



ABN 96 009 217 154

5 May 2017

Jeremy Newman
Senior Adviser
ASX Listings Compliance
Level 40, Central Park,
152-158 St Georges Terrace
Perth WA 6000.

Dear Jeremy,

Reference is made to your letter of 28 April 2017 and our telephone discussions.

We respond to each of your specific questions as follows:

1. These details have been provided to you and are not for release to the market.
- 2 and 3. These details have been requested from the share registry, however will not be for release to the market.

4. The details of the parties entering into the subscription agreements are:

<u>Name</u>	<u>Shares</u>	<u>\$</u>
Tanzil Hidayat	179,156,244	6,807,937
Lim Kevin Gunawan	179,156,244	6,807,937
Chloe Kwok Yun Qing	179,156,244	6,807,937
Hong Hung Thiam	120,426,006	4,576,188

To the best of our knowledge and belief, and failing any evidence to the contrary, we do not believe any of the subscribers participated in the June 2016 placement.

5. Copies of all 4 subscription agreements are attached. These are not for release to the market.

There were no CP's to the subscriptions.

The agreements were specifically prepared by the Company's lawyers to be binding agreements. Xstate's litigation lawyers who have been appointed in Perth and Singapore have confirmed the enforceability of the agreements.

6. The Board of Xstate can confirm that financial due diligence was carried out in relation to the potential investors. The due diligence was carried out by the Board in conjunction with the company's corporate advisors, Sanston Securities, who have a significant track record of executing corporate finance transactions in the Asian market, and who introduced the investors to the company. The investors were well known to Sanston Securities.

7. The potential investors saw that raising the funds to complete the Sansinena acquisition

announced to the market on 4 Novemebr 2016 would in all likelihood be the trigger to the market capitalisation of the company increasing significantly, on the basis of a completed deal. The Board argued that to acquire a large block of shares that could provide the possible mechanism for the positive capitalisation to be realised, a signicant premium was required. The investors concurred with this view based on the merits of the Sansinena asset to be acquired.

8. The company can confirm it is in compliance with the listing rules, and, in particular Rule 3.1.

9. This response has been approved by the Board.

Yours faithfully,



David McArthur
Director



28 April 2017

Mr David McArthur
Company Secretary
Xstate Resources Limited

By email: davidm@broadwaymgt.com.au;

Dear Mr McArthur

XSTATE RESOURCES LIMITED (“COMPANY”) – ASX QUERY LETTER

ASX Limited (“ASX”) refers to the following.

Initial Capital Raising

- A. The Company’s announcement titled “XST Capital Raising – 14-Jun-16” and released to the market on 14 June 2016 regarding the placement of 300,000,000 fully paid shares at \$0.01 each to raise \$3,000,000 in working capital with the majority of funds raised to provide the capital for future acquisitions and development activities onshore California (“Initial Capital Raising”). The placement was approved by shareholders on 31 May 2016, and was placed to clients of Sanston Securities Australia Pty Ltd (“Sanston”). The announcement noted that the placement was three times oversubscribed from Asian investors.

LA Basin Acquisition

- B. The Company’s announcement titled “Xstates secures a working interest in a producing conventional oil field development opportunity in California” and released to the market on 4 November 2016, which set out the following:
- *Xstate has entered into a Letter of Intent (“LOI”) to acquire a working interest in a producing conventional oil field located in the prolific Los Angeles Basin onshore California with existing production and an independently certified reserve report provided by the Operator.*
 - *The transaction is subject to funding and due diligence by Xstate which is structured in two phases. Under Phase 1 Xstate has a 30-day period to complete its due diligence from signing of the LOI followed by an additional period to complete financial close by February 3rd, 2017. The transaction effective date is November 1, 2016.*

Subscription Agreements

- C. The Company’s announcement titled “Subscription Agreements – 19 December 2016”, lodged with ASX at 3:57 pm (AEDT) (12:57 pm WST) on 18 December 2016 and released to the market at 8:25 am (AEDT) on 19 December 2016 (“Subscription Agreement Announcement”) regarding binding letters of offer for placement of shares to raise A\$25,000,000 at 2.8 cents per share (“Subscription Agreement”), which sets out the following:



- *Subscription Agreements will be completed to raise the funds from four sophisticated Asian investors, with a 5% non-refundable deposit to be paid 7 business days from the signing of the subscription agreements.*
- *The placement price of 3.8cps represents a significant premium of more than 2.5x the last 30 day volume weighted average price (“VWAP”) and a significant premium (+100%) to the last traded price of 1.8cps.*
- *Xstate will issue approximately 658m shares representing 51.4% of Xstate’s issued capital post raising to four investors that are clients of Sanston Securities Australia Pty Ltd. No investor will hold more than 15% of the company on a diluted capital basis.*

ASX Queries

- D. The Company’s announcements titled “Response to ASX price and volume query” and released on 14 December 2016 setting out that the Company was unaware of the reason for the price and volume increase from the closing price of \$0.014 on 13 December 2016 and the Company’s intraday high of \$0.019 on 14 December 2016.
- E. The Company’s announcement titled “Response to ASX aware query” and released on 21 December 2016 setting out that the Company first became aware of the information contained in the Subscription Agreement Announcement on 16 December 2016 at 5:06 pm (WST).

Subscription Agreement and LA Basin Acquisition Updates

- F. The Company’s announcement titled “Subscription Agreement and LA Basin Acquisition Update” and released to the market on 4 April 2017, which sets out the following:
- *The board of Xstate Resources advises that the Company has still not received any funds from the subscribers to the Company’s \$25 million capital raising. A substantial portion of the funds (approx. 70%) had been dedicated to the acquisition of a working interest in two oil fields located in the Los Angeles Basin.*
 - *The vendor of the Los Angeles Basin assets continues to extend the period in which Xstate can settle the acquisition of the assets, and at this stage has given the Company 2 weeks to satisfy the purchase obligations.*
 - *The board of Xstate are disappointed with the fact the investors have not yet fulfilled their obligations under their subscription agreements with the Company. The Company has commenced the process of instigating legal proceedings in relation to the non performance by the investors, including possible action for any damages that may result from non receipt of the capital raising funds by the Company.*
 - *If settlement of the acquisition does not occur, damages will include, but not be limited to, repayment of the US\$625,000 non refundable deposit paid to the vendor on the strength of the binding subscription agreements.*
- G. The Company’s announcement titled “Subscription Agreements and LA Basin Acquisition Update” and released on 19 April 2017, which sets out the following:



- *Xstate advises that as a result of the non-payment of subscription funds by investors who have signed binding, unconditional subscription agreements, the vendor of the Los Angeles assets being sold to Xstate in California, USA, has terminated the existing Purchase and Sale Agreement.*
- *The Board of Xstate regrets that the non-payment of unconditionally committed funds has resulted in the Company's inability to complete a strategic and value accretive transaction as well as the loss of a non refundable deposit.*

Listing Rules and Guidance

H. Listing rule 18.7, which states as follows.

An entity must give ASX any information, document or explanation that ASX asks for to enable it to be satisfied that the entity is, and has been, complying with the Listing Rules. The entity must do so within the time specified by ASX. ASX may submit, or require the entity to submit, any information given to ASX to the scrutiny of an expert selected by ASX. The entity must pay for the expert.

Having regard to the above, and pursuant to listing rule 18.7, ASX requires the Company to respond separately to each of the following questions and requests for information in a format suitable for release to the market.

ASX Queries

Initial Capital Raising

1. Please advise the names of the allottees to whom the shares issued as part of the Initial Capital Raising were placed ("Allottees") and the number of shares that were issued to each of the Allottees.
2. Please advise the names of the Allottees that continue to hold shares in the Company.
3. Please specify the details of any share transfers in respect of shares held by the Allottees from 14 June 2016 onwards, including the date of trade and number and value of shares traded.

Subscription Agreements

4. Please advise the names of the proposed allottees to whom the shares were to be issued as part of the Subscription Agreement ("Subscribers") and number of shares that were to be issued to each of the Subscribers.
5. Please advise the form and content of the Subscription Agreements, including the:
 - 5.1. names of the counterparties;
 - 5.2. the material terms of the agreements;
 - 5.3. the conditions precedent to the agreements; and
 - 5.4. the basis on which the Company believes the agreements were binding.
6. The Company first became aware of the Subscription Agreements at 5:06 pm WST on Friday, 16 December 2016 and lodged the Subscription Agreement Announcement at 12:57 pm WST on Sunday, 18



December 2016. Please advise what due diligence the Company undertook in relation to the Subscribers and in particular their financial capacity to fund the Subscription Agreement.

7. Please advise whether the directors of the Company consider that this level of due diligence was appropriate, particularly in light of the fact that the Subscribers agreed to subscribe at a premium of more than 2.5x the last 30 day VWAP of the Company's securities (as at the time of the Subscription Agreement Announcement). Please include the basis for that view.

Compliance with the Listing Rules

8. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.
9. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and Where to Send Your Response

This request is made under, and in accordance with, Listing rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 3.00pm AWST on Tuesday, 2 May 2017.**

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under listing rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

You should note that if the information requested by this letter is information required to be given to ASX under listing rule 3.1 and it does not fall within the exceptions mentioned in listing rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

In responding to this letter, you should have regard to the Company's obligations under listing rules 3.1 and 3.1A and also to Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B.

It should be noted that the Company's obligation to disclose information under listing rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.



Please contact me if you have any queries about this letter.

Yours sincerely

[sent electronically without signature]

Jeremy Newman
Senior Adviser, ASX Listings Compliance