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12 December 2013

ASX Limited

Electronic lodgement

ACQUISITION OF ADDITIONAL ASSETS IN CALIFORNIA

On 18 November 2013 Xstate advised that it had signed a binding Heads of Agreement with the Major Shareholders of Bombora Energy Pty Ltd (Bombora) to acquire all the shares in Bombora, and consequently control of all of the assets of Bombora in California.

Xstate advises that the Heads of Agreement has been amended such that Xstate will now acquire 75.90% of the shares on issue in Bombora.

The assets of Bombora are:

22.5% Working Interest in 9051 acres of leases with prospectivity for oil on the Porter Ranch in San Luis Obispo County, California.

10.94% Working Interest in the SCU1-24 well near Coalinga, Fresno County, California, which is planned to be used as a commercial water injection well.

6.67% Working Interest in an AMI covering 3000 acres of seismic and associated leases at West Brentwood, Contra Costa County, California.

These assets are more fully described in the Attachment to this release.

The consideration for the acquisition of 75.90% of Bombora will be 12,892,084 Xstate Shares. The acquisition is subject to the agreement of Bombora shareholders holding 75.9% of the Bombora and approval of Xstate shareholders to issue the consideration shares.

The acquired assets are integral to the current Xstate strategy of exploring for material oil and gas resources in its California focus area.

Importantly, the Porter Ranch asset gives Xstate exposure to substantial oil prospects in the prolific oil rich Monterey Formation.

The acquisition of Bombora's assets enhances Xstate's developing association with Australian Oil Company Limited (AOC) which also has working interests in these assets. The Bombora assets also have the benefit of Xstate's continuing involvement with a very experienced California operator.

These assets are being acquired early in their development and hence are affordable for Xstate shareholders. They are also expected to provide exposure to early drilling actively in 2014.

The Bombora shareholders get the benefit of a more liquid shareholding in an ASX listed company and they have the opportunity to retain their shares to realize any future benefit of the assets as well as exposure to a diversified portfolio of exploration assets in Xstate.

Managing Director Paul Cartwright stated:

“Xstate will have interests in around 20,000 gross acres of oil and gas leases in California as a result of the Bombora acquisition. The Bombora assets when combined with existing Sacramento assets provides Xstate with a more balanced exposure to early drilling activity in both oil and gas exploration in California.”

For and on behalf of the Board of Xstate Resources Limited

Paul Cartwright
Managing Director

ATTACHMENT 'A'

Porters Ranch Oil Project, California – 22.5% Working Interest

Porters Ranch is a 9051 acre leasehold over surface anticlines in the eastern section of the Santa Maria Basin. A number of wells drilled in the immediate area recovered oil, confirming the presence of oil saturated Monterey Formation.

The leases were last explored in the early 1980's by Phillips Petroleum who completed extensive road works, permitted 10 well locations, drilled one well from which oil was recovered, and prepared two additional well sites prior to withdrawing from California completely for corporate and budgeting reasons.

The Primary Target is the fractured Miocene Monterey Shale with a target size of at least 10 mmbbls recoverable. 2D seismic has been integrated with well control to form the framework for planned drilling in the first half of 2014.

The Monterey Shale is a deep water shale which has fractured in places into an excellent reservoir. The Monterey has been producing oil for over a hundred years and over 2 Billion barrels has been produced in this part of south western California.

SCU #1-24 Water Disposal Well – 10.94% Working Interest

The application process to use the SCU #1-24 oil exploration well as a commercial water disposal well is underway. The Joint Venture is currently planning to inject around 5,000 bbls/day of waste water from nearby oil production. Commercial water disposal rates are reportedly in the order of \$2/bbl.

West Brentwood – 6.667% Working Interest

The West Brentwood farmin includes an Area of Mutual Interest (AMI) which covers approximately 3,000 acres of high quality seismic data. Additional independent drillable prospects have been identified on this data set and drilling may be pursued in the future.

Xstate's existing 16.667% Working Interest in this AMI will increase to 23.33% after the Bombora acquisition.