

15 August 2016

ASX Limited

Electronic lodgement

## SACRAMENTO BASIN FARMOUT

### Summary

- Farmout of up to 6% WI in prospects within Area of Mutual Interest (“AMI”) for up to A\$120,000
- AMI covers some 250,000 acres in Sacramento Basin – potentially holding multiple frontier-sized conventional gas fields
- Provides funding for Xstate to execute more leases over mapped gas prospects

Xstate Resources Limited (ASX: XST) (“Xstate”) advises that it has entered into an agreement to farm out part of its working interest in the onshore California Area of Mutual Interest held by XST and its partner Sacgasco Limited (the “AMI”) to private company Bombora Natural Energy Pty Ltd (“BNE”). BNE will fund the licensing of additional oil and gas leases over highly prospective prospects in the Northern Sacramento Basin.

BNE will earn a 20% Working Interest (“WI”) in up to nine (9) natural gas prospects that have already been mapped in the AMI by providing staged funding of up to A\$400,000.

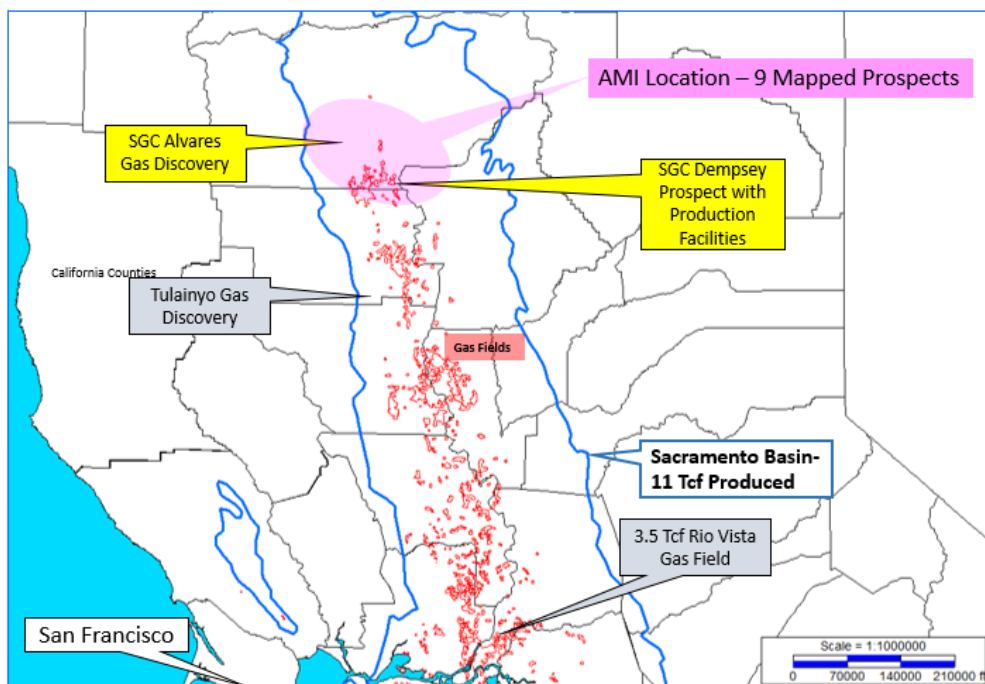


Fig 1: Sacramento Basin showing location of AMI

Xstate has agreed to sell down a 6% WI, with the remaining 14% interest provide by Sacgasco Limited.

BNE will provide funding in two stages, with funds being utilised by the AMI partners to acquire additional acreage of highly prospective leases containing prospects and leads identified by AMI partner SGC from seismic. XST anticipates making progress announcements after material leases have been secured.

Initial funding of A\$200,000 from BNE will focus on securing 3 Prospects in which Bombora will earn 20%.

Bombora will have the option to fund a further A\$200,000 of leasing to earn a 20% interest in an additional 6 prospects (6% from Xstate and 14% from Sacgasco).

Upon Bombora funding A\$400,000 in lease costs the Working Interests in the AMI will be:

<b>Entity</b>	<b><u>Before</u></b>	<b><u>After</u></b>
Xstate Resources Limited (ASX: XST)	30 %	24%
Sacgasco Limited (ASX: SGC)	70%	56%
BNE	0%	20%

For and on behalf of the Board of Xstate Resources Limited

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