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ASX Limited

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XSTATE RAISES FUNDS VIA CONVERTIBLE NOTE ISSUE

- **Convertible note issue raises \$562,000**
- **Conversion price of 0.2 cents is approximately 90% of XST's 20-day VWAP on days traded basis**
- **Funds to be utilised in existing Californian exploration & production portfolio, for assessment of additional production acquisitions and for working capital purposes**

Xstate Resources Limited (**ASX:XST**) ("**Xstate**" or "**the Company**") is pleased to announce that the Company has entered into agreements with sophisticated investors (Section 708) for the subscription and issue of unsecured convertible notes ("**Notes**") to raise \$562,000.

Funds will be utilised for Xstate's share of costs for well work-overs designed to enhance gas flows from existing natural gas wells in the Sacramento Basin, as well as for ongoing exploration and production costs associated with these working interests. Additionally, this capital raising provides funds to assess additional oil and gas production acquisitions.

Terms of Notes:

- Notes mature 12 months from the date of issue;
- Notes will convert into fully paid shares in Xstate Resources Limited at a conversion price of 0.2 cents per share at maturity, or at an earlier time subject to the consent of the Company;
- Notes will be unsecured;
- Notes will bear interest at a rate of 10%, payable quarterly in arrears. Noteholders have the election to be paid interest via share issue at the same price as the Note conversion upon maturity of the Notes; and
- Conversion of the Notes is subject to, and conditional upon, the Company obtaining all necessary approvals from its shareholders for the conversion of the Notes into Shares, including in accordance with ASX Listing Rule 7.1.

This announcement was authorised for issue by the Managing Director of Xstate Resources Limited

David McArthur

Managing Director

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.