

Release to the Australian Securities Exchange

XTEK Secures \$10 Million Equity Placement Facility

Canberra – Wednesday 15 July 2015: Leading Defence and Homeland Security provider XTEK Limited (ASX:XTE; “XTEK” or “Company”) is pleased to announce that it has entered into a \$10 million Equity Placement Facility Agreement (“Facility” or “Agreement”) with the Kentgrove Capital GrowthTech Fund (“Kentgrove Capital”), an investment fund managed by Kentgrove Capital Pty Ltd, a Melbourne-based investment firm, to fund the Company’s next phase of growth.

Under the Agreement, Kentgrove Capital may provide XTEK with up to \$10 million of equity capital via placements over the next 36 months, in a series of individual placements of not less than \$100,000 and not more than \$500,000. Proceeds from the Facility will be used:

- to fund the rollout of XTEK’s proprietary XTclave™ technology which is used in lightweight armour applications including personal ballistic protection plates;
- for general corporate purposes; and
- for general working capital.

Under the Agreement, XTEK can determine whether or not it will request a subscription from Kentgrove Capital, can set the time period of the placements (between 4 and 8 weeks), the maximum amount of the placements (between \$100,000 and \$500,000 for each individual placement) and the minimum issue price (not less than \$0.25 per share).

For each placement made via the Facility, shares will be issued at a 5% discount to a Volume Weighted Average Price (VWAP) of XTEK shares over the placement time period.

Commenting on the Facility, XTEK’s Chairman, Mr. Uwe Boettcher said: “We are delighted to have signed the \$10 million Facility with Kentgrove Capital which strengthens XTEK’s funding position. Subject to the terms of the Agreement, the Facility will assist XTEK with its funding requirements over the next three years as we attempt to establish XTclave™ technology in the global armour market, and continue to develop and plan to roll out innovative products for defence and commercial applications. Overall, this is an excellent development which will enable XTEK shareholders to share in the success of future product commercialisation.”

Mr. Boettcher added, “The benefits of our composite consolidation process to body armour and weapon ancillaries are clear, with lighter products achievable with no compromise on strength, protection or combat performance. This was one of the key reasons the US Department of Defense chose to invest US\$1.5m of Foreign Comparative Testing (FCT) funding in the assessment of XTclave™ produced hard armour inserts.”

Ends.

XTEK is pleased with its FCT project progress to date and if the results confirm that XTclave™ provides distinct advantages over traditional armour manufacturing processes, it will be an important endorsement that could put XTEK in a strong position to establish the XTclave™ technology as a key component of the personal body armour manufacturing process in the US, as well as globally.

According to research by Strategic Defence Intelligence:

“The global body armour and personal protection market was estimated to be worth \$1.5 billion in 2012 and to increase at a CAGR of 4.89% during the forecast period, to reach its peak of \$2.4bn by 2022. The market consists of three categories of body armour and personal protection: soft armour, hard armour and protective headgear. The soft armour segment is expected to account for 43.4% of the global body armour and personal protection market, followed by the hard armour segment with a share of 34.1% and protective headgear with a share of 22.5%. During the forecast period, cumulative global expenditure on body armour and personal protection is expected to reach \$19.4bn. North America is the leading spender in the body armour and personal protection sector and accounts for 50% of the global market.”

Link: <http://www.army-technology.com/features/featuredssi-sdi-global-body-armour-personal-protection-market/>

Based on the above information, the US market for personal ballistic protection plates between 2017- 2022 is estimated up to \$2.2 billion. XTEK, with its proprietary XTclave™ technology, could have an opportunity to be a key supplier of personal ballistic protection plates that need to be replaced or issued to US defence, police, and security agencies over this period.

Key Terms of the Equity Placement Facility

1. Standby equity placement facility of up to \$10,000,000.
2. Maturity date of 14 July 2018
3. XTEK may seek multiple placements under the Facility, up to the maturity date.
4. For each new placement, XTEK determines the time period of the placement (between 4 and 8 weeks), the maximum amount of the placement (between \$100,000 and \$500,000), and the minimum issue price (not less than \$0.25).
5. For each new placement, shares are issued at a 5% discount to a VWAP over the period of the placement, but cannot be less than the minimum issue price determined by XTEK.
6. The issuance of shares under the Facility is required to be in compliance with ASX Listing Rule 7.1. The initial draw down under the Facility may be made within the Company's current placement capacity.
7. The provision of funding by Kentgrove Capital under the Facility is subject to a number of conditions, including that the market price be no lower than the minimum issue price set by XTEK and other conditions customarily included in facilities of this nature.
8. An upfront establishment fee satisfied by issue of 250,000 shares and 500,000 options (\$0.45 exercise price per option, 3 year term). These shares and options will be issued to Kentgrove Capital today.
9. 700,000 'collateral' shares as security for the Facility, to be credited or returned to the Company upon expiration or termination of the Agreement. These 700,000 shares will be issued to Kentgrove Capital today.
10. 500,000 milestone options (\$0.55 exercise price per option, 3 year term) to be issued upon Kentgrove Capital providing XTEK with \$2,000,000 in aggregate proceeds.
11. Either party may terminate the Agreement, by giving 7 days' notice, in accordance with the termination provisions as defined within the Agreement.

XTEK has issued a prospectus with ASIC for the purposes of section 708A (II) of the *Corporations Act 2001*. The prospectus has been issued to enable Kentgrove Capital to freely trade XTEK shares listed on the ASX. The prospectus contains a more detailed summary of some of the key terms of the Equity Placement Facility Agreement.

About XTEK

XTEK Limited is a leading company in the Australian Homeland Security Market. XTEK's knowledge and expertise is focused on the delivery of protection and sustainment solutions for the government, law enforcement, military and commercial sectors.

For more information visit the XTEK website at www.xtek.net

Signed for and on behalf of XTEK Limited:



Lawrence A Gardiner
Company Secretary
15 July 2015