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13 July 2010

ASX Limited

Electronic lodgement

Dear Sirs,

RE: Company Activity Update

Please find attached a copy of a Company presentation that has been prepared to provide the market with an update of the Company's activities following the successful approval to re-instate official quotation of the Company's securities and the completion of the acquisition of Bombora Energy Limited.

Yours faithfully,

David McArthur
Company Secretary

Xstate RESOURCES

ABN 96 009 217 154

XState Resources Limited (ASX:XST)

A New Oil and Gas Company drilling Big Projects

bombora energy

A New Oil and Gas Company drilling Big Projects

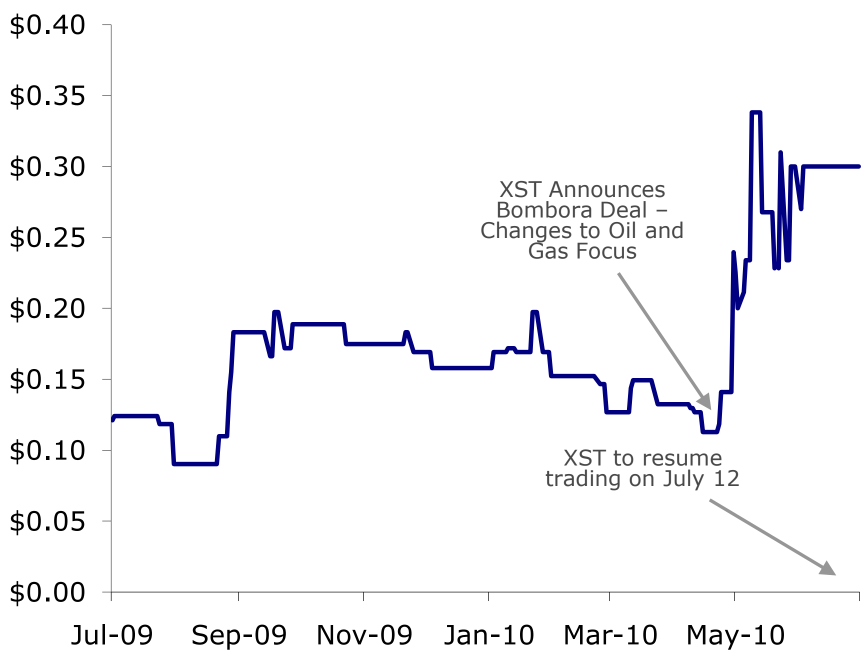
- **Bombora Energy Limited acquired by XState Resources Limited (ASX:XST)**
- **Change in Nature and Scale to Focus on Oil and Gas Exploration and Production**
- **XState Assets:**
  - **Appraisal project on existing discovery, with numerous multi-reservoir prospects on good quality data, including offshore 3D seismic**
  - **Two wells to be drilled in 2010:**
    - **Lambouka Prospect- Net 31 mmboe Prospective Resource**
    - **Sid Daher Prospect- Net 32 mmboe Prospective Resource**
    - **Dougga Discovery appraisal well- Net 19 mmboe[1] Contingent Resource (plan for 2011)**
  - **Highly leveraged exposure to value creation for shareholders if through drilling these Resources can be converted to Reserves**

Southern Cross Drilling Rig and Sea Wolf Rig Tow Vessel[2]

[1]Assumes option exercised to increase equity to 20%
[2]Not assets of XST

XST Snapshot

Share Price Performance (Adjusted to Post-Consolidation Basis)



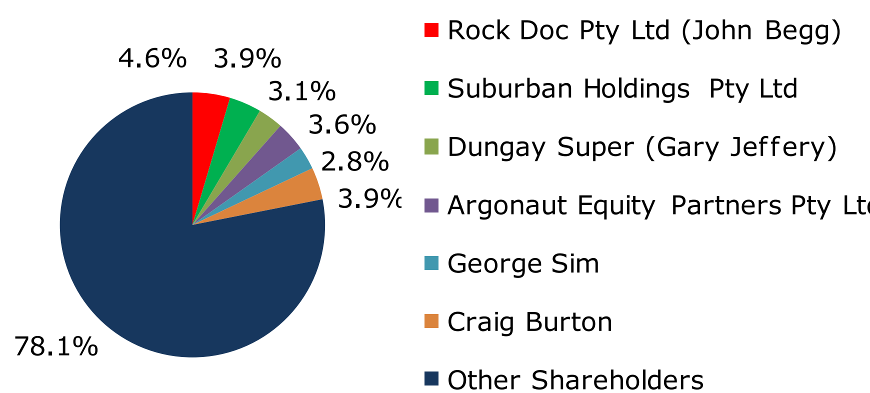
Capital Structure (Post-Consolidation Basis)

Share price *(Last quoted)*	$	0.30
Shares Outstanding *(undiluted)*	m	37.5
Market Capitalisation *(undiluted)*	**$m**	**11.3**
Cash	$m	3.0
Debt	$m	-
Net Cash	**$m**	**3.0**
Options on Issue		
$0.24 Options *(various expiry dates)*	m	28.0
$1.50 Options exp 30 Apr 2012	m	0.1
$1.95 Options exp 30 Apr 2012	m	0.1
$2.25 Options exp 30 Apr 2012	m	0.1
Option Cash *(in the money)*	**$m**	**6.7**
Enterprise Value *(undiluted)*	**$m**	**8.3**

Board & Management

John Begg	Non-Executive Chairman
Gary Jeffery	Managing Director
Brett Mitchell	Non-Executive Director
Ross Kestel	Non-Executive Director
David McArthur	Company Secretary

Share Ownership Analysis



Source: IRESS and Company Reports – as at 06 July 2010

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Australian Peers with interests in Lambouka

COMPARATIVE ANALYSIS (fully diluted)

Company	Enterprise Value($m)[1]	Interest	Implied EV per 1% interest in Lambouka ($m)
ADX	68.2	30%	2.3
CAV	39.2	20%	2.0
PAA	13.3	10%	1.3
Average			**2.0**

Implied XST EV @ 10% interest ($m)	20.1
Cash ($m)[2]	9.7
Debt ($m)[1]	0.0
No. of shares outstanding (fully diluted)	65.5m
Implied Price per XST share	**$0.46**
Last traded price (post-consolidation basis)	$0.30
Premium to last XST Price[1]	51.8%

[1]As at 7 July 2010. Source: IRESS, Company filings
[2]Cash includes Options Cash

ASSUMPTIONS

- **Implied Price is calculated by comparing relative interests in Lambouka only.**
- **Assigns $0 value to assets other than Lambouka interest and Cash**

The share price implied for XST by the current prices of the Lambouka peer group is approximately 50% above XST's last quoted share price on a post-consolidation basis

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Experienced, Successful Oil and Gas Team lead XState

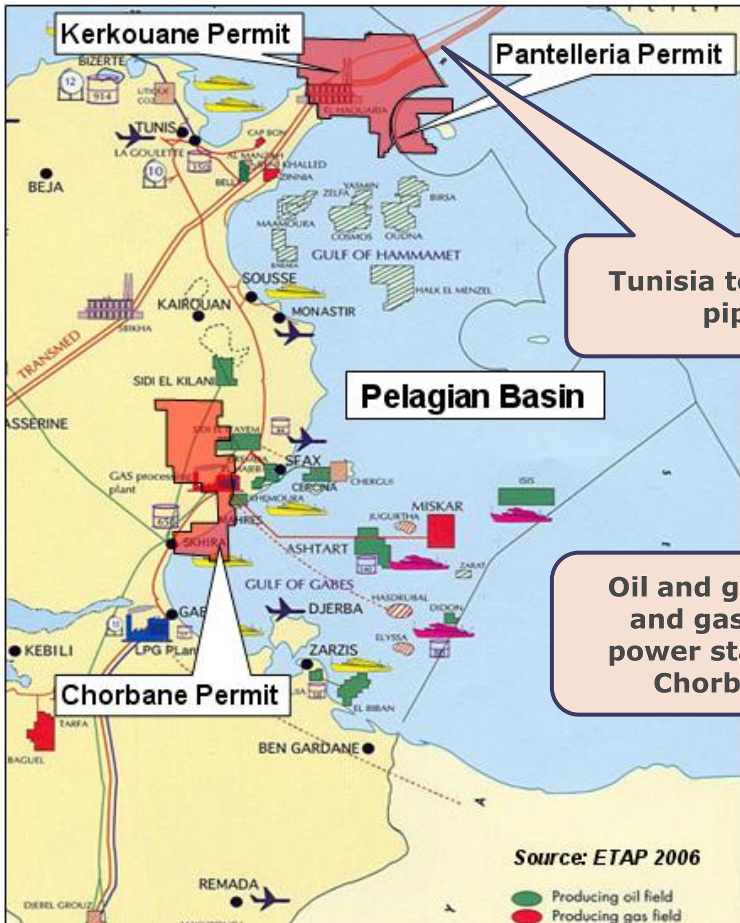
BOARD AND MANAGMENT

Non Executive Chairman- John Begg *(BSc)*	➢ 30 years Oil and Gas Experience ➢ Founder of Voyager Petroleum
Managing Director – Gary Jeffery *(BSc FAICD)*	➢ 37 years Oil and Gas, Energy, and Mineral Resources experience ➢ Extensive experience in Finding, Developing, Operating and Marketing Oil and Gas Worldwide
Non-Executive Director - Ross Kestel (*CA CPA*) **Non-Executive Director – Brett Mitchell *(BEc MAICD)***	**Working with experienced Operating and Joint Venture Teams in Project Areas**

John Begg

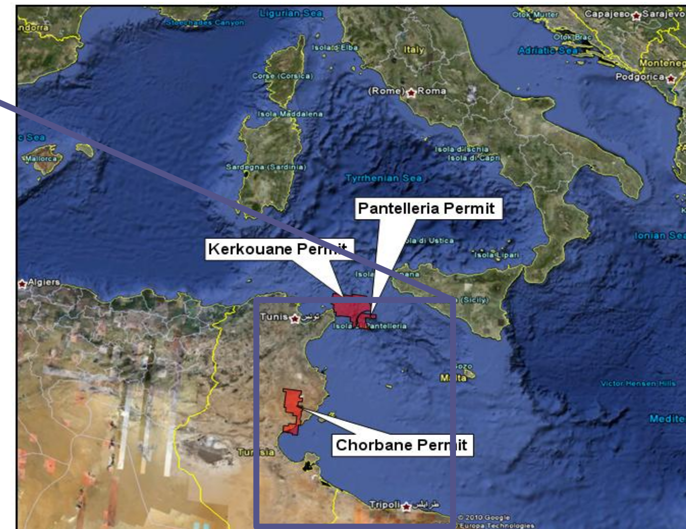
Gary Jeffery

Oil and gas assets location map - Tunisia and Italy



Tunisia to Europe gas pipelines

Oil and gas pipelines and gas plant and power station within Chorbane area



Offshore Permits - Kerkouane (Tunisia) and Pantelleria (Italy)

Equity Interests after Farm-in to the "Lambouka Prospect Area" (~150 Km^2) within the Kerkouane (Tunisia) and Pantelleria (Italy) permits:

XState	10%
ADX Energy (ADX)	30% (operator)
Gulfsands	30%
Carnavale	20%
PharmAust	10%

Equity Interests after Farm-in to the remainder (~4,350 Km^2) of the Kerkouane and Pantelleria permits outside of the Lambouka Prospect Area:

XState	10% (with an option* to increase to 20%)
ADX Energy (ADX)	60% (operator)
Gulfsands	30%

PGS Atlantic Explorer 3D Seismic Acquisition Vessel

*XST can increase its interest to 20% after reviewing the results of 3D Seismic and Lambouka drilling

THIS OPTION PROVIDES XST WITH UNIQUE LEVERAGE TO UPSIDE VALUE

Testing the Exploration Upside Immediately - Lambouka 1 well

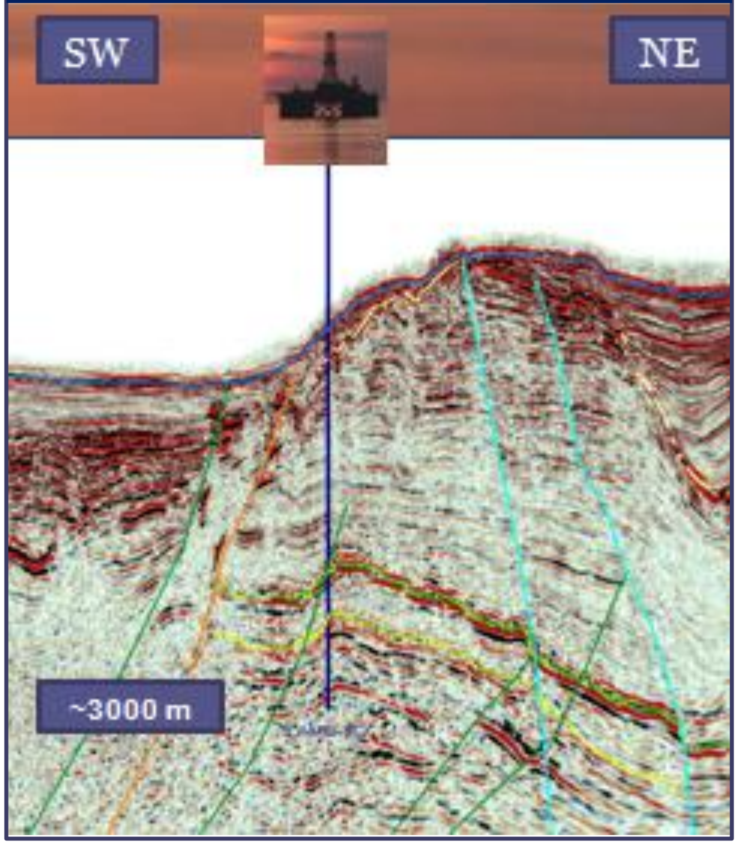
Lambouka Prospect (XST 10%):

- Rig on Location preparing to Drill
- Three Targets - Birsa, Abiod and Ain Grab Formations
  - All productive in other projects offshore Tunisia
- Probability of Success (POS): 30%[1]
- Mean Unrisked Recoverable Prospective Resource:

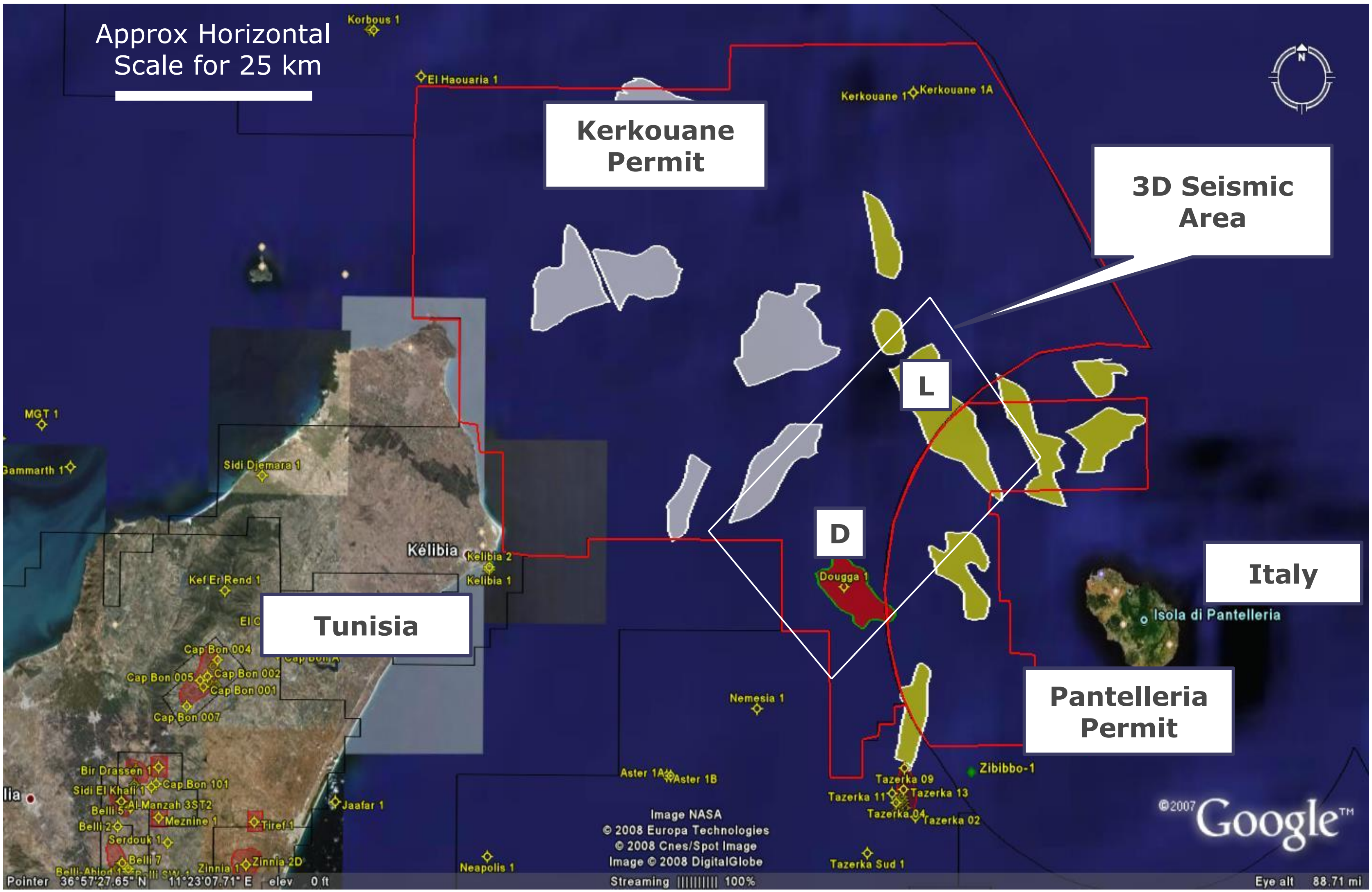
256 million barrels of oil and 353 Bcf gas, or
315 million barrels of oil equivalent[1] ("mmboe")

[1]*Volumetrics and Risk from Prospectus– Independent Expert's Report*

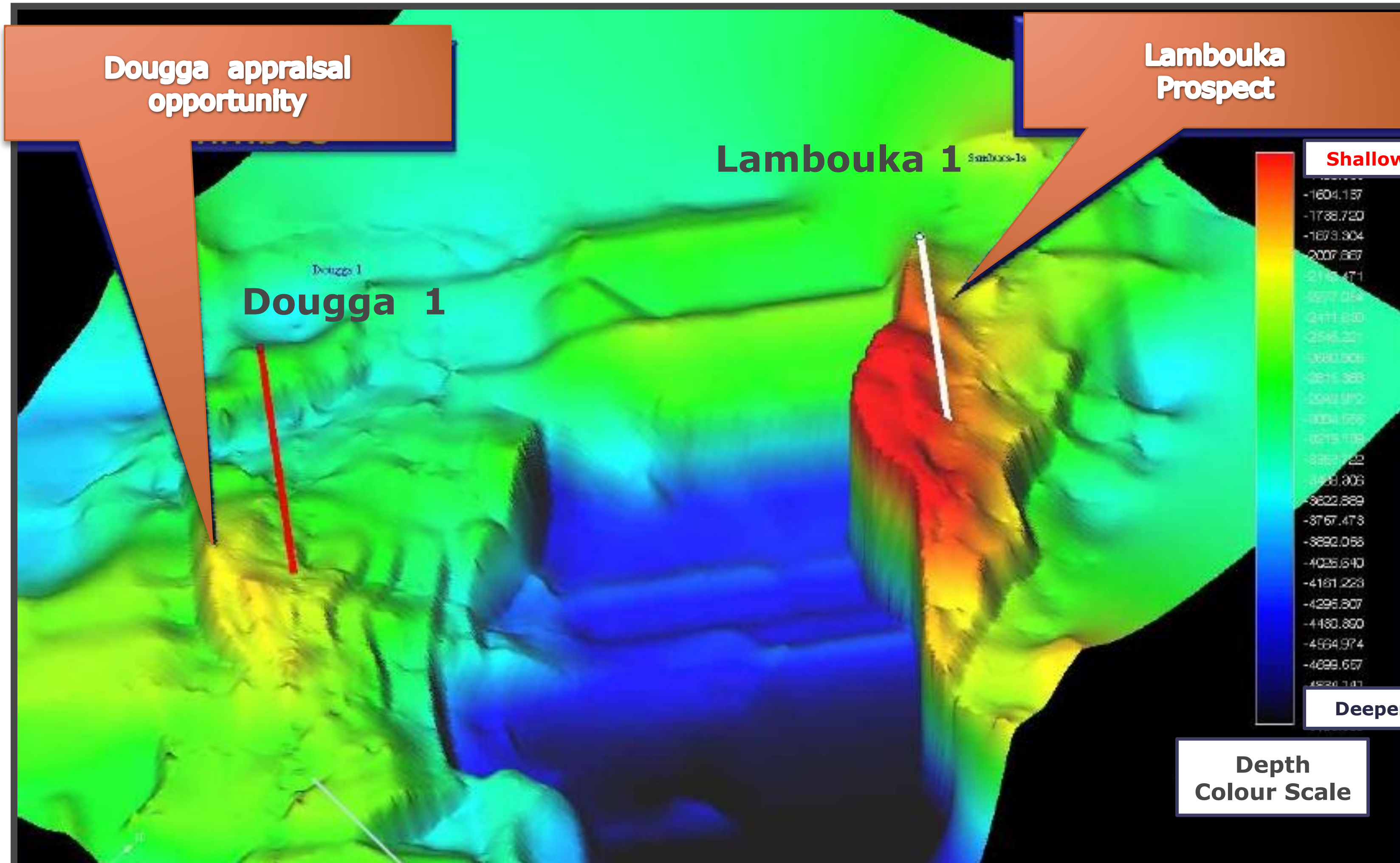
Well location - Lambouka Prospect



Schematic showing multiple follow-up prospects to Dougga and Lambouka

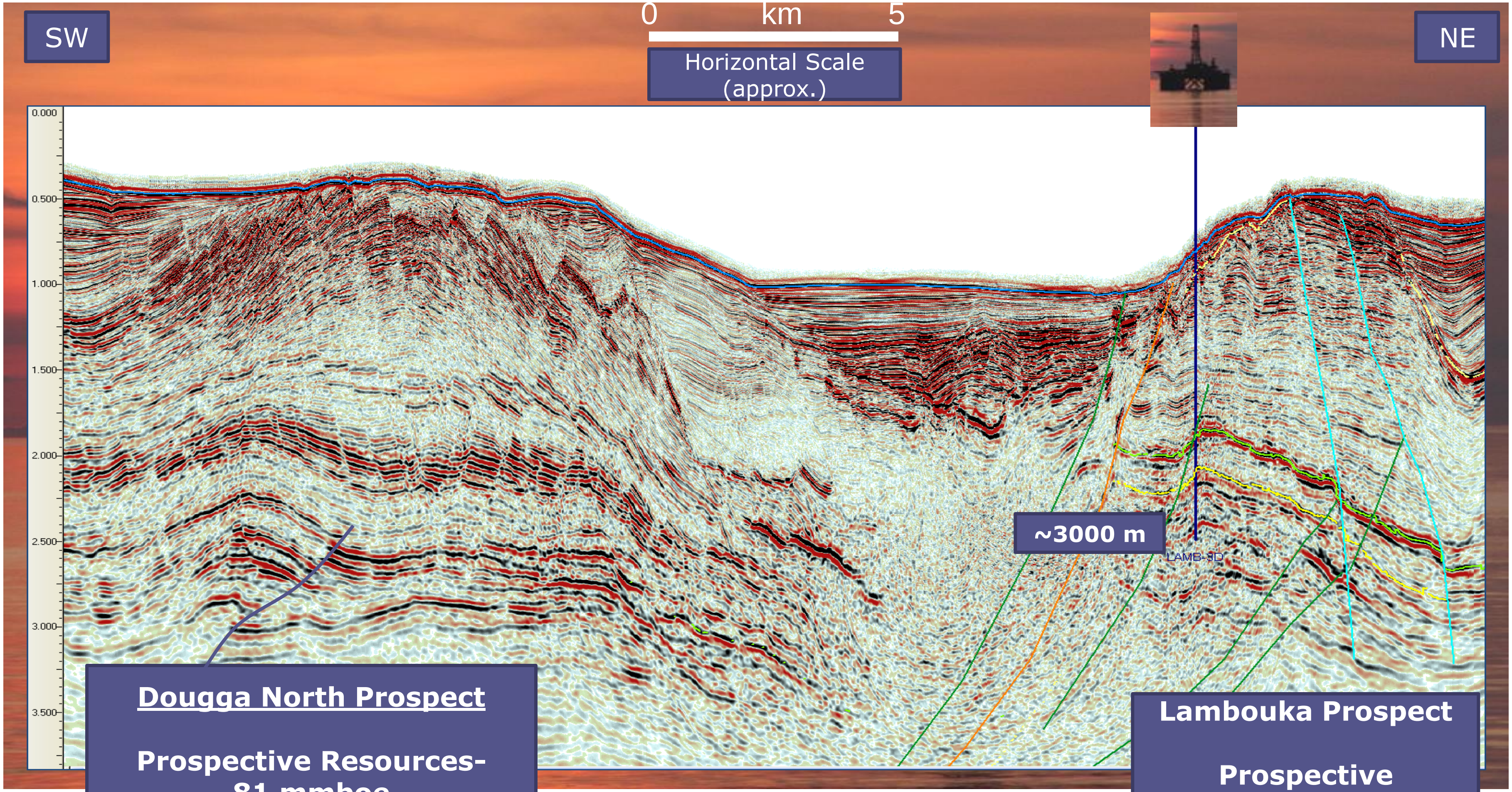


Schematic of Lambouka Prospect and Dougga Discovery



Mapped at Near Top Abiod Structure Level

The 3D Seismic has elevated Dougga North to prospect status



Dougga North Prospect

**Prospective Resources-
81 mmboe
(Nilde oil field 'look-alike')**

Lambouka Prospect

**Prospective Resources-
315 mmboe**

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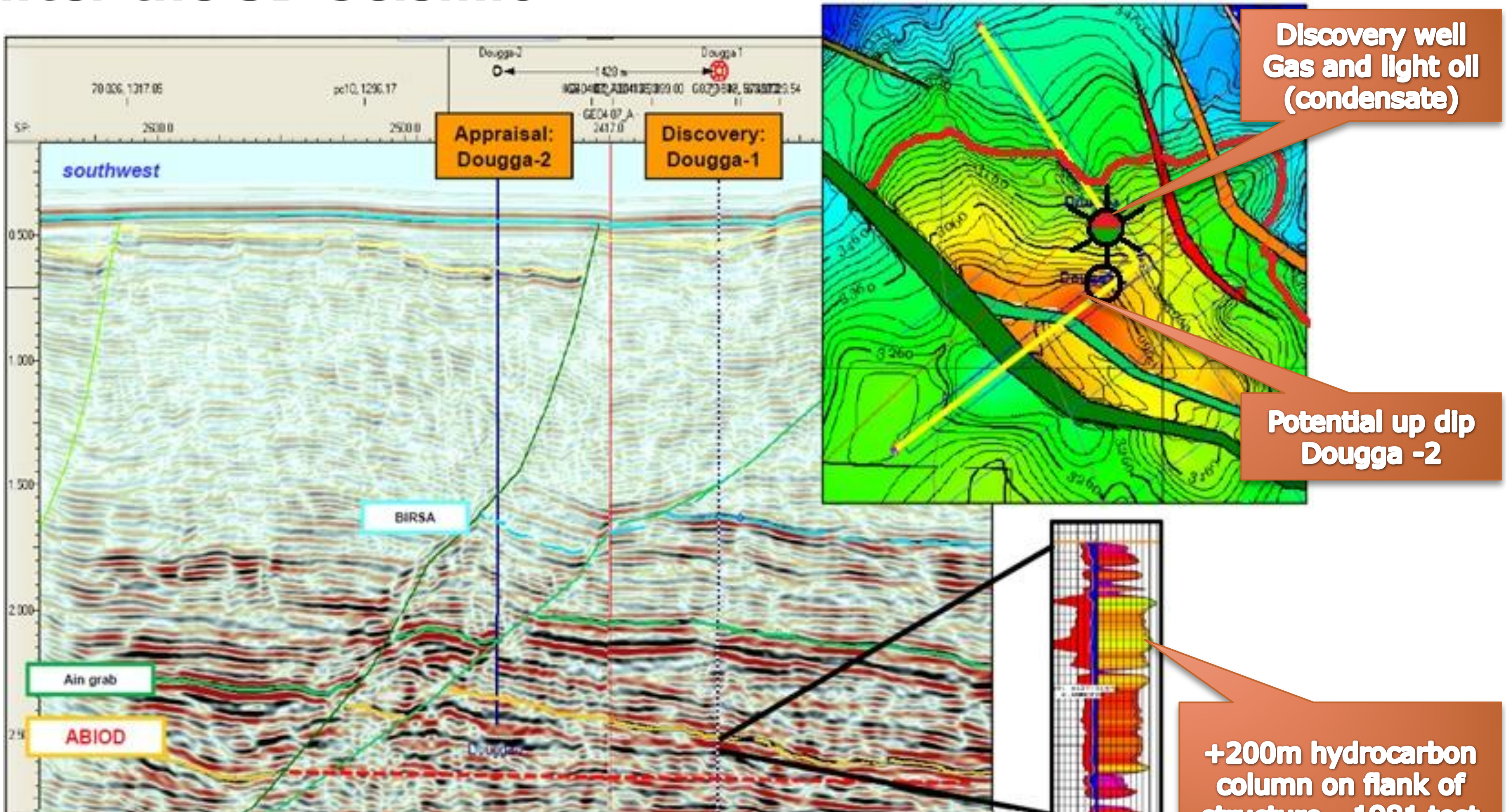
Dougga Existing large discovery - ready to be appraised after the 3D Seismic



DOUGGA- 2 up dip appraisal location has potential for a significantly larger gas column, improved porosity and resultant resource upside

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Dougga 96 mmboe discovery- ready to be appraised

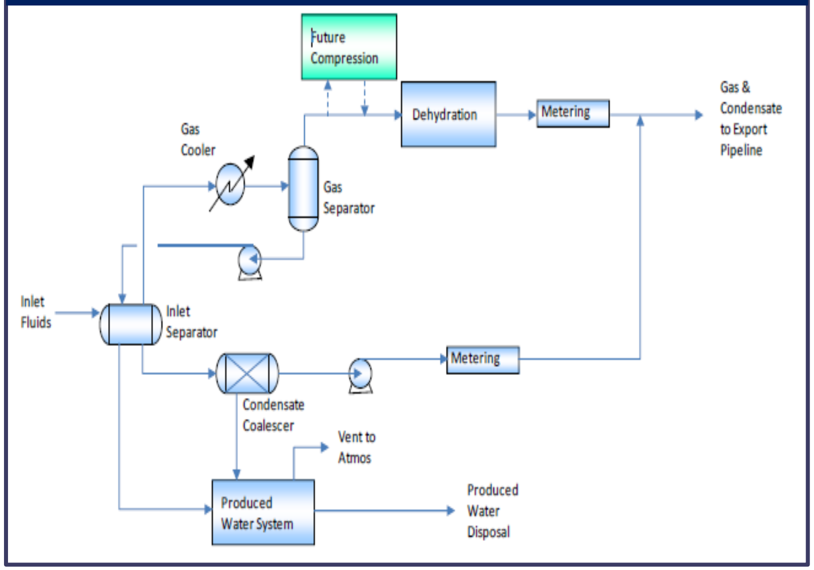
1981 Dougga Gas and Condensate (light oil) discovery ready for appraisal in higher oil and gas price environment following 3D Seismic (XST 10%):

- Appraisal Target - Abiod Formation
- Probability of Success (POS): 68% [1]
- **XState option to increase equity to 20%**
- Mean Unrisked Recoverable Contingent Resource:

  405 Bcf gas and 28 million barrels of condensate , or
  96 mmboe[1]

- Key risk: managing relatively high CO_2 gas content (approximately 30%)

Schematic Offshore Facilities



[1] *Volumetrics and Risk from Prospectus- Independent Expert's Report*

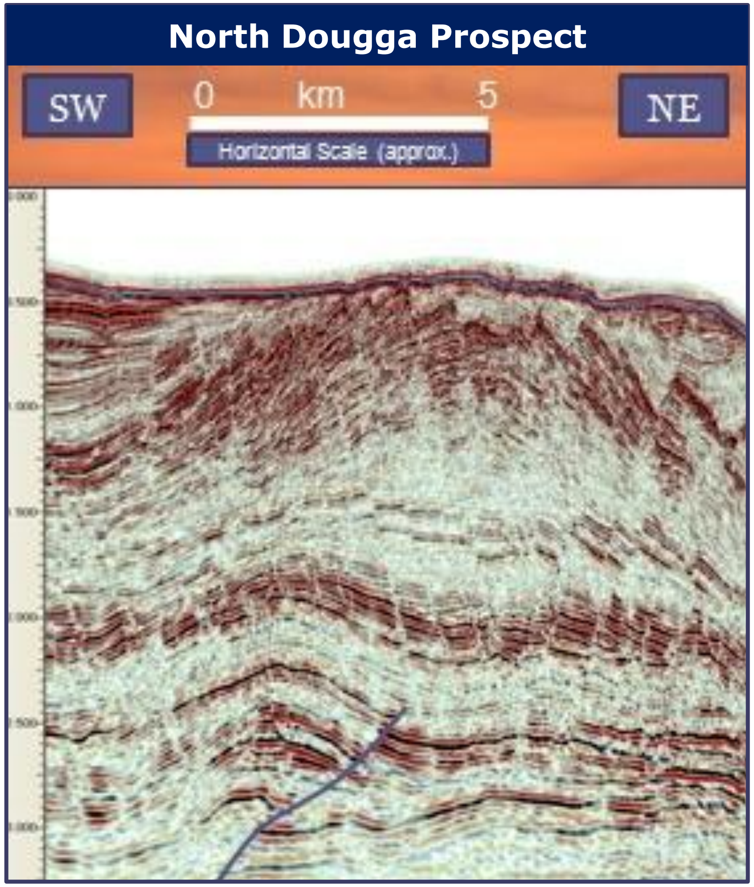
New 3D Seismic has upgraded North Dougga Lead to a Prospect for follow-up drilling

Dougga North Prospect:

- Two Targets - Birsa and Abiod Formations
- Probability of Success (POS) : 20% [1]
- **XState option to increase equity to 20%**
- Mean Unrisked Recoverable Prospective Resource:

  24 million barrels of oil and 342 Bcf gas, or **81 mmboe**[1]

- ADX has also mapped a number of other prospects and leads in the offshore permits with estimated cumulative Prospective Resources in excess of **520 mmboe** [1]



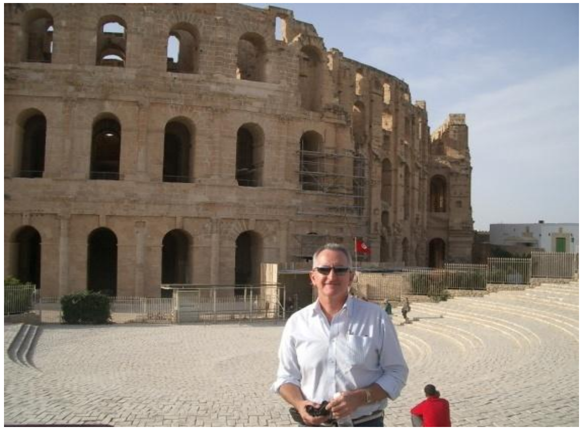
[1]*Volumetrics and Risk from Prospectus- Independent Expert's Report*

Onshore Permit - Chorbane (Tunisia)

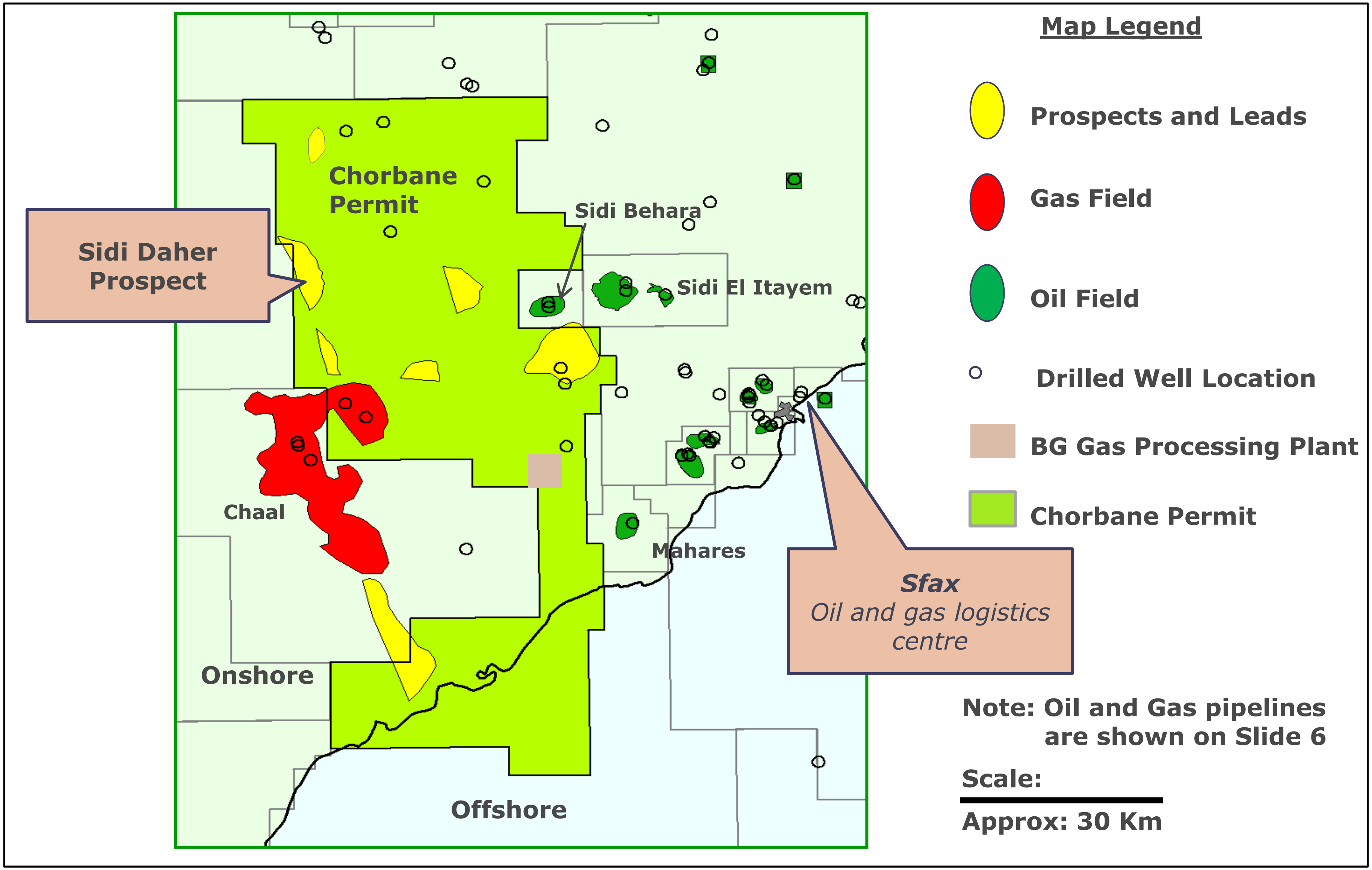
Equity Interests after Farm-in to the Chorbane Permit :

XState	10%
ADX	50% (operator)
Gulfsands (AIM listed)	40%

Sidi Dhaer	El Jem	Tunis



Chorbane Permit Schematic Location Map



Note: Oil and Gas pipelines are shown on Slide 6

Scale:

Approx: 30 Km

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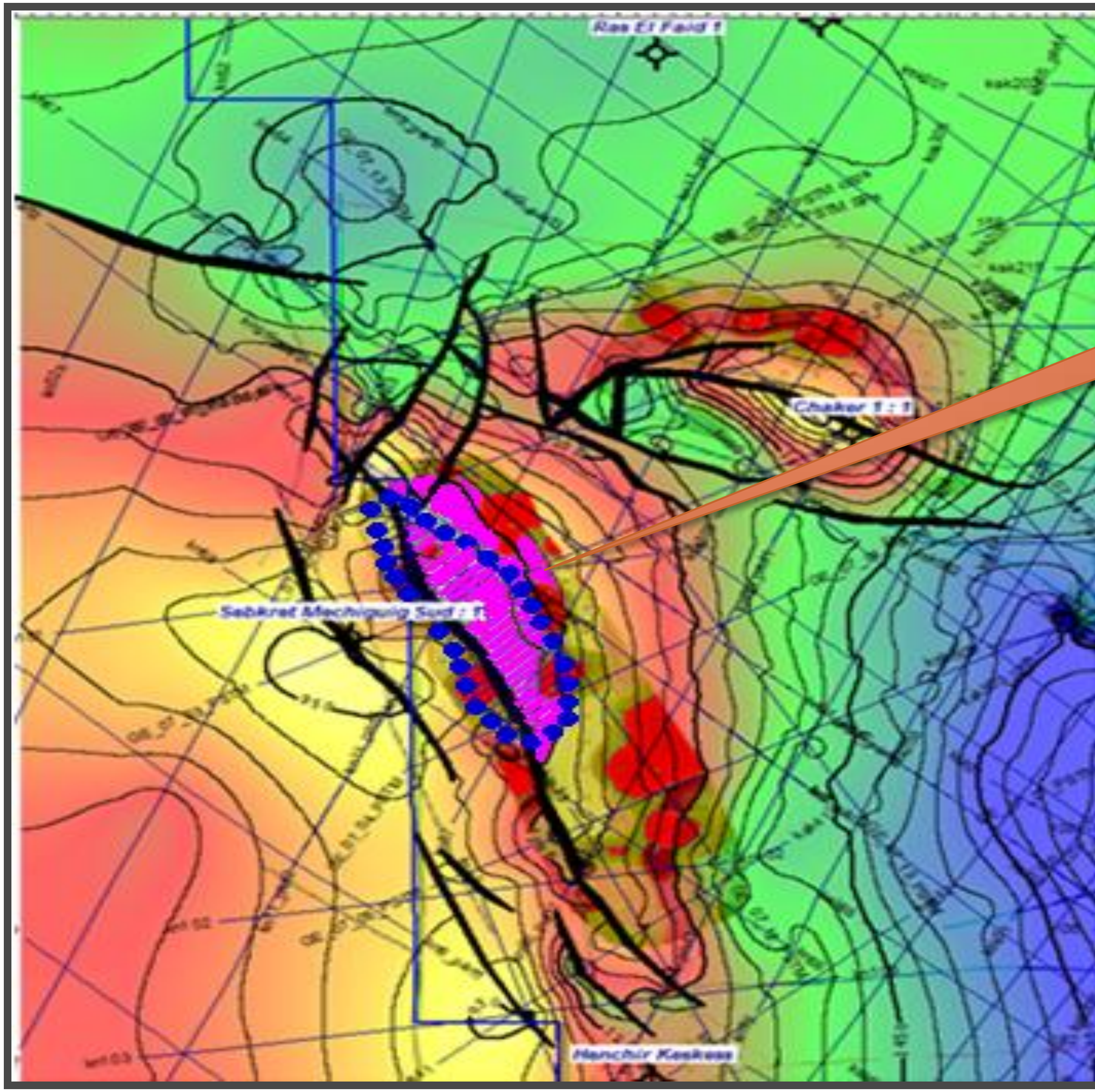
Map of Sidi Daher with "Prospectivity Indicators"



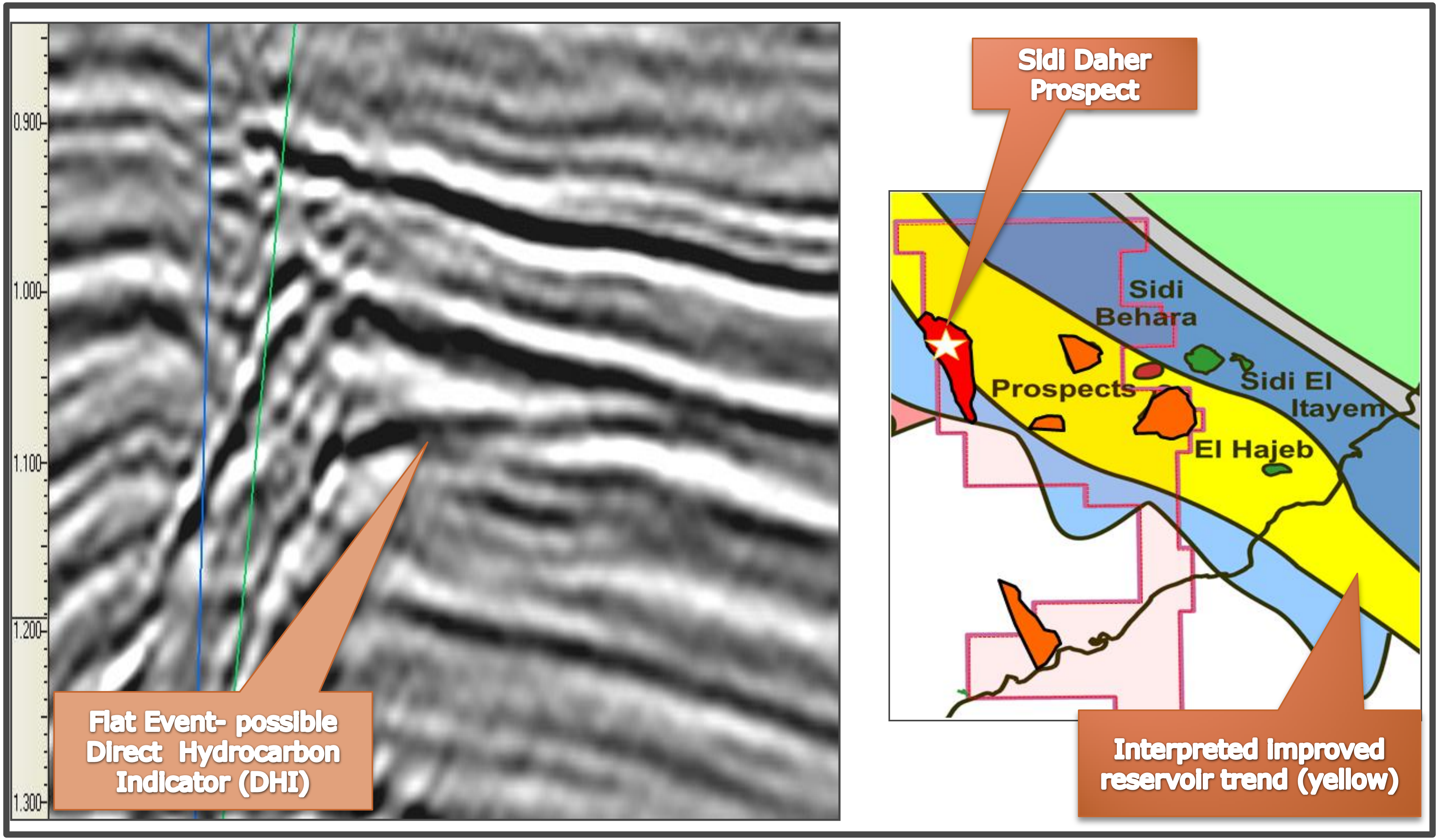
Sidi Daher prospect on a regional high with encouraging coincident prospectivity indicators

Most likely closure

Flat spot on seismic

Geochem Anomaly

Portion of dip-oriented seismic line across Sidi Daher Prospect showing "flat spot" anomaly



Sidi Daher Prospect ready to drill in late 2010

Sidi Daher Prospect (XST 10%):

- **Planned for drilling in late 2010**
- Two Primary Targets - Eocene Limestones and Abiod Formation
- Probability of Success (POS): ~30%[1]
- Mean Unrisked Recoverable Prospective Resource:

  310 million barrels of oil and 42 Bcf gas or 317 mmboe [1]

[1]*Volumetrics and Risk from Prospectus- Independent Expert's Report*

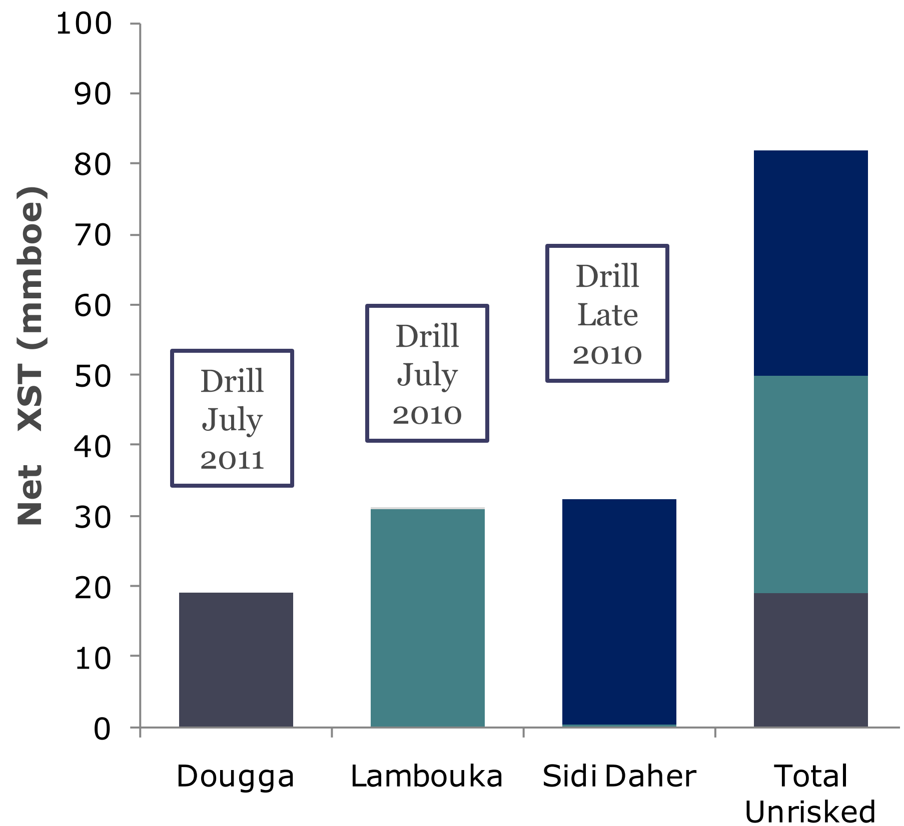
Proposed Sid Daher well surface location

XState net unrisked oil and gas potential from Dougga discovery and 2010 drilling program

Dougga[1]	**19 mmboe**
Lambouka	**31 mmboe**
Sidi Daher	**32 mmboe**
Total	**82 mmboe**

[1]*Assumes option exercised to increase equity to 20%*

SUCCESS IN ANY OF THESE PROJECTS COULD ELEVATE XSTATE INTO MID-CAP OIL AND GAS COMPANY RANKS ON COMPARATIVE RESERVES AND RESOURCES BASIS



Xstate (XST) Summary

- Highly Leveraged Exposure to Value Creation:
  - 3D Seismic and early wells to provide fast track to reserve booking
  - Existing Infrastructure for Earlier Monetization
  - Tight Capital Structure
- Experienced and well credentialed team
- Multiple drilling opportunities
- Two wells to be drilled in 2010:
  - Rig on location to drill offshore Lambouka well
  - Onshore prospect to be drilled in late 2010

Atwood Oceanic Southern Cross Rig

Disclaimer, Risks, Competent Person Statement

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 XST Prospectus 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 37 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.

Lambouka Fish