ABN 96 009 217 154

1st June 2012

ASX Limited

Electronic lodgement

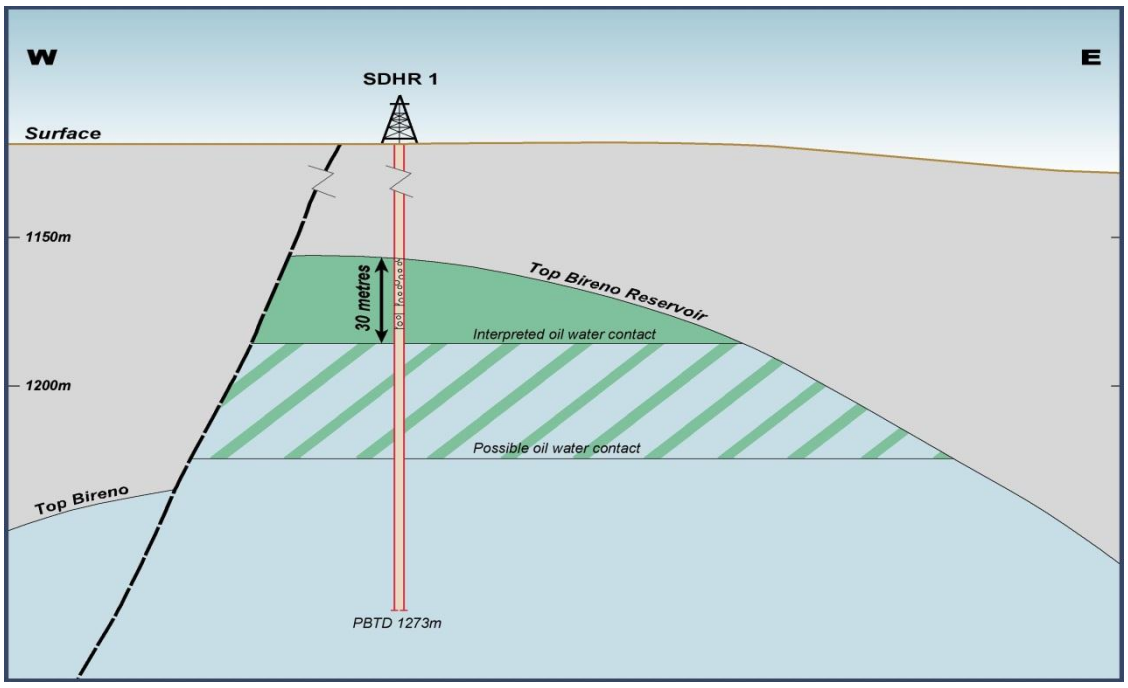
SIDI DHAHER WELL TESTING COMMENCES

Xstate Resources Limited (ASX: XST) is pleased to report that ADX Energy Limited operator of the Chorbane Permit onshore Tunisia, has completed the safety and operational audits of the drilling rig and related equipment that will be used during the upcoming production testing programme on the Sidi Dhaher No. 1 well.

Testing operations commenced on Thursday, 31st May 2012 with the drilling out of a safety plug that had been installed to secure the well.

The testing programme is taking place in a well that was cased and suspended in anticipation of the current production test after oil was previously recovered from the reservoir by a wireline sampling tool. This test will be a multi-stage operation expected to take approximately three weeks.

As shown on the diagram below, the well will be perforated over an extensive interval within the interpreted 30 metre oil column previously reported.



Schematic Cross Section through Sidi Dhaher Discovery

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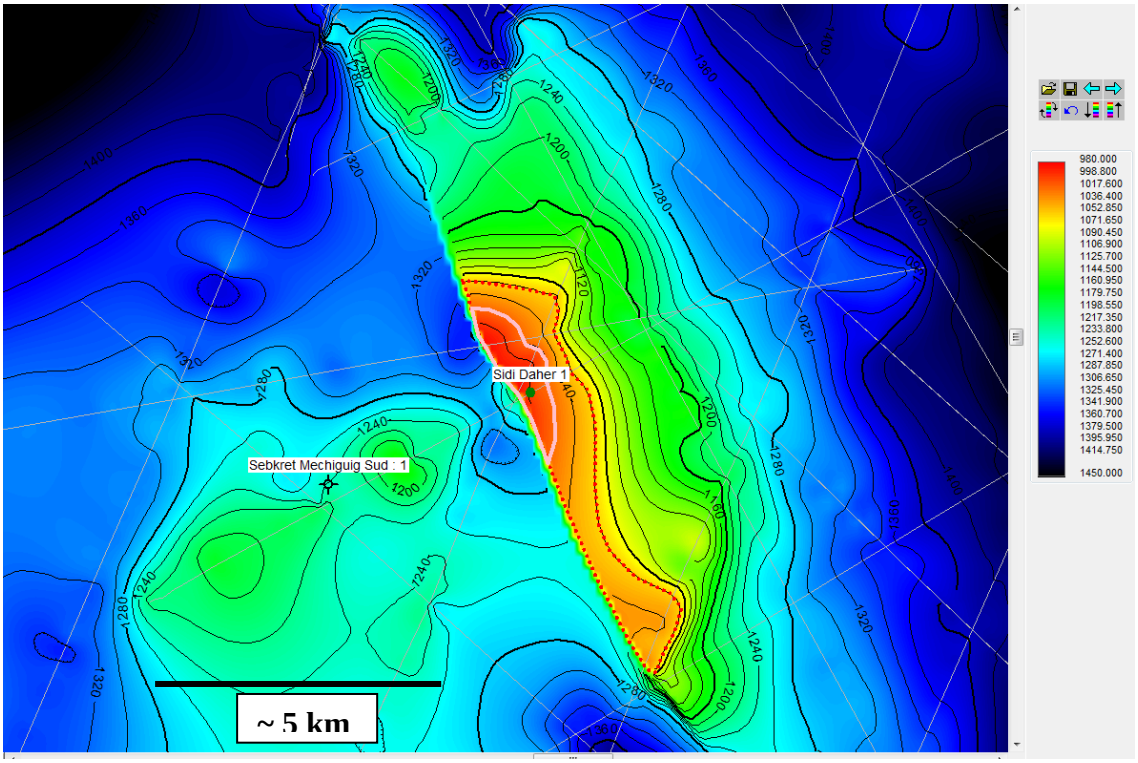
Gary Jeffery, Xstate's Managing Director commented that "It is important to note that the testing of a previously untested reservoir is not an exact science and the time required cannot be reliably predicted.

We have also been made aware that almost all wells in the Chorbane and adjacent areas require clean–up of the reservoir using acid in order to remove damage to the reservoirs caused by drilling muds."

Consequently the Sidi Dhaher 1 well testing program may incorporate four test periods, and the time and nature of each will likely be modified as results are assessed:

1. **'Natural Flow Period'** following initial perforation of well casing to allow reservoir fluids to enter well bore and test piping;
2. **'With Artificial Lift Flow Period'** simulating pumping of fluids if reservoir fluids do not have sufficient pressure to flow to surface. (Note: Nitrogen is used to lift the fluids in the piping in the well to simulate the effect of a pump);
3. **'After Acidization Flow Period'** following clean-up of the reservoir with acid to remove any drilling damage to the near well bore rocks;
4. **'With Artificial Lift after Acidization Flow Period'** simulating pumping of fluids if reservoir fluids do not have sufficient pressure to flow to surface after above stimulation by acid clean-up, (Note: Nitrogen is again used to lift the fluids in the pipes in the well);

Each of these phases is designed to provide information on reservoir characteristics and productivity. This information will be used, along with the structural mapping shown below, in a field development program if commercial rates of oil are tested.



Sidi Dhaher Map View

Updates:
It is anticipated that updates will be provided when meaningful results are available.

Participant interests in the Sidi Dhaher-1 well tests are as follows;

Xstate Resources Ltd (ASX code: XST)	**10%**
ADX Energy Ltd (ASX code: ADX)	40% Operator
Gulfsands Petroleum Plc	40%
Verus Investments Ltd (ASX code: VIL)	10%

Xstate Resources is focussed on oil and gas exploration and development of existing and new oil and gas discoveries. The current area of interest is in the Mediterranean Sea and surrounding countries in North Africa and Europe.

For and on behalf of the Board
Gary Jeffery Managing Director

For further details please contact:
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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.