4 September 2012

ASX Limited

Electronic lodgement

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**Good Oil Conference Presentation**

Please find attached the Good Oil Conference Presentation by Xstate Resources Limited.

**For and on behalf of the Board.**
Industry Challenges:

- High Costs - People and Services
- Poor delivery of Contracted Services
- Lack of personal discipline, and the indiscriminate application of a sense of entitlement
- Insufficient Skills, Equipment and Support Infrastructure (rigs and crews) to deliver outcomes from the shale revolution outside North America
- Too many companies chasing too few attractive opportunities
- Too few positive results,
- Slow access approvals, and drilling activity and resultant investor frustration

➤ Fund providers being very selective!
Moving On

- Sidi Dhaher post-mortem - well test results
- Intrinsic Value - Xstate’s net oil and gas resource estimates
- A New Strategic Direction with an Attractive Listed ‘Shell’
- Search for new projects and enhancing value
Sidi Dhaher Well – Post-Mortem

Geologic, Petrophysical and Pressure Gradient information:

✓ justified the sample testing of the prospective limestone reservoirs

Sidi Dhaher 1 well recovered oil on wireline test.

This information provided a range of in-place oil resource outcomes, and justified the casing of the well for flow testing.

Flow testing was carried out successfully, under difficult circumstances due to the political situation, (particularly the lack of self discipline) following the overthrow of the previous dictatorial regime in the Jasmine Revolution

Flow testing and sampling of produced fluids indicated that:

✓ oil was present in low concentrations, but
✓ oil was not present in sufficient quantities to flow.

The well was plugged and abandoned.
Perplexing XST Share Price

'Remaining Portfolio Value' when Sidi Dhaher incorrectly **reported** as Dry

'Remaining Portfolio Value' when Sidi Dhaher **confirmed** as Dry
Valuable Existing Assets

Prospective acreage is difficult to acquire and hence the existing Xstate acreage has potential to provide significant value to many explorers.

Chorbane Permit has been renewed for 3 years, and includes the mapped extension of Chaal Gas Discovery, and several Prospects and Leads that need additional definition by new and reprocessed seismic.

Kerkouane and Pantelleria Permits have no dry holes, moreover 3 discoveries of gas and condensate which contribute valuable Contingent (Discovered) Resources; and the Permits have extensive 3D seismic, covering numerous prospects, with other leads that can be brought to drillable status by additional seismic.

Xstate is assessed to have resources of over 134+ million barrels of oil equivalent resources (net to its interest) in its Exploration and Appraisal assets.

“Improved terms for offshore permit developments would enhance realizable value from Dougga and other discoveries”
Chorbane – Value from Exploration Prospects and Chaal Ext

KEY FACTS:
- **Xstate interest:** 10%
- **Participants:** ADX Energy (40%, Operator), Gulfsands (40%), Verus Investments (10%)
- **Area:** 2428 sq km before Partial Relinquishment
- **Onshore, covered by 2D seismic, 3 year renewal granted 2012**

“Well located acreage with valuable remaining prospectivity close to oil infrastructure”

- **Permit Renewal** – good till July 2015
  - One well commitment in next 3 years to 2015
  - Partial relinquishment - 20% in September 2012

- **Chaal gas discovery confirmed in 2005**
  - Estimated ~0.85 tcf recoverable gas
  - Tight gas discovery with 50 barrels condensate / mmcf gas
  - Extends into Xstate acreage – evaluation ongoing
  - 2C estimate of 7.5 Bcf gas net to XST
  - Seven other prospects and leads identified
    - Sidi Dhaher oil recovery on wireline test extended oil migration fairway

- **Next Step is New Seismic**
Kerkouane and Pantelleria Permit Discoveries and Prospects

Three gas-condensate discoveries

<table>
<thead>
<tr>
<th></th>
<th>Gas (tcf)</th>
<th>Oil/Cond (mmbbl)</th>
<th>mmboe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dougga</td>
<td>173</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kerkouane</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lambouka</td>
<td>80</td>
<td></td>
<td></td>
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<tr>
<td>TOTAL</td>
<td>341</td>
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</tbody>
</table>

- **Xstate Option to double equity and net CR to 50 mmboe**
- **Dougga conceptual development planning underway**
- **8 prospects and leads identified to date with recoverable Prospective Resource potential of > 1000 million boe**
- **Next Step is New Seismic / Well**

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1. Xstate has option to increase interest to 20% outside the 150 sq km Lambouka area
2. Gross Mean Unrisked Resource, ISIS Petroleum Consultants and ADX Energy

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KEY FACTS:

- **Xstate interest:** 10%
- **Participants:** ADX Energy (Operator) 60%, Gulfsands 30%
- **Area:** 3,725 sq km
- **Offshore:** 50-1,000m water depth, covered by 2D and 3D seismic

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For personal use only
Dougga… 2C Resource - 173 mmboe

**KEY FACTS:**
- **Xstate interest:** 10%
- **Participants:** ADX Energy (60%, Operator), Gulfsands (30%)
- **Location:** Offshore, Kerkouane acreage
- **Description:** Gas-condensate discovery
- **Covered by 3D seismic; 320 m water depth**

Dougga discovered by Shell in 1981
- Dougga-1 well drilled on flank of structure
- Well flow tested – gas and condensate to surface
- Gas with some CO₂ - from mechanical failure short test after acid job
- Undeveloped due to low gas prices, no infrastructure and no market
- Porous and fractured limestone reservoir

New 3D seismic
- Potential 300 metre updip target (>500 metres gas/condensate column)
- Very high chance of appraisal success

Conceptual development studies underway
- Close to shore and Transmed gas pipelines
- High gas prices in local and EU markets

- Xstate has option to double its interest to 20%

“Current market cap of XST values Dougga 2C Resource at less than 10 cents per boe, compared to Brent oil price at over $100 per bo!”
Nearby ‘TCF’ gas potential on 3D Seismic
Dougga West Prospect - Nilde Oil Field Analogue

3D Seismic

Potential for 200+mmbo in Birsa Sandstones

Multiple other reservoirs and seals in structural closure

Nilde Field

Dougga West Prospect

Dougga Discovery
• High Probability of Success for additional discoveries of gas/condensate and oil in multi-reservoir prospects
• Dougga West (anticline) Prospect: 226 MMBLS (Birsa only) on 3D
• Elissa Prospect: 615 mmboe recoverable (Birsa only)
• Lambouka Deep Prospect: 126 mmboe (Abiod) on 3D seismic
• Multiple Other Leads and Prospects of varying styles
• Nilde (Italy – 45 MMBLS) and Tazerka (Tunisia – 24 MMBLS) nearby field analogues
• Further upside in Pliocene/Pleistocene Gas Sand Anomalies (TCF) potential

• *all figures gross unrisked recoverable
## Value in Xstate’s Net Resources Assets

### Net Discovered (Recoverable) Resources (SPE ‘Contingent Resources’)
- Net to Xstate 34 million barrels of oil equivalent in 3 Discoveries offshore
- Option to increase this to 50 million barrels of oil equivalent by next well via fixed 1.5 : 1 promote
- Dougga Appraisal and Development is XST focus:
  - Independent Resources Assessments by TRACS – AGR and ISIS
  - Mean 17.3 million boe (104 Bcf) 2C recoverable resource

### Net Prospective (Recoverable) Resources
- Offshore: Greater than 100 million barrels of oil equivalent
- Onshore: Chaal discovery mapped onto Chorbane Permit with ~20 Bcf of gas (3.3 mmboe) and 1 million barrels of associated Condensate
- Onshore: Greater than 15 million barrels of oil in multiple prospects

‘Over 150 million boe of total net recoverable resources in multiple projects.’
Shareholders have indicated that the current assets are not seen to have net value, and so Xstate need to change strategic direction:

Conserve remaining cash by reducing costs;

Seek a buyer for the existing assets;

Seek new assets as a base for rejuvenating and recapitalizing:

**New Assets should have:**
- Near term activity in areas of active exploration,
- Material equity and prospective size
XST..... ATTRACTIVE and ASX-LISTED ‘SHELL’

- **Tight capital structure - attractive for new projects:**

<table>
<thead>
<tr>
<th>Xstate Capital Structure</th>
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<tbody>
<tr>
<td>Shares on issue (ASX: XST)</td>
<td>100.9 million</td>
</tr>
<tr>
<td>Listed Options (ASX:XSTO)</td>
<td>48.4 million</td>
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<td>@24c w/ June 2013 expiry</td>
<td></td>
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<tr>
<td>Market Cap</td>
<td>$1.8 million</td>
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<tr>
<td>Net Cash (No Debt)</td>
<td>$0.5 million</td>
</tr>
</tbody>
</table>

- **Remaining Assets have Sale Value in an “Opportunity - Poor” World:**
  - Offshore Permits with 3 Discoveries to be appraised for development in medium term;
  - Onshore Permit with undrilled prospects and Chaal Gas Potential
  - Nearby infrastructure provides access to International Oil Markets and higher priced Tunisian and EU gas markets
Xstate’s Forward Plan…

Short Term (<6 months)

Monetize Value of Tunisian Assets:

- Dougga related contract reviews, and
- Farmout Equity in Offshore Permit, or
- Sell interests in Tunisia

Seek, Review, Acquire and Fund other exploration and drilling opportunities, through mergers if necessary.
This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be effected by a variety of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency exchange rate fluctuations, drilling rig availability and timing of drilling, drilling and production results, commercialisation and development progress, operating success and results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and accuracy or otherwise of cost estimates. Refer to Xstate website: www.Xstate.com.au for more detail on risks, resources and projects.

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 presentation. Mr Jeffery consents to the inclusion in this presentations of the matters based on the information in the form and context in which it appears.