ABN 96 009 217 154

17 November 2011

NOTICE PURSUANT TO SECTION 708A(5)(e) OF THE CORPORATIONS ACT 2001

In respect to the issue of the 11,630,488 fully paid ordinary Shares (**New Shares**) and pursuant to Section 708A(5)(e) of the *Corporations Act 2001* (Cth) (the Act) Xstate Resources Limited (Company) advises that the Act restricts the on-sale of securities issued without disclosure, unless the sale is exempt under the section 708 or 708A. By the Company giving this notice, a sale of the Securities noted above will fall within the exemption in section 708A(5) of the Act.

NOTICE UNDER s708A OF THE ACT

The Company hereby notifies ASX under paragraph 708A(5)(e) of the Act that:

1. The Company issued the New Shares without disclosure to various professional and sophisticated investor clients of Argonaut Limited under Part 6D.2 of the Act on 16 November 2011;
2. The Company is providing this notice under paragraph 5(e) of section 708A of the Act, as modified by Australian Securities and Investments Commission Class Order [CO 08/35];
3. As at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company;
4. As at the date of this notice, the Company has complied with section 674 of the Act;
5. As at the date of this notice, there is no information:
    a. That has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
    b. That investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
        i. The assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
        ii. The rights and liabilities attaching to the New Shares.

On behalf of the Board of Directors

DMcArthur

David McArthur
Company Secretary