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1 June 2016

ASX Limited

Electronic lodgement

CORPORATE UPDATE

Xstate Resources Limited (“Xstate” or the “Company”) advises that it is currently conducting due diligence of producing assets onshore California in line with its revised strategy as announced to the market. Xstate has identified a number of oil projects in California that are in production, which lowers the risk profile and provide immediate access to cash flow.

Xstate is advancing discussions in relation to these potential transactions, which the Board believe can be progressed rapidly.

The Company remains focused on assets with proven upside, which are in production rather than shut in. This ensures that the facilities are functioning, all required environmental and regulatory approvals are in place and importantly in the case of onshore production acquisitions a viable water disposal solution is in place.

California is one of the world’s most prolific oil and gas provinces, with well over 100 years of continuous oil and gas production. The state of California has extensive infrastructure and support facilities with abundant opportunities that Xstate’s Board believe the Company is well positioned to acquire and enhance.

Xstate obtained shareholder approval on 31 May 2016 to raise up to \$3 million, with the majority of such funds to provide the capital for future acquisitions and development activities.

The Company will provide investors with further updates when they become available.

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About Xstate Resources Limited

Xstate Resources (ASX Code: XST) is an ASX listed company focused on the oil and gas sector. The Company has existing gas exploration assets located in the Sacramento Basin, California and minor associated gas production.