEP 2

Make Your Payment



Billers Code: 204743
Ref No: 1234 5678 9123 4567 89

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 (AEST) on Tuesday, 14 August 2012. 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 (AEST) on Tuesday, 14 August 2012. 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.

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 securityholders, 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

Detach here

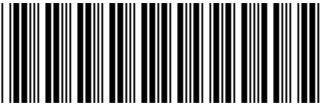
Acceptance Payment Details

Entitlement taken up:

Amount enclosed at \$0.026 per
new share:

A\$

.



Entitlement No: 00005856

Payment must be received by 5:00pm (AEST) Tuesday, 14 August 2012

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
				A\$