

Release to the Australian Securities Exchange

Market Update

Canberra, Friday 25 June 2010

XTEK Limited, (ASX: XTE), has completed a strategic review of its business, designed to accommodate current and forecast market circumstances. The review highlighted two fundamental problems, namely:

- that acquisitions by major customers are cyclical and largely beyond the control of XTEK; and
- that the operational expenditure is too high given the revenue that XTEK can expect in a cyclical downturn year.

The solutions identified within the Strategic Plan have the following key components:

- Restructuring of company operations;
- Initiatives to grow the business; and
- Raising new capital.

1. Restructuring of company operations

Management change will occur from the top down. To commence this process, Mr. David Jarvis has resigned as a Director and has agreed to step aside as the CEO upon the appointment of a new interim CEO, which is expected to occur on 12 July 2010. In addition, Mr. Nick Weber, Director Business Development, has ceased employment with the Company effective today. Reductions in recurring expenditure in the order of \$1m are targeted in FY2010/2011.

2. Initiatives to grow the business.

Given the current market, the existing agency sales are likely to remain similar to this year or, be reduced marginally. However:

- The commercialization of XTEK's own intellectual property is expected to begin producing new revenue in FY 2010/11.
- A new XTEK sustainability division has been established.
- The diversification into adjacent sustainability markets with a range of energy saving products called Active ES has commenced with deliveries of first orders scheduled to commence next week, producing revenue of \$500k over the next quarter.
- In addition, negotiations are currently underway to supplement sustainability products by the acquisition of a profitable sustainability business with revenue in the order of \$3m p.a.

3. Raising of Capital

In support of the new business model, in the near future the Company intends to issue 30,000,000 new shares in the Company at the issue price of \$0.032 cents per share. An EGM will be called to seek shareholder approval for this capital raising.

XTEK Ltd is the 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
25 June 2010