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ASX Limited

Electronic lodgement

Subscription Agreements Update

Xstate Resources Limited (ASX:XST) ("Xstate" or "the Company") provides an update in regards to the Subscription Agreements funding announced on 19 December 2016.

As previously advised Xstate has entered into binding Subscription Agreements with four sophisticated Asian investors to raise a total of \$25,000,000 at 3.8 cents per share to fund the acquisition of the Company's intended Los Angeles Basin oil fields transaction.

Sanston Securities Australia Pty Ltd ("Sanston"), the Company's corporate advisors to the capital raising, has advised that there continue to be delays with the transfer of the full subscription amount into Australia from Indonesia. As a result of the latest delay the investors are in formal breach of their Subscription Agreements and have been issued with breach notices by Xstate.

Representatives of Sanston have spoken with the investors and Maybank, the bank making the transfer on behalf of the investors, and will be meeting with Maybank in Jakarta in the coming week. In the interim Maybank has provided Xstate with an irrevocable undertaking that the total funds of A\$25,000,000 will be in Australia no later than February 15, 2017.

Despite the delays with funding, the Company currently has no reason to believe it will not be in a position to complete financial close of its Los Angeles Basin oil fields acquisition on February 17, 2017.

For and on behalf of the Board of Xstate Resources Limited

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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.