



ABN 96 009 217 154

11 September 2015

ASX Release

Electronic lodgement

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INTERIM FINANCIAL REPORT

We attach the interim financial report for Xstate Resources Limited for the half year ended 30 June 2015.

For and on behalf of the Board



XSTATE RESOURCES LIMITED

ABN 96 009 217 154

INTERIM FINANCIAL REPORT

30 JUNE 2015

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COMPANY DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Chris Hodge
Managing Director

Ian Tchacos
Non-executive Director

David McArthur
Non-executive Director and Company Secretary

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Nedlands WA 6009

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Nedlands
WA 6909

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Subiaco WA 6904

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ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

AUDITORS:

KPMG
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235 St George's Terrace
Perth WA 6000

SOLICITORS:

Steinepreis Paganin
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Perth WA 6000

DOMICILE AND COUNTRY OF INCORPORATION:

Australia

WEBSITE AND EMAIL:

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SECURITIES EXCHANGE:

Xstate Resources Limited shares are listed on
the Australian Securities Exchange (ASX)

Ordinary Shares - XST

DIRECTORS' REPORT

The Directors present their report together with the financial report of Xstate Resources Limited for the six months ended 30 June 2015 and the review report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Name	Period of Directorship
Executive	
Chris Hodge	Director since 12 November 2013
Non-executive	
David McArthur	Director since 4 September 2013
Ian Tchacos	Director since 12 August 2014

PRINCIPAL ACTIVITIES

The principal activity of the Group during the interim period was oil and natural gas exploration.

RESULTS

The net loss of the Group for the interim period after income tax expense was \$286,992 (2014 loss: \$1,040,914).

The Company remains acutely aware of the current economic climate and continues to implement cost-reduction measures across the business.

DIVIDENDS

No dividend was paid during the interim period and the Directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

Xstate Resources Limited is an oil and gas exploration company, headquartered in Perth, Western Australia and is listed on the Australian Securities Exchange (ASX).

During the 6 months ended 30 June 2015 the Company continued with its objective to explore for hydrocarbons onshore California.

Dempsey Conventional Gas Prospect (XST 10% WI)

The Dempsey prospect remains the current focus of the Joint Venture's plans – primarily because of the potential for near term production. This is because it is located beneath existing Xstate's production facilities.

Activities during the last 6 months have involved firming up the prospect from both a geological and drilling planning perspective, for potential drilling in 2015. In addition, Xstate has given several presentations to interested prospective farm-out parties.

Dempsey's proposed drilling depth is approximately 3,200m and is estimated to cost US\$4.5 to US\$5.5M to drill. (100% cost). The total (100%) unrisks recoverable prospective resource from 7 interpreted reservoir zones, on a best estimate deterministic basis, is approximately 1TCF.

REVIEW OF OPERATIONS (continued)

Alvares Conventional Gas Prospect (XST 25% WI)

The Alvares gas appraisal prospect is located close to large natural gas pipelines and involves the appraisal drilling of a large anticline originally drilled in 1982 and which had extensive gas shows and flowed gas to surface. It contains a total (100%) unrisks recoverable prospective resource on a best estimate deterministic basis of 2.4TCF.

Activities during the last 6 months have been focussed on geological work on the Alvares -1 logs as wells as more detailed economic evaluation and farm-out activity.

SCU #1- 24 water disposal project (XST 13.25%)

Xstate continues to await Government approvals which have been slow in forthcoming because of the strict regulations regarding produced water injection in California. The Company and JV plan to continue working on evaluation of the well and to contract a local engineer to accelerate the licensing of the well for water disposal. The work for the next 12 months has been funded by a previously paid cash call. Once licensed the well will either be put into service, funded by available cash from shareholder funding or the asset may be sold to another local operator to raise fund for exploration projects.

Porter Ranch Project (XST 22.5% Working Interest)

The Porter Ranch oil exploration project in San Luis Obispo County consists of a gross 9,051 acres leased over a number of surface anticlines in the prospect area.

During the prior 6 months, the permitting process has continued with a view to the drilling of an exploration well to a planned total depth of 1,500 metres to test the Monterey oil reservoirs.

The County continues to assess our application to drill an exploration well on the Porter Ranch leases.

SACRAMENTO BASIN Rancho Capay Gas Field (XST 10% WI in 5 wells) & Los Medanos Gas Field (XST 10% WI in 2 wells)

Xstate acquired a working interest in minor gas production rights in the Sacramento Basin onshore California in 2013 primarily to use the leases for further exploration via access an extensive 3D seismic database from which to generate new exploration opportunities.

No significant operations were carried out during the 6 monthly period.

Competent Person Statement

The technical information provided has been compiled by Chris Hodge, Managing Director of Xstate Resources Limited. He is a qualified geologist with over 30 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas and mineral and energy resources. Mr Hodge has reviewed the results, procedures and data contained in this report. Mr Hodge consents to the inclusion in this report of the information in the form and context in which it appears.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Xstate Resources Limited support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained within the 31 December 2014 Annual Report and can be viewed on the Company's website.

EVENTS SUBSEQUENT TO REPORTING DATE

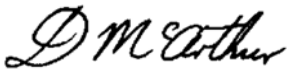
Other than the matters disclosed in note 10 of the notes to the condensed interim financial statements, there have been no matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the next page and forms part of the Directors' report, for the six months ended 30 June 2015.

Dated at Perth, Western Australia this 11th day of September 2015.

Signed in accordance with a resolution of the directors.



DAVID MCARTHUR
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Xstate Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Grant Robinson
Partner

Perth

11 September 2015

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	30 June 2015 \$	31 December 2014 \$
Assets			
Cash and cash equivalents		48,281	490,147
Other receivables	5	125,282	45,524
Prepayments		40,749	17,527
Total current assets		214,312	553,195
Exploration and evaluation asset		897,321	897,321
Property, plant and equipment		6,410	10,472
Other receivables	5	15,000	15,000
Total non-current assets		918,731	922,793
Total assets		1,133,043	1,475,988
Liabilities			
Trade and other payables		62,715	111,876
Employee benefits		1,834	16,109
Total current liabilities		64,549	127,985
Site restoration provision		67,646	63,496
		67,646	63,496
Total liabilities		132,195	191,481
Net assets		1,000,848	1,284,507
Equity			
Share capital	8	43,577,877	43,571,491
Reserves		658,958	662,011
Accumulated losses		(43,235,987)	(42,948,995)
Total equity attributable to equity holders of the company		1,000,848	1,284,507

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Note	30 June 2015 \$	30 June 2014 \$
Other income		16,270	-
Production revenue		35,430	75,500
Production costs		(25,892)	(45,161)
Administrative expenses	6	(139,076)	(801,929)
Other expenses	7	(138,498)	(185,027)
Exploration expenditure incurred		(34,435)	(86,255)
Results from operating activities		(286,201)	(1,042,872)
Finance income		232	1,958
Net finance income		232	1,958
Loss before income tax		(285,969)	(1,040,914)
Income tax expense		(1,023)	-
Loss from continuing operations		(286,992)	(1,040,914)
Loss for the period		(286,992)	(1,040,914)
Other comprehensive expense			
Items that will not be reclassified to profit or loss			
Gain on acquisition of non-controlling interest		-	53,258
<i>Total items that will not be reclassified to profit or loss</i>		-	53,258
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(3,053)	66
<i>Total items that may be reclassified subsequently to profit or loss</i>		(3,053)	66
Other comprehensive income for the period, net of income tax		(3,053)	53,324
Total comprehensive loss for the period		(290,045)	(987,590)

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015 (continued)

	Note	30 June 2015 \$	30 June 2014 \$
Loss attributable to:			
Owners of the Company		(286,992)	(1,040,665)
Non-controlling interests		-	(249)
<i>Total items that will not be reclassified to profit or loss</i>		(286,992)	(1,040,914)
Total comprehensive loss attributable to:			
Owners of the Company		(290,045)	(987,341)
Non-controlling interests		-	(249)
		(290,045)	(987,590)
Loss per share			
Basic and diluted (cents per share)		(0.16)	(0.59)

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Attributable to equity holders of the Company					Total \$
	Share capital \$	Translation reserve \$	Options reserve \$	Share based payments reserve \$	Accumulated losses ⁽¹⁾ \$	
Balance at 1 January 2015	43,571,491	2,811	659,200	-	(42,948,995)	1,284,507
Total comprehensive expense for the period						
Loss for the period	-	-	-	-	(286,992)	(286,992)
Other comprehensive income						
Exchange differences arising on translation of foreign operations	-	(3,053)	-	-	-	(3,053)
Total comprehensive income	-	(3,053)	-	-	-	(3,053)
Total comprehensive loss for the period	-	(3,053)	-	-	(286,992)	(290,045)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of 1,000,000 shares at 0.8 cents each to a consultant	8,000	-	-	-	-	8,000
Capital raising costs	(1,614)	-	-	-	-	(1,614)
Total contributions by and distributions to owners	6,386	-	-	-	-	6,386
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-
Total transactions with owners	6,386	-	-	-	-	6,386
Balance at 30 June 2015	43,577,877	(242)	659,200	-	(43,235,987)	1,000,848

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Attributable to equity holders of the Company					Total \$
	Share capital \$	Translation reserve \$	Options reserve \$	Share based payments reserve \$	Accumulated losses \$	
Balance at 1 January 2014	41,586,203	-	92,050	55,004	(41,460,652)	272,605
Total comprehensive expense for the period						
Loss for the year	-	-	-	-	(987,656)	(987,656)
Other comprehensive income						
Gain on acquisition of non-controlling interest	-	-	-	-	53,258	53,258
Exchange differences arising on translation of foreign operations	-	66	-	-	-	66
Total comprehensive income	-	66	-	-	53,258	53,324
Total comprehensive loss for the period	-	66	-	-	(987,656)	(987,590)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of 1,571,547 shares at 5.3 cents each in lieu of 50% of directors' fees	83,292	-	-	(55,004)	-	28,288
Issue of 12,892,082 shares at 5.3 cents each in consideration for acquisition of 75.9% of Bombora Energy Pty Ltd	683,280	-	-	-	-	683,280
Placement of 20 million shares at 5 cents each for working capital	1,000,000	-	-	-	-	1,000,000

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014 (continued)**

	Attributable to equity holders of the Company					Total \$
	Share capital \$	Translation reserve \$	Options reserve \$	Share based payments reserve \$	Accumulated losses \$	
Contributions by and distributions to owners (continued)						
Issue of 921,488 shares at 4.2 cents each in lieu of 50% of director fees	38,703	-	-	-	-	38,703
Issue of 4,092,502 shares at 4 cents each in consideration for acquisition of remaining 24.1% of Bombora Energy Pty Ltd	163,700	-	-	-	-	163,700
Share-based payment transactions	-	-	567,150	26,858	-	594,008
Capital raising costs	(59,206)	-	-	-	-	(59,206)
Total contributions by and distributions to owners	1,909,769		567,150	-	-	2,448,773
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-
Total transactions with owners	1,909,769	-	-	(28,146)	-	2,448,773
Balance at 30 June 2014	43,495,972	66	659,200	26,858	(42,448,308)	1,733,788

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	30 June 2015 \$	30 June 2014 \$
Cash flow from operating activities		
Cash paid to suppliers and employees and customers	(300,711)	(262,509)
Payments for exploration, evaluation and development	(99,107)	(59,006)
Interest received	249	899
Income taxes paid	(1,023)	-
Net cash used in operating activities	(400,592)	(320,616)
Cash flows from investing activities		
Payments to associate	(6,074)	(3,897)
Payments for property, plant and equipment	-	(279)
Acquisition of subsidiary, net of cost	-	2,430
Net cash (used in) / from investing activities	(6,074)	(1,746)
Cash flow from financing activities		
Proceeds from issue of shares and options	8,000	1,000,000
Other short-term loans	(56,424)	-
Capital raising costs	(1,614)	(64,706)
Net cash from financing activities	(50,038)	935,294
Net increase in cash and cash equivalents	(456,704)	612,932
Cash and cash equivalents at 1 January	490,147	258,484
Effect of exchange rate fluctuations on cash held	(14,838)	(53,123)
Cash and cash equivalents at 30 June	48,281	818,293

The condensed notes on pages 13 to 19 are an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. REPORTING ENTITY

Xstate Resources Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the “Group” and individually as “Group Entities”). The Group is primarily involved in oil and gas exploration in California, USA.

The consolidated financial report of the Group as at and for the year ended 31 December 2014 is available upon request from the Company’s registered office at Level 2, 55 Carrington Street, Nedlands, Western Australia, 6009 and is available for review on the Company’s website.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. It does not include all of the information required for a full annual financial report and should be read in conjunction with the annual consolidated financial report of the Group as at and for the year ended 31 December 2015 and any public announcements made by Xstate Resources Limited during the interim reporting period.

Xstate Resources Limited is a for profit entity for the purpose of preparing the financial statements.

The condensed consolidated interim financial report was approved by the Board of Directors on 11 September 2015.

(b) Judgements and estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

(c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. BASIS OF PREPARATION (continued)

(d) Going concern

The directors have prepared the condensed consolidated interim financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has no debt obligation at 30 June 2015 and a working capital surplus of \$149,763 including \$48,281 of cash and cash equivalents. The Group incurred a loss for the period of \$286,992.

The Group is focused on securing further land leases in California and pursuing and assessing new venture opportunities which are complementary with its existing asset position. The directors are aware that additional funds will need to be sourced for the Group to continue its business as budgeted, including meeting its exploration and development activities. The ability of the Group to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is dependent on the Group successfully securing further working capital through additional equity funding, financing facilities or entering into farm-out or joint venture arrangements in relation to its assets.

Given the financial position of the Group and its demonstrated ability to raise funding through the satisfactory raising of \$150,000 through a Share Purchase Plan which closes on 11 September 2015 (refer note 10), the Directors have reviewed the Group's financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs to support business plans for at least the next 12 months. If necessary, the Group has the capacity to delay or cancel a number of expenses that are discretionary in nature, including administrative costs, exploration programs and development expenditure that are not contractually committed. The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Notwithstanding this assessment there is significant uncertainty regarding the outcomes of the future funding alternatives.

The financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Group was not to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2014. The following changes in accounting policy are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2014.

AASB 2014-1 Amendments to Australian Accounting Standards. The change amends a number of pronouncements as a result of the 2010-2012 and 2011-2013 annual improvements cycle. These changes do not impact the financial statements.

4. OPERATING SEGMENTS

At the reporting date the Group had one reportable segment, being the exploration and evaluation of oil and gas interests.

Reconciliation of reportable segment loss, assets and liabilities and other material items

	30 June 2015 \$	30 June 2014 \$
Loss		
Total loss for reportable segments	(24,897)	(96,972)
Central administration and directors' remuneration	(261,304)	(945,900)
Finance income	232	1,958
Consolidated loss before income tax	(285,969)	(1,040,914)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2014.

Reconciliation of reportable segment loss, assets and liabilities and other material items (continued)

	30 June 2015 \$	31 December 2014 \$
Assets		
Total assets for reportable segments	977,927	928,094
Cash and cash equivalents	48,281	490,147
Other central administration assets	106,835	57,747
Consolidated total assets	1,133,043	1,475,988
Liabilities		
Total liabilities for reportable segments	(66,281)	(63,496)
Employee entitlements	(1,834)	(16,109)
Other liabilities	(64,080)	(111,876)
Consolidated total liabilities	(132,195)	(191,481)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2014.

5. OTHER RECEIVABLES

	Note	30 June 2015 \$	31 December 2014 \$
Net production revenue distribution		42,901	30,773
Bank interest income		86	103
Receivable from government institutions		13,168	7,261
Deposits and bonds		15,000	15,000
Loan receivable	(i)	56,424	-
Other receivables		12,703	7,387
Office rent and amenities		140,282	60,524
Current		125,282	45,524
Non-current		15,000	15,000
		140,282	60,524

- (i) Loan receivable is due from another party to the project for a cash call made on their behalf. This amount was repaid during August 2015.

6. ADMINISTRATIVE EXPENSES

	30 June 2015 \$	30 June 2014 \$
Directors and executives remuneration	86,320	743,618
Personnel expenses (staff)	5,318	13,666
Advertising and publicity	78	5,248
Communication and information services	16,352	7,711
Travelling expenses	1,336	755
Office administration	9,418	17,595
Bank charges	1,569	892
Share registry and statutory fees	18,685	12,444
	139,076	801,929

7. OTHER EXPENSES

	30 June 2015 \$	30 June 2014 \$
Professional fees	128,362	85,985
Depreciation and amortisation	4,062	3,865
Site restoration	-	37,159
Net foreign exchange loss	-	54,121
Impairment investment in associate	6,074	3,897
	138,498	185,027

8. CAPITAL AND RESERVES

(a) Share capital

	Ordinary shares			
	Number		Amount	
	2015 Number	2014 Number	2015 \$	2014 \$
On issue at 1 January	182,129,185	140,327,429	43,571,491	41,586,203
Issue of shares in lieu of deferred directors' fees	-	2,493,035	-	121,994
Issue of shares in consideration for acquisition of Bombora Energy Pty Ltd	-	16,984,584	-	846,980
Placement for working capital	-	20,000,000	-	1,000,000
Issue of shares to a consultant	1,000,000	-	8,000	-
Capital raising costs	-	-	(1,614)	(59,205)
On issue at 30 June	183,129,185	179,805,048	43,577,877	43,495,972

8. CAPITAL AND RESERVES (continued)

(b) Reserves

Equity-based benefits reserve

The equity based benefits reserve represents the cost of options that have been granted and vested as share-based payments but not exercised. This reserve may be transferred to accumulated losses should these options be exercised or reversed through profit and loss should certain vesting conditions not be met.

This reserve also represents shares that are to be issued to directors in lieu of director fees.

(c) Options

At the date of this report, there are 39,000,000 options on issue in Xstate Resources Limited. The exercise price ranges from 4 cents to 10 cents, and the exercise dates range from December 2015 to December 2016.

9. SHARE-BASED PAYMENT PLANS

Description of the share-based payment arrangements

Shares issued in lieu of consultancy fees

On 5 May 2015 Directors approved the issue of 1,000,000 "effort" shares at 0.8 cents each to secure the services of a consultant.

10. EVENTS SUBSEQUENT TO REPORTING DATE

On 21 August 2015, the Company announced a share purchase plan which closes on 11 September 2015 and has demonstrated its ability to raise funding through the satisfactory raising of \$150,000.

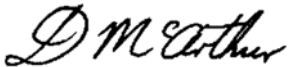
Other than the above, there have been no matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Xstate Resources Limited (the "Company"):

- (1) the financial statements and notes set out on pages 6 to 19 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the six months ended on that date; and
 - (ii) complying with Australian Accounting AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) as set out in note 2(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



DAVID MCARTHUR
Director

Dated at Perth this 11th day of September 2015



Independent auditor's report to the members of Xstate Resources Limited

Report on the financial report

We have audited the accompanying interim financial report of Xstate Resources Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2015, condensed consolidated statement of profit or loss and other comprehensive income condensed consolidated statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Xstate Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Xstate Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion expressed above, attention is drawn to note 2(d) in the financial report. The matters set forth in note 2(d) indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

KPMG

Grant Robinson
Partner

Perth

11 September 2015