ABN 96 009 217 154

30 September 2010

ASX Limited

Electronic lodgement

ENTITLEMENTS ISSUE - PROSPECTUS

Entitlements Issue Prospectus

Please find attached a further copy of the prospectus released to the market earlier today. It was not possible to release a colour copy in the earlier release.

41 Stirling Highway, Nedlands WA 6009
Tel + 61 8 9423 3200 Fax +61 8 9389 8327
www.xstate.com.au

XSTATE RESOURCES LIMITED
ACN 009 217 154

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of four (4) Shares for every five (5) Shares held by Shareholders on the Record Date at an issue price of $0.10 per Share to raise approximately $3,001,626 (before costs) together with one (1) new Option (for no additional consideration) for every two (2) new Shares issued, exercisable at $0.24 on or before 30 June 2013 (**Entitlement Issue**).

The Entitlement Issue is conditionally underwritten by Argonaut Capital. Refer to Section 9.3 for details regarding the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

Timetable and important dates*

Lodgement of Prospectus with ASIC	29 September 2010
Lodgement of Prospectus and Appendix 3B with ASX	30 September 2010
Notice sent to Shareholders	1 October 2010
Ex Date	5 October 2010
Record Date for determining Entitlements	11 October 2010
Prospectus dispatched to Shareholders	13 October 2010
Closing Date	27 October 2010
Notify ASX of under-subscriptions	29 October 2010
Dispatch date/Shares entered into Shareholders' security holdings	5 November 2010
Trading of new Shares and new Options expected to commence on ASX	8 November 2010

* These dates are indicative only and determined based upon the current expectations of the Directors and may be changed at the discretion of the Directors.

Important notes

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 29 September 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date of the Prospectus (**Expiry Date**). No Shares (or Options) will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares (and Options) offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the *Securities Act* 1978 and the *Securities (Mutual Recognition of Securities Offerings – Australia) Regulations* 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 4.6, the Company will apply to the ASX for quotation of the Shares and Options offered under this Prospectus. If quotation is granted, the Shares and Options offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares and/or Options through that market, you will have to make arrangements for a participant in that market to sell the Shares and/or Options on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Mr Gary Jeffery
Managing Director

Mr John Begg
Non-Executive Chairman

Mr Brett Mitchell
Non-Executive Director

Mr Ross Kestel
Non-Executive Director

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Company Secretary

Mr David McArthur

Underwriter

Argonaut Capital Limited
Allendale Square
Level 30
77 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9224 6888

Registered Office

41 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9423 3200

Offer Manager

Cygnet Capital Pty Ltd

Ground Floor
30 Richardson Street
WEST PERTH WA 6005

Telephone: +61 8 9226 5511

Share Registry*

Advanced Share Registry Pty Ltd
150 Stirling Highway
NEDLANDS WA 6153

Telephone: +61 8 9389 8033

Auditors*

KPMG
Level 8
235 St Georges Terrace
PERTH WA 6000

Website

www.xstate.com.au

ASX Code

XST

General Enquiries

Tel: (08) 9423 3200

Fax: (08) 9389 8327

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. CHAIRMAN'S LETTER

Dear Shareholders

Together with the Directors of XState Resources Limited (**XState** or the Company) I am pleased to invite you to participate in the Entitlement Issue.

The Company is seeking raises funds to strengthen its working capital in advance of its impending drilling program at Sidi Daher onshore Tunisia and to consolidate the Company's position in its exciting offshore projects following the drilling of the Lambouka-1.

The Entitlement Issue will be priced at $0.10 per Share on the basis of 4 Shares for every 5 Shares held on 11 October 2010 (the **Record Date**) with one (1) new Option for every two (2) new Shares subscribed for. The Options will have an exercise price $0.24 per Share, be exercisable on or before 30 June 2013, and will otherwise be on the same terms as the existing listed options in the Company.

The Directors believe the Entitlement Issue represents a very attractive investment structure for Shareholders at an important stage in the growth of the Company. For reference, the volume weighted average trading price for XState Shares for the past month (as at the date of this Prospectus) has been $0.184.

Argonaut Capital has conditionally agreed to underwrite the Offer. Cygnet Capital has agreed to manage and partially sub-underwrite the Offer. Please Refer to Section 9.3 for details.

All eligible Directors have confirmed their intention to take up their allocation in the Entitlement Issue and certain Directors will be contributing to the sub-underwriting of the Offer. Please refer to Section 6.1 for further details.

The following summary of the status of the Company's oil and gas assets in Tunisia and Sicily illustrates the large potential in these assets and why the Directors believe the Company is so well poised for growth. Please refer to Section 9.2 for a more detailed summary on the Company's operations.

Lambouka

The Lambouka -1 Project drilled a large structure well defined by 3D seismic acquired by the joint venture in April 2010. The well has discovered hydrocarbons (likely gas and condensate or light oil) in the primary target reservoir but could not be pressure or flow tested as planned, due to deteriorating hole conditions after many days of operations. The wellbore is protected by casing down to a depth of 2210 metres (130 metres above the reservoir) and has been suspended (not abandoned) in a way that will allow the joint venture to re-enter, sidetrack and flow test the well at a later date. The well needs to be flow tested to prove the composition of the gas and fluids contained and the productive potential of the reservoirs. Details of the Company's joint venture arrangements are contained in its Prospectus dated 26 May 2010 and other announcements which can be found on the ASX website (refer to Section 9.1).

Analysis of a suite of wireline log data shows two zones of hydrocarbons accumulated in the main Abiod Formation limestone reservoir which is also the hydrocarbon reservoir in the nearby Dougga discovery. The Dougga discovery also contains CO_2 mixed in with the accumulated gas and condensate but no CO_2 was observed in the data recovered from the Lambouka-1.

Another limestone reservoir in Lambouka -1, the Allam Formation also appears to contain hydrocarbons. Based on log data, matched to the 3D seismic, there may be as much as 480 meters of vertical closure (and gross hydrocarbon column) in a structure covering many square kilometres of area. Operator ADX Energy's preliminary resource assessments indicate an accumulation of similar size to Dougga which has mean estimated recoverable resources of 96 million barrels of oil equivalent (mmboe).

Surrounding Offshore Projects

The Lambouka-1 results provide added confidence to the joint venture on two fronts:

- with further successful appraisal, a combined gas and condensate resource between Dougga and Lambouka could total over 150 mmboe and more readily lead to a large scale commercial development;

- including Lambouka and Dougga all 5 structures drilled within or in the immediate vicinity of the Company's offshore projects have encountered accumulations of hydrocarbons. On this basis the Directors believe that the other prospects already mapped by the Company on the 2D and 3D seismic coverage have excellent follow up prospectivity.

Sidi Daher

This very large onshore prospect has potential for recoverable resources of over 300mmboe and planning is advanced to drill in December this year. It is intended that at completion of the Entitlement Issue, the Company will be fully funded through the drilling of Sidi Daher -1.

We invite you to read the Prospectus carefully and consult your financial advisors as necessary before deciding to commit further investment in the Company. Should you wish to learn more about the Company's projects there is a more comprehensive description of the projects and the Company's planned activities on the Company's website, www.xstate.com.au.

Sincerely,

John Begg
Chairman

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 30,016,261 new Shares pursuant to a pro rata non-renounceable entitlement issue to Shareholders of four (4) new Shares for every five (5) Shares held on the Record Date at an issue price of $0.10 per Share, together with one (1) new Option (for no additional consideration) for every 2 new Shares issued. Fractional entitlements will be rounded up to the nearest whole number.

The Options will be exercisable at $0.24 on or before 30 June 2013.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 30,016,261 Shares. The Offer will raise approximately $3,001,626 before costs of the Offer. The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 28,329,932 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

4.2 How to accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

(a) if you wish to accept your Entitlement in full:

  (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and

  (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or

(b) if you only wish to accept part of your Entitlement:

  (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and

  (ii) attach your cheque for the appropriate application monies (at $0.10 per Share); or

(c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Payments must be made by 5.00pm WST on the Closing Date and must be in Australian currency and by:

(a) Cheque drawn on and payable at any Australian bank;

(b) Bank draft drawn on and payable at any Australian bank; or

(c) Direct Debit.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**XState Resources Limited – Trust Account**" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date.

To pay by direct debit please follow the instructions on the Entitlement and Acceptance Form. Different financial institutions may implement earlier cut off times with regards to electronic payments therefore electronic payments should consider the relevant cut-off times as stipulated by your financial institution. It is your responsibility to ensure that funds submitted through direct debit are received by the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.3 Underwriting

The Offer is conditionally underwritten by Argonaut Capital.

The Underwriter currently has a relevant interest in 1,875,411 Shares, with voting power in the Company of 4.99%. Please refer to Sections 6.1 of this Prospectus for further details in relation to the current voting power of the Underwriter, and the potential effects of the Underwriting Agreement on the voting power of the Underwriter and 9.3 for further details of the terms of the underwriting.

4.4 Management of the Offer

The Offer will be managed by Cygnet Capital Pty Limited (**Cygnet**).

Please refer to Section 9.3 for further details of the terms of the mandate between the Company and Cygnet Capital.

4.5 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with in accordance with the Underwriting and Sub-Underwriting Agreements. Accordingly, Shareholders should not apply for the Shortfall unless directed to do so by the Underwriters.

The offer of any Shortfall Shares (plus Options) is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. The issue price of any Shortfall Shares shall be $0.10 being the same price and on the same terms at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

4.6 ASX listing

Application for official quotation by ASX of the Shares and Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares or Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.7 Allotment of Shares and Options

Shares and Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares and Options on the basis of a Shareholder's Entitlement. Where the number of Shares plus Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares and Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.8 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

4.9 Taxation implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

4.10 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.11 Privacy

If you complete an application for Shares (and Options), you will be providing personal information to the Company (directly or through the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act* 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares (and Options), the Company may not be able to accept or process your application.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately $3,001,626 (before expenses). The proceeds of the Offer, are planned to be used in accordance with the table set out below:

Proceeds of the Offer	$
Lambouka well and permit retention costs	1,100,000
Drilling Sidi Daher prospect	870,000
Working capital	805,460
Expenses of the Offer	226,166
Total	**$3,001,626**

Notes:

1. Refer to Section 9.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

5.2 Effect of the Offer and pro forma consolidated balance sheet

The principal effect of the Offer will be to:

(a) increase the cash reserves by approximately $3,001,626 immediately after completion of the Offer after deducting the estimated expenses of the Offer;

(b) increase the number of Shares on issue from 37,520,326, to approximately 67,536,587 Shares following completion of the Offer; and

(c) increase the number of Options on issue from 28,329,932 Options prior to the date of this Prospectus to approximately 43,388,062 Options following completion of the Offer. The new Options offered pursuant to the Offer will be in the same class as Options currently on issue and quoted on ASX under ASX code XSTO.

5.3 Consolidated balance sheet

The audit reviewed Balance Sheet as at 30 June 2010 and the unaudited Pro Forma Balance Sheet as at 30 June 2010 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares (and Options) pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 30 June 2010

	Notes	30 June 2010 Actual (Audit Reviewed) $	30 June 2010 Pro-forma $
CURRENT ASSETS			
Cash and cash equivalents		1,820,701	3,028,272
Trade and other receivables		95,029	95,029
TOTAL CURRENT ASSETS		**1,915,730**	**3,123,301**
NON-CURRENT ASSETS			
Trade and other receivables		1,003,168	
Exploration and evaluation expenditure		93,697	4,476,184
TOTAL NON-CURRENT ASSETS		**1,096,865**	**4,476,184**
TOTAL ASSETS		**3,012,595**	**7,599,485**
CURRENT LIABILITIES			
Trade and other payables		190,590	1,265,324
Deposits received in advance		150,486	
Employee benefits		497	497
TOTAL CURRENT LIABILITIES		**341,573**	**1,265,821**
TOTAL LIABILITIES		**341,573**	**1,265,821**
NET ASSETS		**2,671,022**	**6,333,664**
EQUITY			
Share capital		31,794,468	35,811,727
Reserves		(345,803)	(345,803)
Retained earnings		(28,777,643)	(29,132,260)
TOTAL EQUITY		**2,671,022**	**6,333,664**

The proforma balances reflect the following adjustments past 30 June 2010:

1. The reclassification of a $1 million receivable to Exploration and Evaluation Expenditure upon the acquisition of Bombora Energy.

2. The reclassification of $150,486 deposits received in advance to share capital upon issuing shares.

3. $1,091,313 raised through Share and option issues in July 2010.

4. $2,279,319 in cash calls paid in relation to the Lambouka well.

5. $190,590 payment at 30 June 2010 trade and other payables.

6. $3,001,626 from the current issue.

7. $226,166 costs from the issue written off to share capital.

8. $1,100,000 permit retention costs owing in relation to the Lambouka well.

9. $354,617 administration and general working capital costs. This includes $168,500 in relation to costs associated with the restructuring of the Company in July 2010.

6. EFFECT ON CAPITAL STRUCTURE

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares	Number
Shares on issue at date of Prospectus	37,520,326
Shares now offered	30,016,261
Total Shares on issue after completion of the Offer	**67,536,587**

Options	Number
Quoted exercisable at 0.24 on or before 30 June 2013	18,089,694
Escrowed exercisable at 0.24 on or before 30 June 2013	9,840,237
Unlisted exercisable at $1.50 on or before 30 April 2012	100,000
Unlisted exercisable at $1.95 on or before 30 April 2012	116,667
Unlisted exercisable at $2.25 on or before 30 April 2012	116,667
Unlisted exercisable at $0.24 on or before 21 January 2013	66,667
Options now offered	15,008,130
Total Options on issue after completion of the Offer	**43,338,062**

6.1 Effect on the control of the Company

The potential effect that the issue of Shares and Options under the Offer have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The Offer is not expected to materially impact the control of the Company. Set out in this Section 6.1 is some information of the impact that the Offer may have on the capital structure of the Company.

Underwriting

Any Shortfall under the Offer will be dealt with by Argonaut Capital (in consultation with the Company) in accordance with the underwriting agreement (summarised in Section 9.3).

The Underwriter currently has a relevant interest in 1,875,411 Shares representing 4.99% of the voting power in the Company. Pursuant to the terms of the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite the Offer.

Argonaut Equity Partners, a related party of Argonaut Capital, has indicated that it is its current intention to subscribe for its full Entitlement under the Offer in respect of all of the Shares in which it has a relevant interest.

If the Shareholders take up none or only some of their Entitlements under the Offer then the Offer will have an effect on control of the Company. Pursuant to the Underwriting Agreement, the Underwriter may acquire a relevant interest in the Company's Shares of up to a maximum of 47.22% as a result of Argonaut Equity Partners accepting its Entitlement, and subscribing for any Shortfall Securities under the Offer. However the Underwriter has advised the Company that it has entered (or will enter) into general and priority sub-underwriting agreements for the Shortfall, such that neither the Underwriter nor any of its sub-underwriters, individually, will have a voting power in the Company in excess of 20%.

Specifically, Cygnet Capital has conditionally agreed to sub-underwrite any Shortfall that arises under Offer to the extent of 10,000,000 new Shares with 5,000,000 new Options. It is intended that Cygnet Capital will receive a fee of between 1.5% and 2.5% for this sub-underwriting commitment. The sub-underwriting arrangement with Cygnet Capital is, or will be, on the same commercial terms as between Argonaut and other sub-underwriters. Cygnet Capital does not currently hold any Shares or Options.

In the event that there is a Shortfall under the Offer and Cygnet Capital is called upon by the Underwriter to subscribe for the entire extent of its sub-underwriting commitment as is outlined above, Cygnet Capital may become entitled to a maximum of 10,000,000 new Shares (with 5,000,000 new Options) in the Company following the completion of the Entitlement Issue, resulting in Cygnet Capital holding an interest equal to 14.8% of the issued capital of the Company.

Furthermore, the Directors of the Company that are eligible to do so have confirmed their intention to take up their Entitlements in full (refer to Section 9.4 below for details of interests currently held by the Directors in the Company).

Mr Brett Mitchell has entered, or will enter, into a sub-underwriting agreement with Argonaut Capital under which he will sub-underwrite (to the extent of 1,000,000 new Shares (with 500,000 new Options) any Shortfall that arises under the Offer. Mr Mitchell is a Director of the Company It is intended that Mr Mitchell will receive a fee of 2.5% for this sub-underwriting commitment. The sub-underwriting arrangement with Mr Mitchell is, or will be, on the same commercial terms as between Argonaut and other sub-underwriters. Mr Mitchell currently does not hold any Shares or Options.

In the event that there is a Shortfall under the Offer and Mr Mitchell is called upon by the Underwriter to subscribe for the entire extent of his sub-underwriting commitment as is outlined above, Mr Mitchell may become entitled to a maximum of 1,000,000 new Shares (with 500,000 new Options) in the Company following the completion of the Entitlement Issue, resulting in Mr Mitchell holding an interest equal to 1.48 % of the issued capital of the Company.

Mr David McArthur has entered, or will enter, into a sub-underwriting agreement with Argonaut Capital under which he will sub-underwrite (to the extent of 700,000 new Shares (with 350,000 new Options) any Shortfall that arises under the Offer. Mr McArthur is the Company Secretary and a former Director of the Company. It is intended that Mr McArthur will receive a fee of 2.5% for this sub-underwriting commitment. The sub-underwriting arrangement with Mr McArthur is, or will be, on the same commercial terms as between Argonaut and other sub-underwriters. Mr McArthur currently holds 1,171,327 Shares in the Company.

In the event that there is a Shortfall under the Offer and Mr McArthur is called upon by the Underwriter to subscribe for the entire extent of his sub-underwriting commitment as is outlined above, Mr McArthur may become entitled to a maximum of 1,637,062 new Shares (with 350,000 new Options) in the Company following the completion of the Entitlement Issue, resulting in Mr McArthur holding an interest equal to 4.16 % of the issued capital of the Company.

The relevant interest of the Underwriter following completion of the Offer will be reduced by the Shortfall (if any) taken up by the sub-underwriters, including Messrs Mitchell and McArthur.

7. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES AND OPTIONS

7.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

Dividend rights

At this early stage of the Company's growth there are no plans to pay dividends. However, if the Board determines that a dividend is payable, it will be paid on all shares proportionate to the total amount for the time being paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The Board may establish and maintain one or more dividend plans, to which Shareholders may elect to take up with some or all their shares subject to the rules of the plan.

Subject to the ASX Listing Rules, the Board has the power to capitalise and distribute the whole or part of the undivided profits of the Company or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any shares or terms of any plan for the issue of securities for the benefit of officers or employees.

The Board has the power to decide whether to pay shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the constitution.

No dividend is payable except out of Company profits and no dividend or other monies paid in relation to a share will carry interest as against the Company.

Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

Future increase in capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

Variation of rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

7.2 Terms of Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

(a) Each Option gives the Option Holder the right to subscribe for one Share. To obtain the right given by each Option, the Option Holder must exercise the Options in accordance with the terms and conditions of the Options.

(b) The Options will expire at 5.00 pm (WST) on 30 June 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) The amount payable upon exercise of each Option will be $0.24 (**Exercise Price**).

(d) The Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.

(e) An Option Holder may exercise their Options by lodging with the Company, before the Expiry Date:

 (i) a written notice of exercise of Options specifying the number of Options being exercised; and

 (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

 (**Exercise Notice**).

(f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(h) The Options are transferable.

(i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

(j) The Company will apply for quotation of the Options on ASX.

(k) If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) There are no participating rights or entitlements inherent in the Options and Option Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(m) Other than pursuant to term (n), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

(n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

8. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.1 Risks Associated with operating in Tunisia and Italy

The Kerkouane (offshore) and Chorbane (onshore) projects are located in Tunisia and the Pantelleria project (offshore) is located in Italy. The Company will be subject to the risks associated with operating in both Tunisia and Italy. Such risks can include economic, social or political change, changes of law affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, drilling and field development and operations safety, labour relations as well as government control over oil and gas properties or government regulations.

Changes to Tunisia's and Italy's petroleum exploration and development or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

8.2 Exploration and Development Risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

(a) the discovery and/or acquisition of economically recoverable reserves;

(b) access to adequate capital for project development;

(c) design and construction of efficient development and production infrastructure within capital expenditure budgets;

(d) securing and maintaining title to interests;

(e) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and

(f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

8.3 Oil and Gas Price Volatility

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

8.4 Hydrocarbon Reserves and Resource Estimates

Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company’s operations.

8.5 General Economic and Political Risks

Changes in the general economic and political climate in Italy, Tunisia, Australia and on a global basis that could impact on economic growth, the oil and gas prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

8.6 Oil Reserves and Commercial Oil Flow

Oil reserves are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, oil reserves are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial oil flow plans which may, in turn, adversely affect the Company's operations.

8.7 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to hydrocarbon production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, or the Euro whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar or the Euro and the Australian dollar as determined in international markets. Similarly, a major risk is a decreasing value of the Australian dollar vis-a-vis input costs. Typically, oil and gas input costs are denominated in US dollars.

8.8 Environmental Risks

The Company is subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry, which operations are currently in Italy and Tunisia. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

8.9 Competition

The Company competes with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

8.10 Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

8.11 Insurance

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company maintains insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

8.12 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify oil reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

8.13 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

8.14 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

8.15 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

8.16 Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(a) general economic outlook;

(b) interest rates and inflation rates;

(c) currency fluctuations;

(d) changes in investor sentiment toward particular market sectors;

(e) the demand for, and supply of, capital; and

(f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

8.17 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

9. ADDITIONAL INFORMATION

9.1 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

(a) it is subject to regular reporting and disclosure obligations;

(b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

(c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

  (i) the financial statements of the Company for the financial year ended 31 December 2009 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;

  (ii) the 30 June 2010 half year financial statements of the Company lodged with ASIC before the issue of this Prospectus; and

(iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements:

Date	Description of Announcement
29/09/2010	Entitlements Issue to Raise $3m–
23/09/2010	ADX: Lambouka–1 Well Preliminary Resource Estimates
22/09/2010	ADX: Chorbane Update - Drilling Services Tender
20/09/2010	XState's Tunisian Operations Update
14/09/2010	ADX: Lambouka-1 Well Operations Update No. 10
08/09/2010	ADX: Lambouka-1 Decision to suspend Well
07/09/2010	ADX Energy Limited Announcement re Lambouka Well
07/09/2010	ADX: Lambouka-1 Well Results
06/09/2010	Request for Trading Halt
06/09/2010	Trading Halt
02/09/2010	Boardroom Radio Roundtable Live Link
31/08/2010	ADX: Lambouka-1 Operations Update No. 8
30/08/2010	ADX: Lambouka-1 Well Interim Update 2
27/08/2010	ADX: Lambouka-1 Well Operations Update
25/08/2010	30 June 2010 Half Year Accounts
24/08/2010	ADX: Lambouka-1 Operations Update No. 7
19/08/2010	ADX: Lambouka-1 Well Update
19/08/2010	Drilling Update for Lambouka Well 19-08-10
18/08/2010	ADX: Correction to Lambouka-1 Operations Update No.6
17/08/2010	ADX: Lambouka-1 Well Operations Update No. 6
16/08/2010	Issue of Incentive Options
16/08/2010	ADX: Lambouka-1 Well Site Results

12/08/2010	XState Set to Enter Upper Reservoirs In First Tunisian Well
10/08/2010	Drilling update for Lambouka Well 10-08-10
03/08/2010	ADX: Lambouka 1 Well Operations Update No. 4
03/08/2010	Boardroom broadcast
27/07/2010	ADX: Lambouka 1 Well Operations Update No. 3
27/07/2010	Appendix 5B and Quarterly Report to 30 June 2010
20/07/2010	ADX: Lambouka 1 Well Operations Update No. 2
13/07/2010	Drilling Update for Lambouka-1 Well 13-07-10
13/07/2010	Company Activity Update 13-07-10
12/07/2010	Drilling update for Lambouka 12-07-10
12/07/2010	Final Director`s Interest Notice
12/07/2010	Final Director`s Interest Notice
12/07/2010	Initial Director`s Interest Notice
12/07/2010	Initial Director`s Interest Notice
12/07/2010	Director Appointment/Resignation
12/07/2010	Reinstatement to Official Quotation: 13/07/2010
12/07/2010	Pre-Quotation disclosure
07/07/2010	Consolidation of Capital
05/07/2010	Drilling update for Lambouka well
25/06/2010	30 June 2013 Options Suspension from Official Quotation
22/06/2010	Market Update
17/06/2010	Drilling Update for Lambouka Well
10/06/2010	Suspension from Official Quotation
10/06/2010	Results of Meeting
10/06/2010	General Meeting Shareholders Presentation
08/06/2010	Acquisition of Bombora Energy Limited
31/05/2010	Announcement Amendment
28/05/2010	Non-Renounceable Issue Overseas shareholders
28/05/2010	Non-Renounceable Issue Australia and NZ shareholders

26/05/2010	Appendix 3B
26/05/2010	Prospectus
21/05/2010	Change of timetable
13/05/2010	Progress Report
11/05/2010	Notice of General Meeting/Proxy Form
05/05/2010	Reinstatement to Official Quotation
04/05/2010	Clearer Copy of Acquisition
04/05/2010	Suspension from Official Quotation
04/05/2010	XState to acquire Advanced Tunisian Oil and Gas Assets
30/04/2010	Quarterly Report
29/04/2010	Trading Halt

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.xstate.com.au.

9.2 Update on Company Operations

In May 2010, the Company announced it was changing its strategic direction, through the acquisition of Bombora Energy and its Tunisian and Italian oil and gas assets, to focus on creating oil and gas reserves through exploration drilling of 2 wells in 2010 and with further appraisal of the Dougga gas and condensate discovery. The Company has drilled the first of these exploration wells Lambouka -1 in 2010, and has commenced further assessment of the Contingent Resources of Dougga discovery.

The first exploration well, Lambouka-1 was recently drilled, and resulted in a gas and condensate discovery, adding further Contingent Resources to the Company's asset base.

The next exploration well, Sidi Daher, is planned to commence in late 2010.

The following sets out an update of the Company's activities, current as at the date of this Prospectus. Shareholders should read this in conjunction with the Company's announcements lodged with ASX listed in Section 9.1 of this Prospectus including the Company's prospectus lodged with ASIC on 26 May 2010 as part of the acquisition of Bombora Energy, and the risk factors set out in Section 8.

Projects

The Company currently holds rights, or rights to earn interests in the following project areas (**Assets**) in Tunisia and Italy:

Permits	% interest
Tunisia onshore-Chorbane permit	10% to be earned through contribution to the drilling of the Sidi Daher well
Tunisia offshore- Kerkouane permit	10% (option to increase to 20%; 150 km² Lambouka Prospect Area remains at 10%)
Italy offshore-G.R.15.PU (Pantelleria) permit	10% (option to increase to 20%; 150 km² Lambouka Prospect Area remains at 10%)

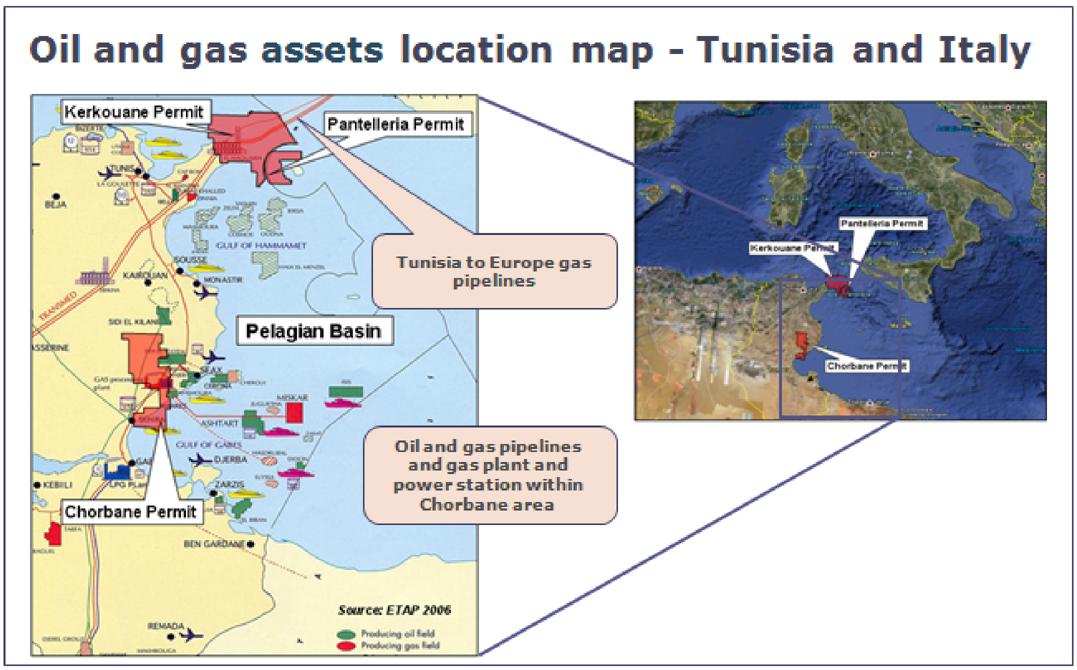

Figure 1: Schematic Location Map of the Assets in Tunisia and Italy

Offshore Permits (Sicily Channel Blocks): Kerkouane (Tunisia) and G.R.15.PU (Pantelleria) (Italy)

These permits cover an area of over 4,500 Km² with water depths varying from around 20m to over 1000m.

Only three wells have been drilled within these permits and each well has discovered gas, or gas and condensate.

The Company recently (July - September 2010) participated in the drilling of the Lambouka-1 well in the Lambouka Prospect Area of the Kerkouane Permit.

Lambouka-1 Well

The detailed analysis of the Lambouka-1 well information indicates a gas and associated condensate (light oil) discovery with at least two hydrocarbon bearing zones interpreted to be present in the Abiod Formation – the primary objective for the Lambouka-1 well. A net pay of approximately 23 metres is interpreted within these two reservoir units.

This compares very favourably to the nearby Dougga discovery which is interpreted to have a net pay of 14 metres in the Abiod.

Additional Lambouka Technical Review

Other zones of interest in the Lambouka well are to be investigated further. Interpretation of 3D seismic suggests there is up-dip potential from the crest of the structure to the Lambouka -1 well location of approximately 250 metres. In addition based on wireline interpretation, the first interpreted water bearing reservoir was encountered approximately 230 metres below the upper interpreted hydrocarbon zone. This information implies that there is potential in the Lambouka Structure for up to a 480 metre column of gas and condensate. This will need to be evaluated further by future appraisal drilling.

Specialist wireline logs and drilling data indicate that the Abiod limestone formations at Lambouka-1 are extensively fractured, which is a positive factor for reservoir productivity.

Mechanical difficulties with the well bore prevented carrying out an effective flow testing program designed to verify the hydrocarbon content and prove the hydrocarbon productive potential of reservoir zones, in particular the Abiod Formation.

Consequently, it was decided to suspend, and not abandon, the Lambouka -1 well in a manner suitable for a future re- entry, sidetrack and flow test program. The Southern Cross drill rig was released from site on 15 September 2010.

Lambouka Contingent (recoverable) Resource Estimate:

ADX Energy Limited the operator of the Company's offshore Permits has provided the results of an internal study, the "Lambouka Preliminary Volumetric Resource Estimates" which was undertaken to provide preliminary volumetric estimates of the potential hydrocarbon resource associated with the Lambouka gas discovery.

These estimates incorporate information from the newly acquired 3D seismic data as well as drilling and petrophysical log data from the recent Lambouka-1 well. However, it should be noted that these estimates have been made without the benefit of recovering hydrocarbons to surface through either fluid sample recovery via wire-line methods, or hydrocarbon flow during a drill-stem test, neither of which activities could be performed during drilling operations primarily due to poor down hole well conditions.

There remain a number of areas of uncertainty regarding the volumetric parameters associated with the Lambouka discovery, and therefore industry standard stochastic methods were utilised to generate the resource estimates. The estimate incorporates a similar condensate to gas ratio as was identified in the nearby Dougga gas condensate field, Lambouka-1 well gas chromatography data which indicated a condensate rich gas, and the absence of CO_2, which was not detected on measuring equipment during the drilling of the well.

The Company therefore considers the Operator's estimates to reflect Contingent Resources as they have been produced without the benefit of a detailed field development plan or analysis of other factors of economic relevance.

In summary, the Operator's estimates for the Lambouka discovery are as follows:-

	P90	P50	Mean	P10
Gas Resource (BCF)	145	277	309	528
Condensate (mmbbls)	11	21	24	41
Oil Equivalent (mmboe)*	35	67	75	129

*Million barrels of oil equivalent

The above resource estimates relate to the Abiod and Allam carbonate reservoirs, which are interpreted as hydrocarbon bearing at the well location. Only the porosity of the reservoir matrix has been included in this resource calculation. Fracture porosity, which is evident from the well data may be significant and may add considerable additional resource volume that has not been included in these preliminary estimates, will be the focus of ongoing studies.

Beneath these carbonate reservoirs a water wet sandstone reservoir was encountered near the total depth of the well. These sandstones have the potential to be hydrocarbon bearing further up-dip in the Lambouka structure, however this material prospective upside potential is not incorporated in the current resource estimate.

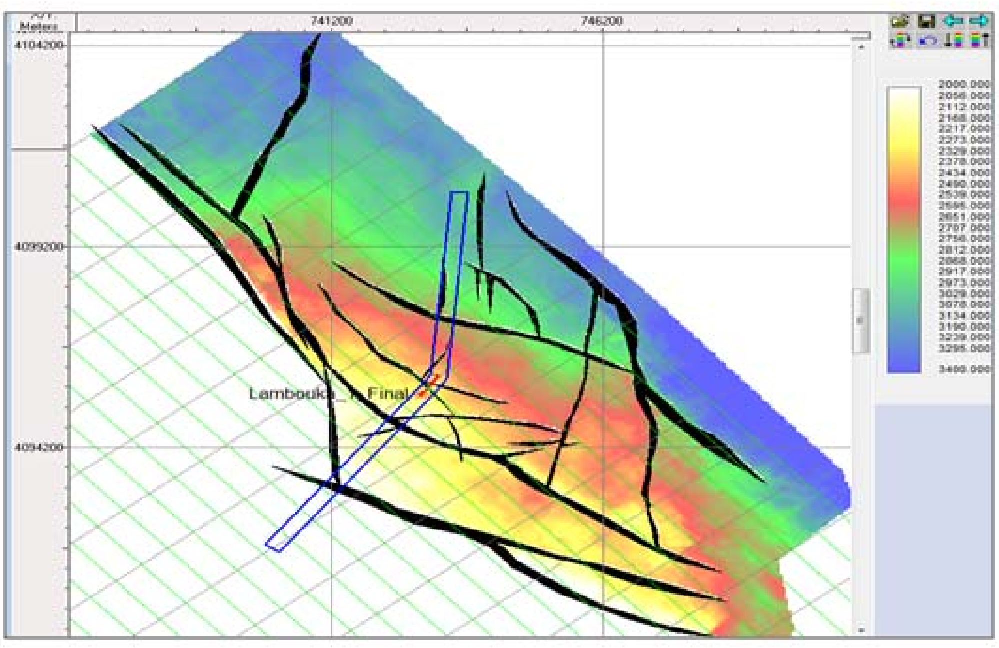

Figure 2 Lambouka Abiod reservoir structure map showing location of seismic line below (horizontal and vertical gridline spacing is approximately 5,000 meters)

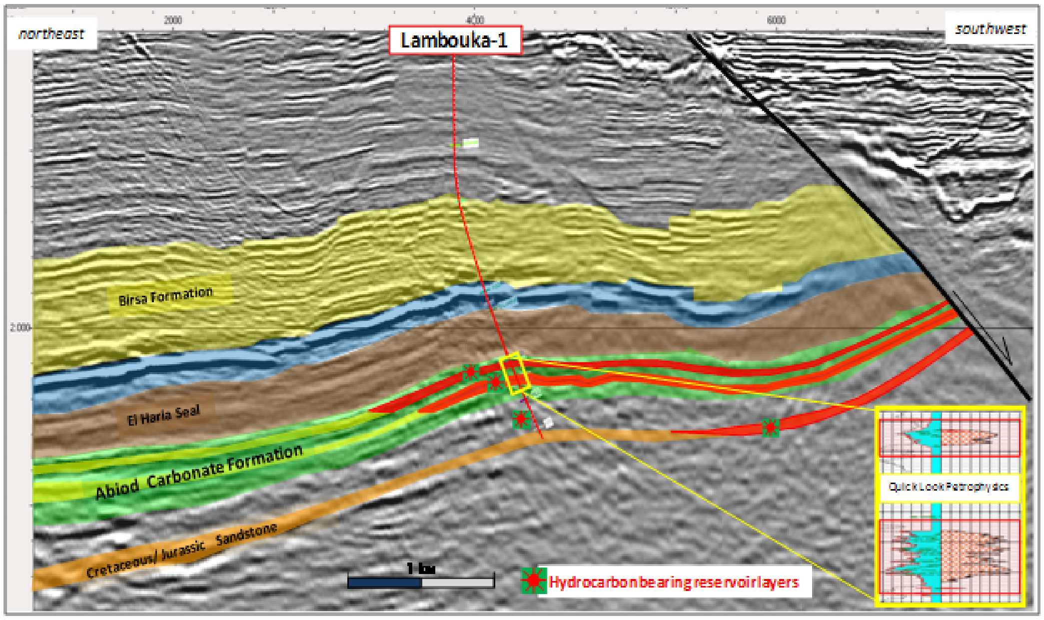

Figure 3 Seismic cross section through Lambouka structure showing schematic of hydrocarbon reservoir layers

Dougga Discovery

Dougga was discovered in 1981 in approximately 300 metres of water and has estimated Contingent (recoverable) Resources of 405 Bcf gas and 28 mmbbls of condensate or light oil (approximately 96 million barrels of oil equivalent (boe). The main reservoir is the carbonate Abiod Formation, from which oil and gas has been produced elsewhere onshore and offshore Tunisia. Non hydrocarbon gas content, including indicative CO_2 content of approximately 30% in the gas has affected past development cost estimates and project economics.

Next Steps - Programs for Lambouka and Dougga

The Company considers the above estimates of potentially recoverable gas and condensate provide a reasonable starting point for the further evaluation of the Lambouka discovery, including the extraction of all available information from the existing data as well as development of plans for the next phase of data acquisition.

The Operator has indicated it will likely recommend that a Lambouka testing operation should be undertaken in conjunction with an appraisal well on the Dougga field and a possible exploration drilling campaign during 2011 to target other structures identified on 3D seismic data acquired prior to the drilling of the Lambouka-1 well. The results of Lambouka-1 provide added confidence about the potential of these other prospects.

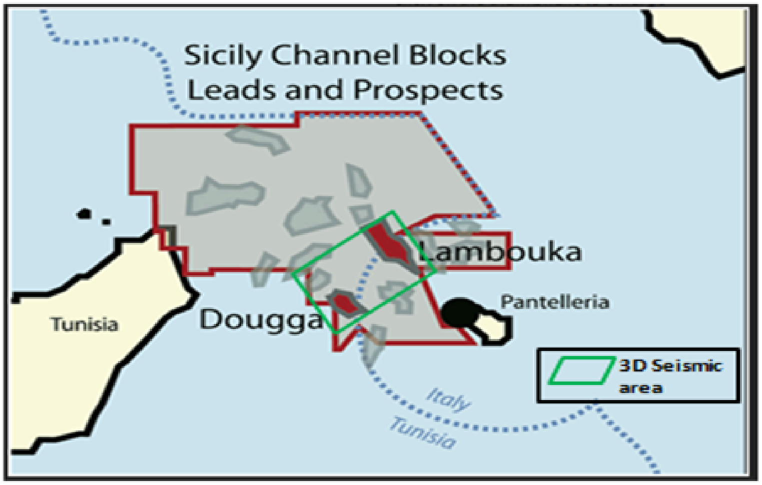

Figure 4: Prospects and Leads in Offshore Tunisian and Italian Permits

The results of the evaluations will be used to decide the best way for the Company to realise value for shareholders from Dougga, Lambouka and the Company's offshore Tunisia acreage as a whole.

Onshore Chorbane (Sidi Daher) Permit- Tunisia:

The Chorbane permit covers 2,428 km^2 adjacent to several onshore producing oil and gas fields. There is good operational access, and proximal access to oil and gas pipeline infrastructure and support services in the regional city of Sfax.

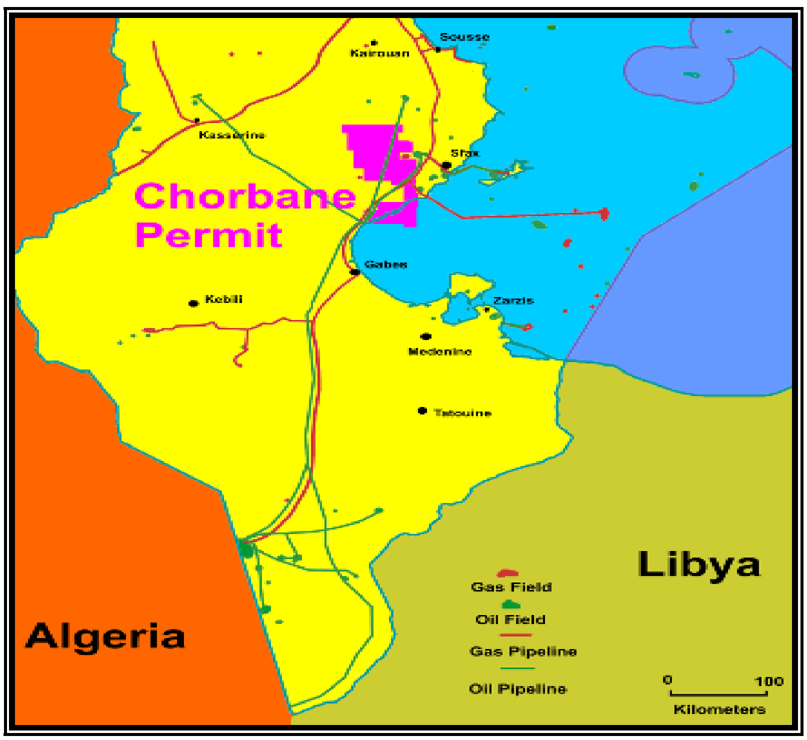

Figure 5: Location Map of Chorbane Permit showing Oil and Gas Pipeline Locations

Drilling of the onshore Sidi Daher Prospect (300 mmboe) to Commence in late Q4 2010.

Exploration plans are being advanced with rig contracting and well site permitting underway to be ready to drill the large Sidi Daher Prospect in the

Chorbane Block onshore Tunisia in late 2010. The Sidi Daher prospect has the potential for recoverable Prospective Resources of over 300 million barrels of oil equivalent (mmboe) from up to 6 reservoirs.

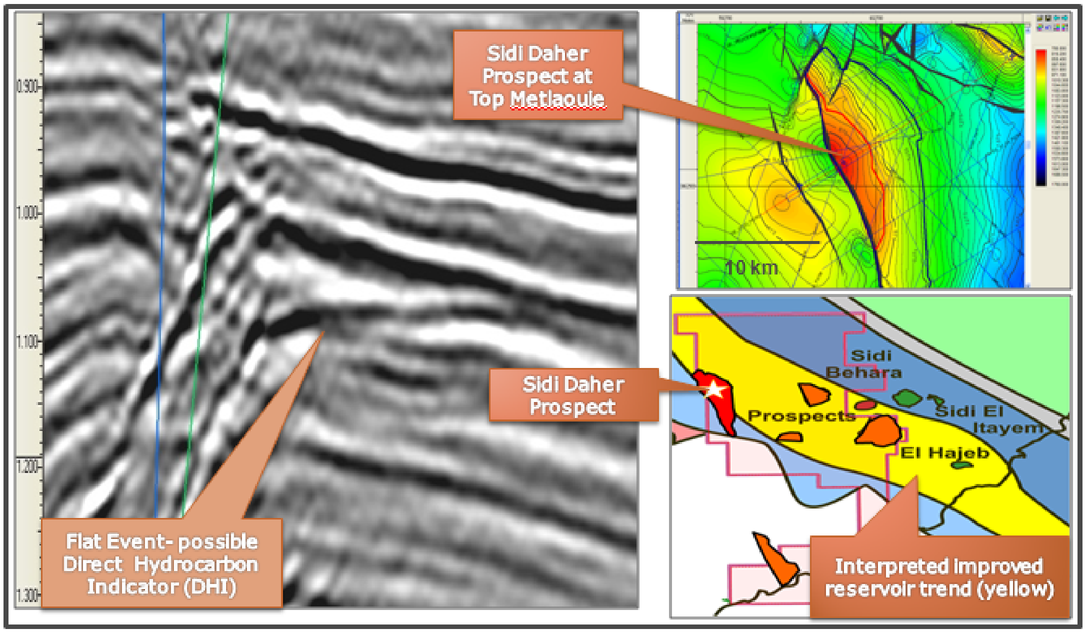

Figure 6: Sidi Daher Prospect Map and portion of Dip Oriented Seismic showing possible Direct Hydrocarbon Indicator

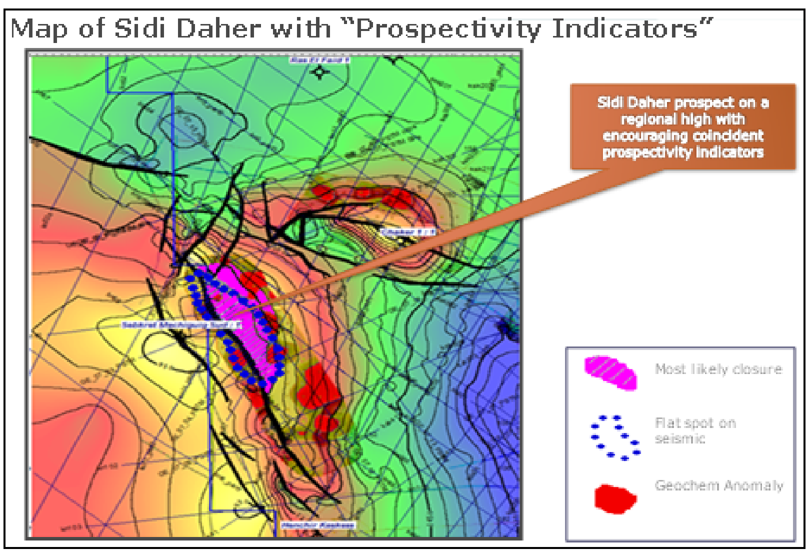

Figure 7: Sidi Daher Prospect Map

XState will be earning a 10% equity interest in the Chorbane permit which includes the Sidi Daher Prospect.

Foundation assets for Emerging Oil and Gas Company

The Directors believe that as an emerging oil and gas company, the Company has an excellent position in these exciting projects and permit areas from which to grow its business.

The Company has a 10% equity interest in the Contingent Resources (mean recoverable 75 million boe) of the Lambouka Prospect Area, and has an option to increase its equity to 20%, from its current 10 % equity position, in Dougga Contingent Resources (mean recoverable 96 million boe). The resultant net to the Company mean (recoverable) Contingent Resource would be in excess of 17 million boe (assuming the Company exercises its option and increases its equity in Dougga to 20%.)

The Company also has interests in some 4500 square kilometres of the prospective offshore Kerkouane and Pantelleria permits surrounding Lambouka and Dougga and Kerkouane discoveries.

Furthermore, XState also has a 10% interest in the very prospective onshore Chorbane Block, where exploratory drilling on the 300 mmboe of Prospective Resources in the Sidi Daher Prospect is expected to commence later in 2010.

9.3 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

Company dated 28 September 2010 (**Mandate Agreement**), Argonaut has agreed to act as Underwriter in connection with the Entitlement Issue.

The Company will pay to Argonaut an underwriting fee consisting of 5% of the value of the Underwritten Shares.

Argonaut is also entitled to out of pocket expenses related to services rendered under the Mandate Agreement, including legal expenses, marketing and promotional expenses and travel and accommodation costs. Such costs and expenses (excluding legal costs) are not to exceed $3,000 without the prior approval of the Company.

The Mandate Agreement is conditional upon, certain conditions as follows:

(**Conditions**):

(a) Argonaut’s role pursuant to its engagement being on an exclusive basis; and

(b) the Company and Argonaut entering into a binding Underwriting Agreement with respect to the Entitlement Issue, after a satisfactory review of the Company being completed by Argonaut with the full co-operation of the Company and its representatives (refer below for a summary of the Underwriting Agreement)

(**Termination**): The Mandate Agreement is subject to certain termination events, including but not limited to if:

(a) the S&P/ASX All Ordinaries Index (ASX Code: XAO) or S&P/ASX Small Resources Index (ASX Code: XSR) falls more than 10% from the date of this the Mandate Agreement over a period of three (3) continuous business days;

(b) Argonaut is unable to receive sub-underwriting commitments to its satisfaction;

(c) ASX does not give approval for the new Shares or Options to be listed for official quotation or if approval is granted, the approval is subsequently withdrawn, qualified or withheld, or approval is given conditionally and the conditions are not acceptable to Argonaut;

(d) the Company fails to comply with any of the following:

(i) a provision of its Constitution;

(ii) any Australian statute by which it is bound;

(iii) a requirement, order or request made by or on behalf of ASIC, ASX or any governmental agency; or

(iv) any material agreement entered into by the Company;

(e) ASIC holds, or gives notice of intention to hold, a hearing or investigation under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act;

(f) the Acquisition does not proceed to completion to the satisfaction of Argonaut;

(g) ASIC:

(i) prosecutes or gives notice of an intention to prosecute; or

(ii) commences proceedings against, or gives notice of an intention to commence proceedings against, the Company or any of its directors, officers, employees or agents in relation to the transactions in connection with the Mandate Agreement;

(h) any calamity or crisis occurs or there is any change in financial, political or economic conditions or currency exchange rates or controls in Australia or any restriction or limitation on the nature/basis of trading of equities on the ASX that in the circumstances would make it reasonable for Argonaut to terminate the Mandate Agreement;

(i) any director or officer of the Company is charged with an indictable offence;

(ii) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, any member of the European Union, Russia, Japan or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world such as would have a material effect on the transactions in connection with the Mandate Agreement or the value of the new Shares or Options;

(iii) the Company (or one of its material subsidiaries) becomes (or due to an act or omission is likely to become) insolvent, has a receiver, administrative receiver or manager or administrator (or other similar form of official manager) appointed over the whole of or any of its assets, enters into any composition with creditors generally or has an order made or resolution passed for it to be wound up; or

(iv) any other material adverse event or change occurs that in the circumstances that would make it reasonable for Argonaut to terminate the Mandate Agreement.

Underwriting Agreement

By an agreement between Argonaut and the Company (**Underwriting Agreement**), the Underwriter has conditionally agreed to fully underwrite the issue of securities under the Entitlement Issue.

There are no fees payable under the Underwriting Agreement in addition to those already set out in the Mandate Agreement.

Argonaut is also entitled to reasonable out of pocket expenses related to the underwriting of the Entitlement Issue and the provision of its broking services.

The obligation of Argonaut to underwrite the Entitlement Issue is subject to certain events of **termination**. Argonaut may terminate its obligations under the Underwriting Agreement if:

Prospectus: any of the following occurs in relation to the Prospectus:

(a) Argonaut reasonably forms the view that there is a material omission, it contains a material statement which is misleading or deceptive, or a material statement has become misleading or deceptive;

(b) The Company fails to lodge the Prospectus in connection with the Entitlement Issue with ASIC or ASX as required.

(c) Argonaut reasonably forms the view that any projection or forecast in the Prospectus becomes, to a material extent, incapable of being met or unlikely to be met in the projected time;

(d) ASIC gives notice of intention to hold a hearing under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act; or

(e) any person other than Argonaut who consented to being named in the Prospectus withdraws that consent.

Supplementary prospectus: Argonaut reasonably forms the view that a supplementary or replacement document (as appropriate) must be lodged and the Company does not lodge a supplementary or replacement document (as the case may be) in the form and content and within the time reasonably required by Argonaut;

ASX listing: ASX does not give approval for the Underwritten Securities to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;

Index changes: the S&P/ASX All Ordinaries Index (ASX Code: XAO) or S&P/ASX Small Resources Index (ASX Code: XSR) falls more than 10% from the date of the Underwriting Agreement for a period of 3 continuous Business Days;

Indictable offence: a director of the Company or any Related Corporation is charged with an indictable offence;

Return of capital or financial assistance: the Company or a Related Corporation takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of Argonaut;

Banking facilities: the Company's bankers terminating or issuing any demand or penalty notice or amending the terms of any existing facility or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;

Change in laws: any of the following occurs:

(a) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or

(b) the public announcement of prospective legislation or policy by the Federal Government, or the Government of any State or Territory; or

(c) the adoption by the ASIC, its delegates, ASX, the Reserve Bank of Australia or any other regulatory authority of any regulations or policy, which does or is likely to prohibit, restrict or regulate the principal business of the Company, the Entitlement Issue or the operation of stock markets generally;

(d) failure to comply: the Company or any Related Corporation fails to comply with any of the following:

(e) a provision of its constitution;

(f) any statute;

(g) a requirement, order or request, made by or on behalf of the ASIC or any Governmental Agency; or

(h) any material agreement entered into by it;

(i) alteration of capital structure or constitution: except as described in the Prospectus, the Company alters its capital structure or its constitution without the prior written consent of Argonaut;

Hostilities: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, Indonesia, Japan, Russia, any member of the European Union, the United States of America, Tunisia or the Peoples Republic of China, other than hostilities involving Afghanistan or Iraq, any country bordering Afghanistan or Iraq);

Extended Force Majeure: a Force Majeure, which prevents or delays an obligation under the Underwriting Agreement, lasting in excess of 2 weeks occurs;

Default: the Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement;

Adverse change: any adverse change occurs which materially impacts or is likely to impact the assets, operational or financial position of the Company or a

Related Corporation (including but not limited to an administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company or a Related Corporation);

Investigation: any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a Related Corporation;

Due diligence: there is a material omission from the results of the due diligence investigation performed in respect of the Entitlement Issue or the results of the investigation or the verification material are false or misleading;

Prescribed occurrence: certain prescribed occurrences occur, other than as disclosed in the Prospectus;

Suspension of debt payments: the Company suspends payment of its debts generally;

Sub-underwriters: any Company introduced sub-underwriters fail to enter into acceptable sub-underwriting agreements or subsequently withdraw or attempt to terminate their sub-underwriting obligations;

Event of insolvency: an event of insolvency (as it is defined in the Underwriting Agreement) occurs in respect of a Related Corporation; or

Judgment against a related corporation: a judgment in an amount exceeding $50,000 is obtained against the Company or a Related Corporation and is not set aside or satisfied within 7 days.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

Cygnet Capital Mandate

By an agreement between Cygnet Capital Pty Ltd (**Cygnet**) and the Company dated 28 September 2010 (**Mandate Agreement**), Cygnet Capital has conditionally agreed to manage the Offer.

Cygnet capital will be paid 1% fee on the total amount raised under the Entitlement Issue in consideration of providing management services.

Cygnet Capital has also conditionally agreed to sub-underwrite the offer to the extent of 10,000,000 Shares and 5,000,000 Options. Cygnet Capital will be paid a fee of 2.5% for 9,500,000 Shares and 4,750,000 Options that are sub-underwritten, and 1.5% fee for 5,000,000 Shares and 2,500,000 Options that are sub-underwritten.

9.4 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or

(c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement		Remuneration ($)
			Shares	Options	
Mr Ross Kestel	Nil	Nil	Nil	Nil	55,000
Mr Brett Mitchell[1.]	Nil	Nil	Nil	Nil	45,000
Mr John Begg[2.]	1,632,297	1,750,000	1,305,838	652,919	75,000
Mr Gary Jeffery[2.]	1,166,000	2,500,000	932,800	466,400	200,000

Note:

1. Mr Brett Mitchell has, or will, enter into a sub-underwriting agreement with Argonaut Capital to sub-underwrite up to 1,000,000 Shares and 500,000 new Options of the Shortfall. Please refer to Section 6.1 for further details.

2. Messrs Gary Jeffery and John Begg have indicated that it is their present intention to subscribe for their full Entitlement under the Offer.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company paid to the Directors a total of $229,418 the year ended 31 December 2009. In addition to the above, the Directors have been paid fees totalling $241,493 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

9.5 Interests and consents of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company; or

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or

(c) the Offer of securities pursuant to this Prospectus, and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Argonaut Capital has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. Argonaut Capital has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Argonaut Capital (including its related entities) is a Shareholder of the Company and currently has a relevant interest in 1,875,411 Shares and 2,450,000 Options. Argonaut Capital has indicated that it is its current intention to subscribe for its full Entitlement under the Offer in respect of all of the Shares in which it has a relevant interest.

Argonaut Capital will be paid an underwriting fee of approximately $150,081 in respect of this Offer. In the past two years, Argonaut Capital has been paid fees totalling $60,000 by the Company.

Pursuant to Section 716 of the Corporations Act, Cygnet Capital has given and has not withdrawn its consent to being named as manager of the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. Cygnet Capital has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Cygnet Capital will be paid a management fee of up to $30,016 in respect of this Offer. In the past two years Cygnet Capital has not been paid any other fees by the Company.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately $10,000 for services in relation to this Prospectus.

9.6 Legal proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

9.7 Estimated expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	$
ASIC fees	2,068
ASX fees	20,333
Underwriting fees	150,081
Management fees	30,016
Legal expenses	10,000
Miscellaneous	25,000
Total	**237,498**

9.8 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market close prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: $0.285 on 13 July 2010

Lowest: $0.10 between 29 June and 12 July 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was $0.14 on 29 September 2010.

9.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10. DIRECTORS' CONSENT

Each of the Directors of XState Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 29th day of September 2010

Signed for and on behalf of
XSTATE RESOURCES LIMITED

GARY JEFFERY
DIRECTOR

11. DEFINITIONS

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

Argonaut Capital means Argonaut Capital Limited (ACN 099 761 547).

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Bombora Energy means Bombora Energy Limited (ACN 139 389 316).

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5:00pm (WST) on 27 October 2010 (unless extended).

Company means XState Resources Limited (ACN 009 217 154).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act* 2001(Cth).

Cygnet Capital means Cygnet Capital Pty Ltd (ACN 103 488 606).

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "**$**" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Issue means the issue of Shares and Options offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to this Prospectus of four (4) Share for every five (5) Shares held by Shareholders on the Record Date at an issue price of $0.10 per Share to raise approximately $3,001,626 before costs together with one (1) new Option (for no additional consideration) for every two (2) new Shares issued exercisable at $0.24 on or before 30 June 2013.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5:00pm (WST) on 11 October 2010.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement**.**

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

WST means Western Standard Time.