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1 November 2018

ASX Limited

Electronic lodgement

Dempsey Project Sale Update – Raven Transaction Terminated

Summary

- Xstate advises that Raven Energy Limited (Raven) is in default of the Deed of Variation executed by the parties on 17 August 2018 whereby Xstate agreed to defer settlement of the sale of its 10% interest in the Dempsey 1-15 well and related production and infrastructure in the Dempsey gas project in California until 31 October 2018.
- Raven has failed to pay the the balance of the transaction amounts owing, being approximately US\$410,000 cash plus the issue of A\$250,000 of shares in Raven.
- As a consequence of the default, Xstate has terminated its agreement for the sale of its Dempsey Project working interests to Raven.

Comments

Xstate Resources Limited (**ASX: XST**) ("**Xstate**" or "**the Company**") provides the following update in relation to the sale of its working interest in the Dempsey Project Area ("**Dempsey Project**") to Raven Energy Limited ("**Raven**"; **ASX:REL**).

Xstate and Raven entered into a Deed of Variation on 17 August 2018 whereby Raven requested an extension to financial close to 31 October 2018. In return for granting the extension to 31 October 2018 Raven agreed to pay Xstate a further non-refundable cash deposit of US\$20,000 and issued Xstate with 50% of the acquisition share consideration of A\$500,000 (being 138,888,889 shares at \$0.0018 per share (A\$250,000)).

Raven did not make the settlement payment of approximately US\$410,000 nor issue the second tranche of A\$250,000 of shares by the close of business on 31 October 2018 as required. Xstate had agreed mutually acceptable terms with Raven for a further extension of the settlement beyond 31 October 2018, however the terms of this further extension were not met by Raven by the closing date of 31 October 2018.

Xstate has accordingly terminated the transaction of the sale of its Dempsey Project Interests to Raven for non-performance by Raven. Xstate retains the approximately US\$88,500 paid by Raven to date and the A\$250,000 of shares issued by Raven, as these were paid and issued on a non refundable basis.

Although the board of Xstate are disappointed with the default by Raven, The Dempsey Project Area has continued to perform strongly and the Company will now look at its strategic options.

At this stage Xstate will retain its working interests in the Dempsey Project Area and looks forward to working with the joint venture partners.

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 associated gas production. Xstate is presently pursuing new opportunities in the oil and gas sector onshore North America.