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ASX Limited

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Subscription Agreement and LA Basin Acquisition Update

Xstate Resources Limited (**ASX: XST**) ("**Xstate**" or "**the Company**") provides the following update in relation to the Subscription Agreements and the Los Angeles Basin assets acquisition.

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.

For and on behalf of the Board of Xstate Resources Limited

For further details please contact:

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