ABN 96 009 217 154

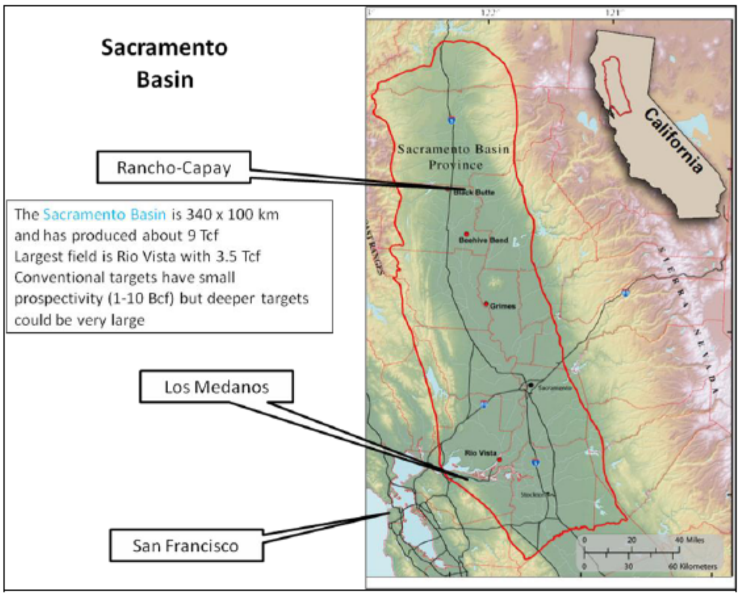
8 August 2013

ASX Limited **Electronic lodgement**

ACQUISITION OF PRODUCING ASSETS

Xstate Resources Limited advises that it has acquired, from an unrelated private company, a 10% working interest (WI) in 7 producing gas wells and associated land leases and production and pipeline access equipment in the Sacramento Basin, California, effective 1 June 2013

The wells produce natural gas from conventional sandstone reservoirs. The current total production from the 7 wells is approximately 740 mcf of gas per day.



Sacramento Basin California

Importantly, the acquisition includes access to over 375 square kilometres (150,000 acres) of 3D seismic data. Interpretation of these data indicates a number of attractive drillable prospects which the joint venturers intend to pursue.

Existing gross gas reserves are internally estimated to be in the order of 1.5 bcf. A number of well rejuvenation opportunities that may significantly enhance production have been identified. Xstate is to pay US$37,500 for a 10% WI in these assets.

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This acquisition provides cash flow, production infrastructure and more importantly access to exploration opportunities consistent with Xstate's business strategy to generate value for shareholders through field development and production, from exploration and appraisal drilling in areas that:

- Have high prospectivity for oil and gas,
- Have the benefit of new data, e.g. 3D Seismic,
- Have access to oil and gas production and transport infrastructure, but
- Are relatively under-explored, and
- Are in a low operating cost area.

As a result of this acquisition Xstate gains well aligned operational relationships in California which enable the identification, purchase and enhancement of additional similar opportunities.

Xstate Resources Managing Director, Gary Jeffery said that:

"The acquisition provides Xstate with the opportunity for participation in a number of attractive prospects generated by the well owners, and exposure to a flow of future opportunities emerging from the local operator's contacts. The local operator's interests are aligned with the joint venture via its direct equity in the assets.

Furthermore, the joint venturers combine international exploration and local operational expertise in a manner that can form the foundation for creation of significant value for Xstate shareholders".

For and on behalf of the Board of XState Resources Limited

Gary Jeffery
Managing Director

Competent Person
The technical information provided has been compiled by Mr Gary Jeffery, Managing Director of XState Resources Limited. He is a qualified geophysicist with over 40 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas and mineral and energy resources. Mr Jeffery has reviewed the results, procedures and data contained in this release and consents to the inclusion of the information in the form and context in which it appears.