

30 April 2012

ASX Limited

Electronic lodgement

March 2012
Quarterly Activity Report

HIGHLIGHTS

- Xstate's net oil and gas resources estimated
- Equipment readied for flow testing of Sidi Dhaher oil discovery in June Quarter
- Onshore Sidi Dhaher Discovery Mean Oil-in-Place estimate - 51 million barrels

OIL AND GAS RESOURCES SUMMARY

The table below summarises the Company's current estimates of its **net** oil and gas resources based on a review during the quarter of resource assessments by the Operator of the permits, independent assessments and audits, and Xstate internal estimates:

Xstate Net Recoverable Resources Summary [^] (mmboe)	
Kerkouane Permit Contingent (Discovered) Recoverable Resources	34
Chorbane (Sidi Dhaher) Contingent Recoverable * Resources	1.7
Kerkouane Permit Prospective Resources (Recoverable)	100+
Chorbane Permit Prospective Resources (Recoverable)	18+
Total Net Contingent Prospective (Recoverable) Resources	154+ mmboe
Option [@] to increase Kerkouane Permit. Contingent and Prospective Resources	116+
Total Net Contingent Prospective Resource if XST exercises Option[#]	270+ mmboe
Notes:	
[^] Mean resource estimates based.	
[*] Assumes 33% Recovery Factor of Mean Oil-in-Place estimate; 3.6 mmbo if P10 oil in place estimate of 110 mmbo is realized.	
[@] Additional 10% equity by paying 15% of next Kerkouane Permit well; option excludes ~150 Km ² Lambouka Area.	
[#] Arithmetic Sum of probabilistic values above.	

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To reiterate for clarity, these resource estimates are net to Xstate's current and optional equity interests as listed in the table.

The Kerkouane Contingent Resources include resources attributed to the three existing discoveries in the permit - Dougga, Kerkouane and Lambouka. It is noteworthy that no dry holes have been drilled on this 3,725 km² permit.

Prospective Resources in Chorbane include exploration prospects currently mapped and the mapped extension of the Chaal gas discovery into the Chorbane Permit.

The resources of the Kerkouane Permit, particularly at Dougga, have been upgraded based on a new and detailed review of the velocity information extracted from the 3D seismic dataset.

EXPLORATION ACTIVITY

ONSHORE CHORBANE PERMIT – SIDI DHAHER OIL DISCOVERY WELL TEST (XST - 10%)



Figure 1: Sidi Dhafer Drilling Rig

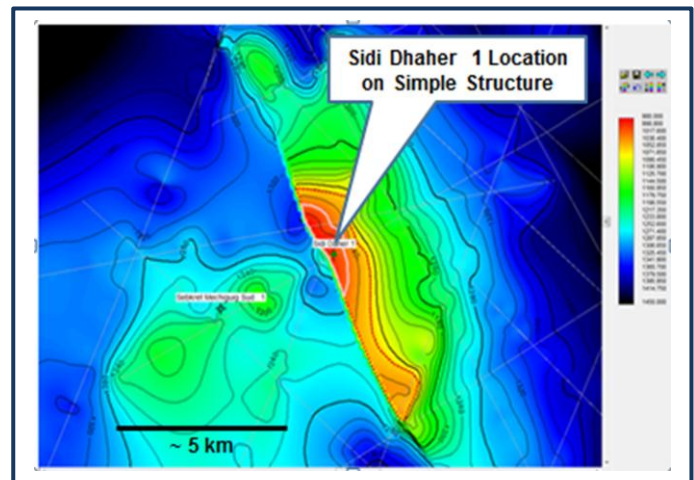


Figure 2: Post-Drill Sidi Dhafer Structure Map

Sidi Dhafer oil discovery –Mean oil-in-place estimated at 51 million barrels

The interpreted 30 metre oil column in the Sidi Dhafer 1 well occurs in good quality Cretaceous age, Bireno Carbonate reservoir rocks. Oil was recovered from the reservoir using wireline sampling tools.

The oil bearing reservoirs are quite shallow at around 1,100 metres which would result in relatively inexpensive appraisal and development wells. Otherwise, the oil zone is interpreted to be similar to oil zones seen in nearby producing oil fields.

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The Operator of the Chorbane Permit provided the following management estimate of the gross original-oil-in-place ("OOIP") in the Bireno reservoir, calculated using probabilistic methods.

The statistical Mean of the OOIP is 51 million barrels; and is derived from the following range of estimates:

-P90 OOIP	13 million barrels
-P50 OOIP	37 million barrels
-P10 OOIP	110 million barrels.

Assessment of recoverable volumes and resulting potential reserves are contingent upon completion of the currently ongoing fluid studies and a flow test from the well.

A rig was contracted to facilitate the testing of the hydrocarbon bearing zones to determine the commerciality of the discovery and confirm that oil can be produced at commercial rates. This testing is expected to take place in the June Quarter.

The current estimate for testing to begin is mid May 2012.

Other zones of interest in the Sidi Dhaher well are also still being evaluated.

Next steps for the June Quarter

The next steps are to:

1. Mobilise the test equipment to the Sidi Dhaher location.
2. Conduct the flow tests under varying conditions in the well as soon as practicable.
3. Assess the results of the flow tests.
4. If flow tests result in recovery of significant volumes of oil, and additional information is deemed necessary, then an extended production test may be undertaken, and
5. Results of positive tests will be incorporated into reserve assessments, discovery appraisal plans and any subsequent development plans.

Enhanced Chorbane Permit Prospectivity

The discovery of oil at Sidi Dhaher has enhanced the prospectivity of the 2,428 km² Chorbane Permit as shown on the Chorbane Permit map (Figure 3). Prior to the drilling of the Sidi Dhaher well, industry perception was that there were no oil fields west of the 'Pre Sidi Dhaher Oilfield Limit' line on the map below, but now the 'Post Sidi Dhaher Oilfield Limit' line brings the majority of Chorbane Prospects into an interpreted New Oil Fairway.

The Sidi Dhaher discovery well is in close proximity to the oil support centre at Sfax and extensive oil pipelines with spare capacity and good roads connecting directly to the oil export terminal at La Skhira, some 60 kilometres away. These factors will all facilitate earlier development of Sidi Dhaher following the confirmation of commercial flow rates from the flow tests.

Xstate has now earned a 10% working interest in the Chorbane Permit and Sidi Dhafer oil discovery and will henceforth pay 10% of the costs of exploration and development, and receive the benefit of 10% of revenues distributed according to the Chorbane Production Sharing Contract.

There are a number of attractive follow up prospects for drilling in the future, and it is particularly noteworthy that the terms of the Tunisian Production Sharing Contract are designed to fiscally encourage exploration in the Chorbane Permit following any oil field development.

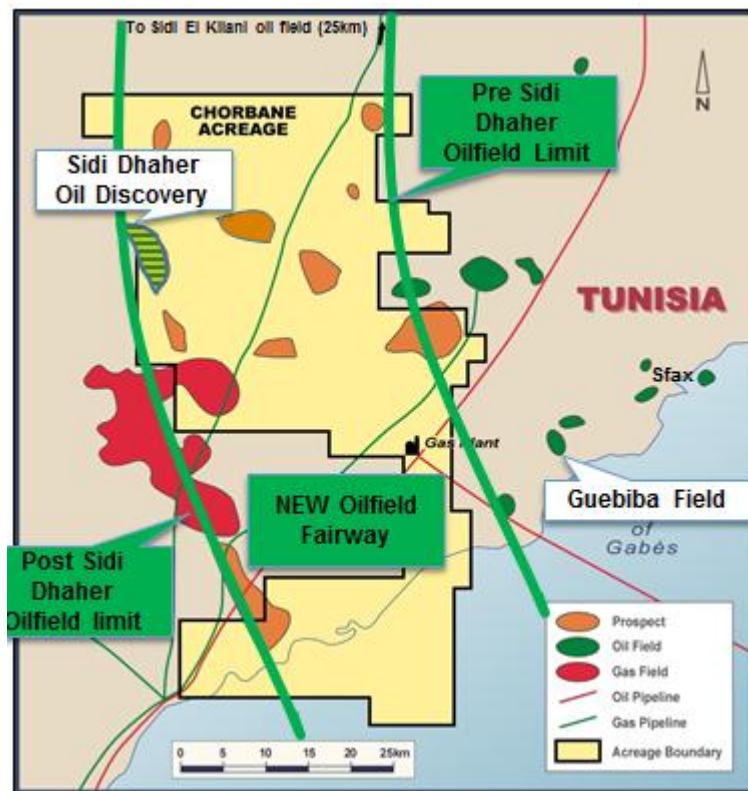


Figure 3: Sidi Dhafer and Chorbane Prospectivity and nearby Oil Infrastructure

Current Sidi Dhafer Activity

The current activity involves mobilisation of personnel and mobilising the rig and required equipment to the well site to enable oil flow rate testing to commence. The permit Operator has advised that the Sidi Dhafer oil discovery is expected to be flow tested in mid May 2012.

OFFSHORE KERKOUANE PERMIT – UPGRADED PROSPECTIVITY (XST - 10% with Option to Increase to 20% over all but 150 km² around the Lambouka Discovery)

The Kerkouane and Pantelleria Permits offshore Tunisia and Italy cover 3,725 km² and contain three (3) discovery wells (Dougga, Kerkouane and Lambouka) and no dry holes.

Assessment of drilling candidates for 2012 / 2013 continues.

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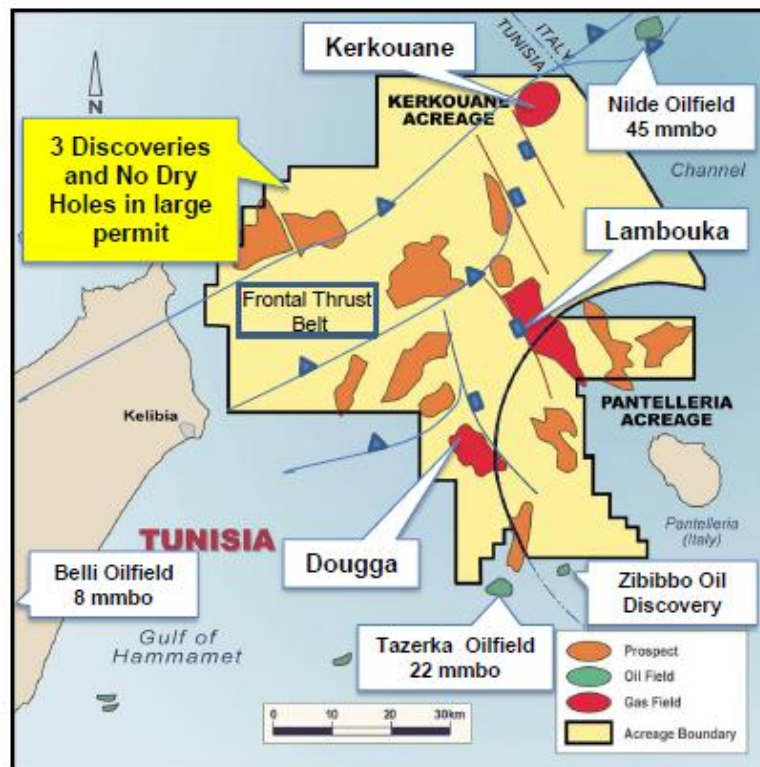


Figure 4: Prospectivity of Kerkouane and Pantelleria Permits

Anticipated June Quarter Activities

Offshore permit activities in the next quarter will continue to be focused on ways to have the discovered oil and gas potential and this enhanced prospectivity appraised in the most efficient manner.

CORPORATE

The company continues to seek and review new exploration projects and /or merger opportunities that enhance shareholder value.

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 39 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. Mr Jeffery consents to the inclusion of the above information in the form and context in which it appears.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

XSTATE RESOURCES LIMITED

ABN

96 009 217 154

Quarter ended ("current quarter")

31 March 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	15	15
1.2 Payments for		
(a) exploration and evaluation	(130)	(130)
(b) development	-	-
(c) production	-	-
(d) administration	(250)	(250)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received	8	8
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(345)	(345)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	2
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – acquisition of subsidiary	-	-
Net investing cash flows	(3)	(3)
1.13 Total operating and investing cash flows (carried forward)	(348)	(348)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(348)	(348)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(348)	(348)
1.20	Cash at beginning of quarter/year to date	1,400	1,400
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,052	1,052

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	120
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 – Includes salaries and fees paid to directors, as well as superannuation paid on behalf of directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	297
4.2 Development	-
4.3 Production	-
4.4 Administration	362
Total	659

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,052	1,400
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,052	1,400

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

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Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities **	100,881,350	100,881,350	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	48,438,061 400,001	48,438,061 -	<i>Exercise price</i> 24 cents Various	<i>Expiry date</i> 30 June 2013 30 June 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Company Secretary

Date: 30 April 2012

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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