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19 December 2016

ASX Limited

Electronic lodgement

Los Angeles Basin Oil Fields Acquisition Funding Update

- **Xstate has executed binding letters of offer for the placement of shares to raise A\$25,000,000 at 3.8 cents per share (cps).**
- **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.**
- **The majority of funds raised are being committed to fund the Company's recently announced proposed Los Angeles Basin Oil fields acquisition and development after costs of the raising.**
- **Combined with the company's existing cash balance and future forecast revenue from the asset acquisitions, the company is well placed to fund its growth plans for 2017 and beyond.**
- **The issue of the shares is subject to shareholder approval, and any necessary approvals required by the regulatory bodies.**

Xstate Resources Limited (ASX:XST) ("Xstate" or "the Company") is pleased to announce that it has agreed to enter into a series of subscription agreements to raise \$25,000,000 before costs at 3.8 cps representing a premium of more than 2.0x the last traded price of 1.8cps.

The Company has entered into binding letters of offer with four sophisticated Asian investors who are subscribing for shares. No investor will hold more than 15% of the company on a diluted capital basis post raising.

In total the capital raising will result in Xstate issuing 657,894,737 fully paid shares at \$0.038 cps to raise \$25,000,000 representing 51.4% of the issued capital on a post issue basis.

The Company will receive a deposit of 5% of the total subscription amount, being \$1,250,000, 7 business days from the date the Subscription Agreements are executed (no later than 29 December 2016) and the balance of funds (95%) is due by 25 January 2017.

The capital raising is being placed to clients of Sanston Securities Australia Pty Ltd. No placement is being made to Directors or their associates.

The Board and Management of Xstate are delighted with the support received in our capital raising, which they believe is an endorsement of the company's clear growth strategies.

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.