



ABN 96 009 217 154

15 October 2014

ASX Limited

Electronic lodgement

ASX Code: XST

XSTATE BROKER PRESENTATION

Please find attached copy of a broker presentation by Xstate Resources Limited.

On behalf of the Board of Directors

For information contact:

Chris Hodge - 9226 0866
Managing Director
Xstate Resources Limited

XST

**Xstate Resources
Limited**

Company Presentation

October 2014



**Portfolio of TCF-scale
Prospects
Onshore California**

Corporate Information

Shares on Issue	~180 million
Unlisted Options	17.0 million at 6-10 cents expire 31/12/15 19.5 million at 4-8 cents expire 31/05/16 2.5 million at 5 cents expire 31/12/16
Top 10 shareholders	35%
Top 20 shareholders	48%
Directors	>5%
Directors	Chris Hodge: Managing Director Ian Tchacos: Independent NED David McArthur: NED & Company Secretary
Cash	\$500,000



1 year price chart for XST

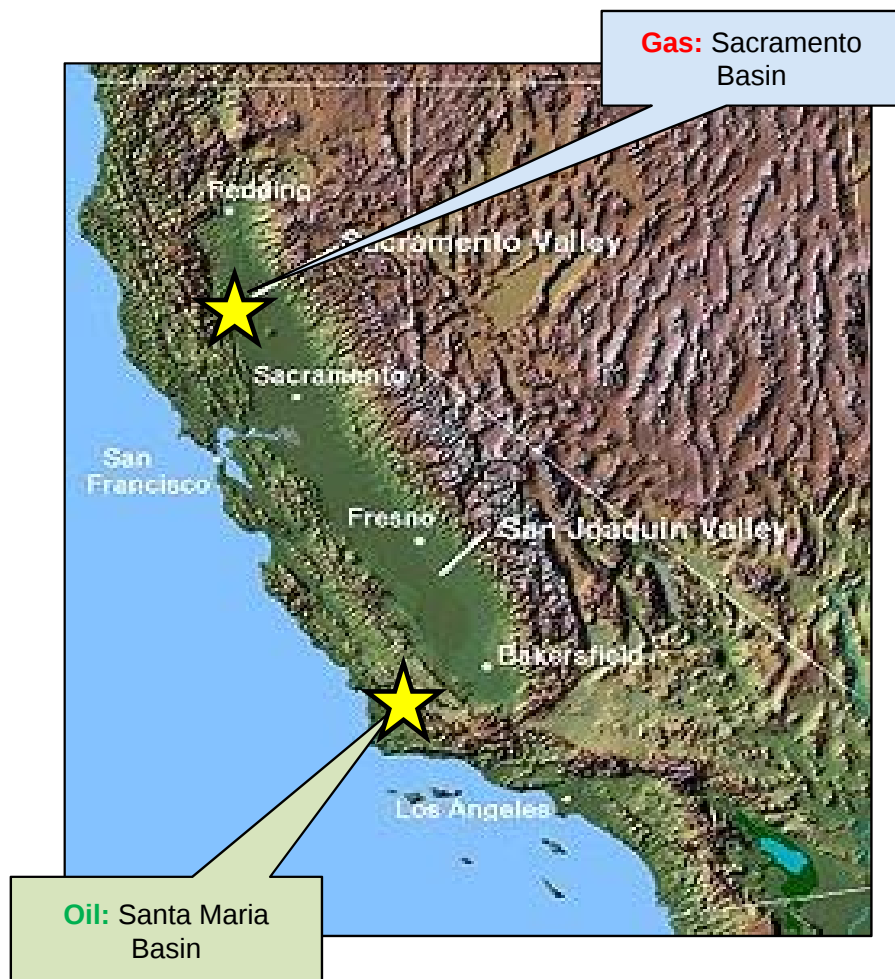
The Xstate Board and Operating Philosophy

Xstate has a small but highly experienced Board with complementary skills

- **Chris Hodge (MD)** is a structural geologist and petroleum geophysicist by training. Over a career spanning 35 years he has occupied senior positions at Ampolex (exploration and country manager), Adelphi Energy (MD), Eureka Energy (Advisor) and Roc Oil (Director). Each of these companies was successful during Chris' tenure and ultimately taken over. In addition he has consulted to both Mitsui and Mitsubishi where he assisted in the building of exploration portfolios and making significant wildcat oil discoveries.
- **David McArthur (NED and Company Secretary)** is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies over the past 32 years. He has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies. Mr McArthur is an executive director of Lodestar Minerals Limited, Renewable Heat and Power Limited and is Company Secretary for a number of public listed companies
- **Ian Tchacos (NED)** is a petroleum engineer with over 30 years of international Oil and Gas experience in corporate development and strategy, mergers and acquisitions, exploration, development and production, operations, marketing and finance. He has a proven management track record in a range of international company environments. In his last executive appointment as Managing Director of Nexus Energy he was responsible for the company's development from an onshore micro cap explorer to an ASX top 200 onshore production and operator. Mr Tchacos is currently non-executive Chairman of ADX Energy Limited and Riedel Resources Limited. Mr Tchacos has provided Corporate advisory services to several listed ASX companies.

Xstate's Operating Philosophy for our California Assets is to jointly utilise aligned consultants and contractors with its AMI partner Australian Oil Company (AOC).

Portfolio of Assets >23,000 leased acres (100%)



	XST (current) WI	XST (with Option) WI **	XST (with option – after farmout) WI	Prospective Resource (100%)
Sacramento Gas				
#F Alvares Appraisal	25%	25%	12.5%	>2 TCF
# Gas production	10%	25%	12.5%	[0.7 mmcf/gpd]
#F Dempsey	10%	25%	12.5%	1 TCF
# Strat Play on 3D	10%	25%		>0.5 TCF
Alvares Analogues (5)	25%	25%		>10 TCF (total)
Dempsey Analogues	10%	25%		>5 TCF
Prospects on 3D (10)	10%	25%		>5 TCF (total)
Well deepening	10%	25%		80 BCF
Santa Maria Oil				
# Porters Ranch	22.5%	22.5%		10 mmbbls

** XST has the option to increase its WI to 25% in the gas prospects.

indicates prospect is leased – remaining prospects are in the process of being leased

F indicates prospect farmed out – fully carried through drilling

California Strategy – prolific old basins, new ideas

Why California?

- Proven and prolific conventional petroleum systems and production history
- Well information, seismic data and drilling services readily available
- With good people and our history and operating experience we have the ability to find overlooked opportunities
- Inexpensive lease and drilling costs
- Strong gas market and infrastructure

Strategy

- Innovative geological and geophysical interpretation to identify prospects
- Take up ground floor land positions over prospects and prospective trends
- Build a prospect portfolio with materiality, diversity and follow-up potential
- Secure funding for drilling via farmout
- Position company to maximise value from success

AMI with AOC

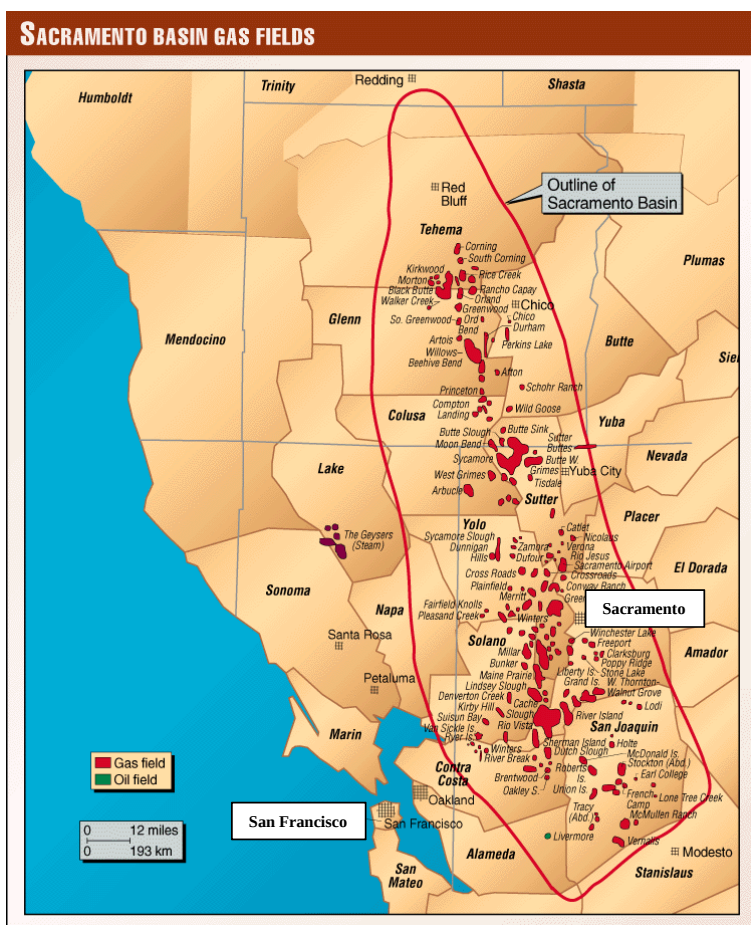
AMI with AOC

- Xstate has an AMI with Australian Oil Company (AOC) in California
- Shared strategy and outlook
- XST is 30% & AOC is 70% and Operator
- Shared Perth office and administration
- Small operations office in California...
- ...drilling and leasing operations by a very experienced local JV operator with whom we have a long-standing relationship



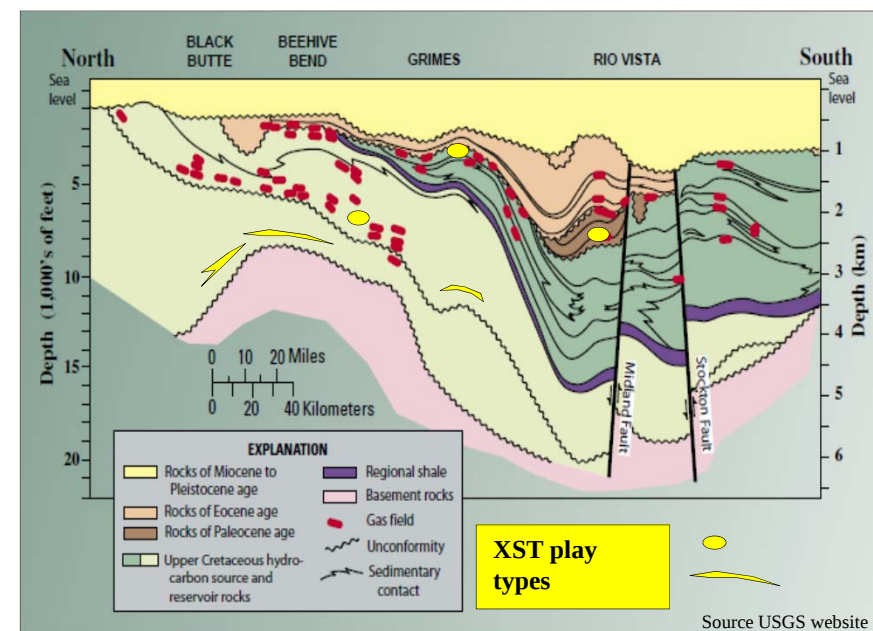
Chart showing share price comparison between XST and AOC

The Sacramento Basin



Source: Oil and Gas Journal

- Up to 10km Jurassic to recent marine and non-marine siliclastics
- Producing reservoirs Late Cretaceous, Paleocene and Eocene
- Produced ~10TCF+ 15mmbo
- 47 discovered accumulations
- Largest field Rio Vista 3.5 TCF
- Upper Cretaceous to Pliocene aged reservoirs



From an extensive geological database, high potential geological trends have been identified - typically adjacent to or deeper than existing gas fields

Some of the prospects are considered to have low geological risk because they rely on offsetting and/or re-entering wells *with extensive shows of gas* that were not considered significant at the time of drilling in the 1940 – 1980's

Alvares Appraisal Project - >2 TCF

25% equity (12.5% after farmout)

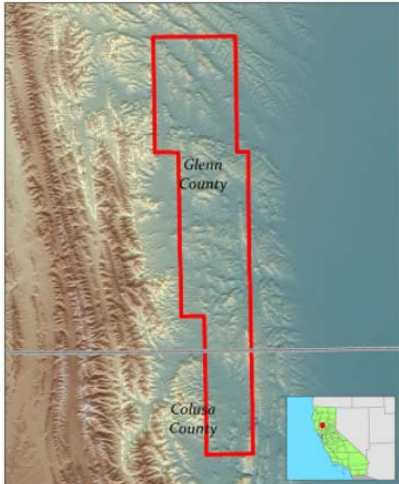


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Tulainyo Project

Sacramento Basin

Tulainyo is a structurally controlled natural gas prospect on a well-defined large anticline similar in size and shape to the 50+ TCF Pinedale Anticline in Wyoming. It targets multi-stacked gas bearing sandstone reservoirs in the Lodoga Formation, along strike with 1970 vintage natural gas wells. Cirque's partner plans to drill a vertical well in the second half of 2014. Based on size of anticline and a few thousand feet of potential gas charged section, the project has multiple TCF natural gas potential in close proximity to large natural gas pipelines and favorable market.

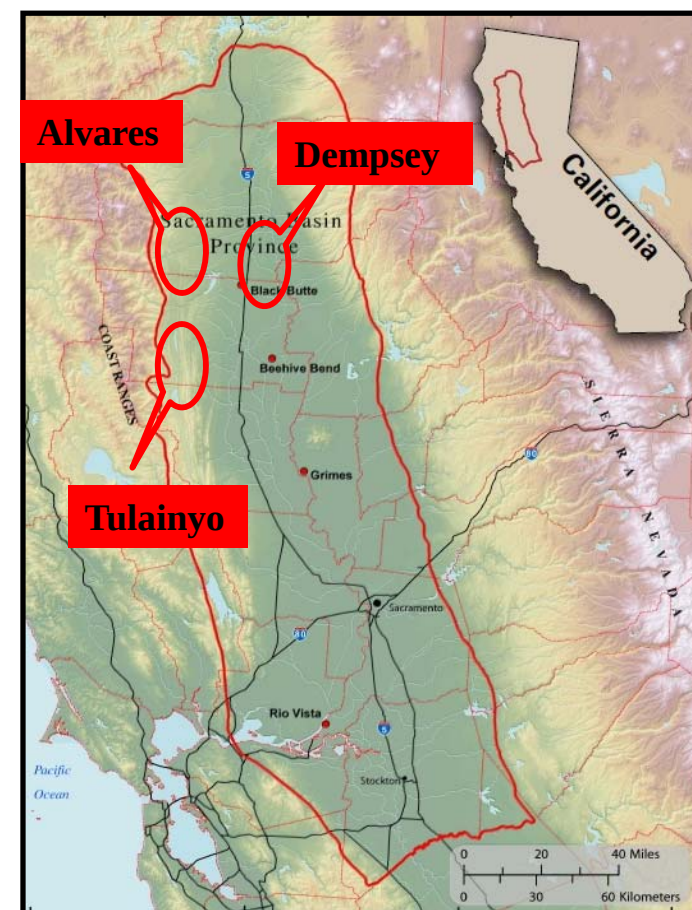


<http://www.cirqueresources.com/>

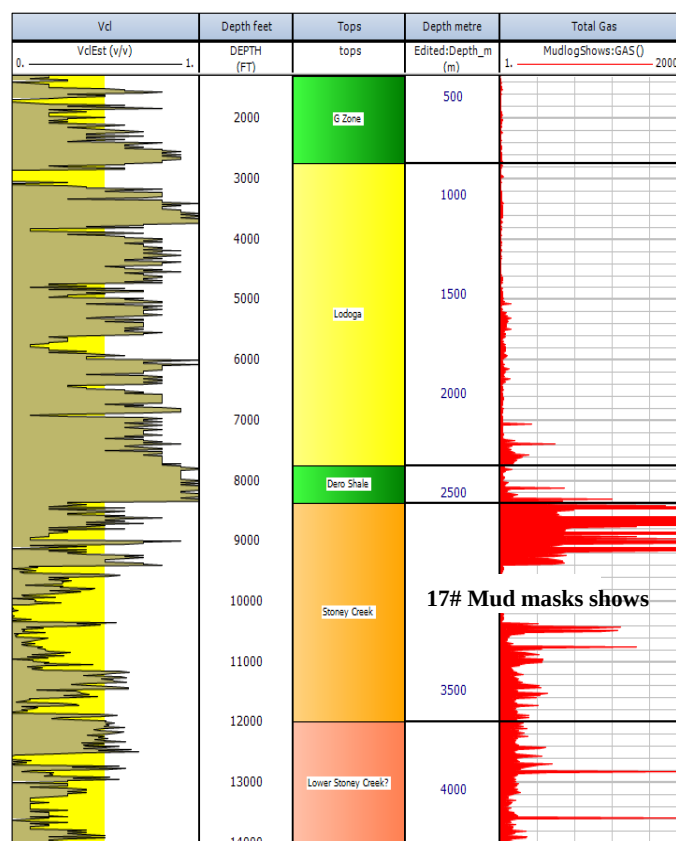
AN OIL RESOURCE PLAY COMPANY

The Alvares Project is on trend 50km from the geologically similar multi-Tcf Tulainyo Project which is to be drilled by OXY (California's largest oil and gas company).

Alvares and Tulainyo are very large structures drilled in 1982 and 1947 respectively. Both wells had extensive gas shows and both wells flowed gas to surface.



Alvares -1 Gas Discovery



1500+ metres gas shows

Wet sands - outside of closure

Thick Seal

Interpreted Gas Column with core and gas sample

- The Alvares -1 gas discovery was drilled within mapped closure over 30 years ago
- Intersected >1,500 metres of strong gas shows below 2,500 metres and flowed pipeline quality gas to surface
- Conventional clastic reservoirs
- ~10,000 acres leased
- Best estimate deterministic prospect resource >2TCF
- High chance of commercial success (Pc) of 60%

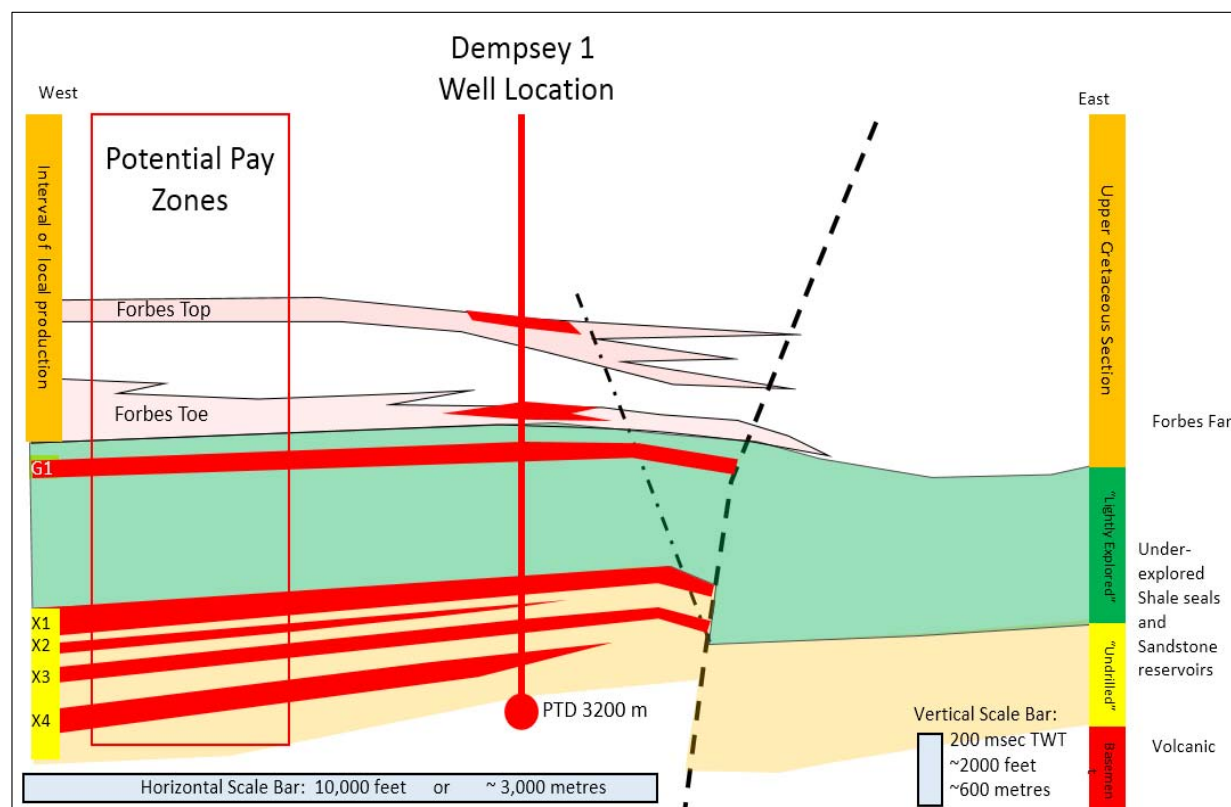
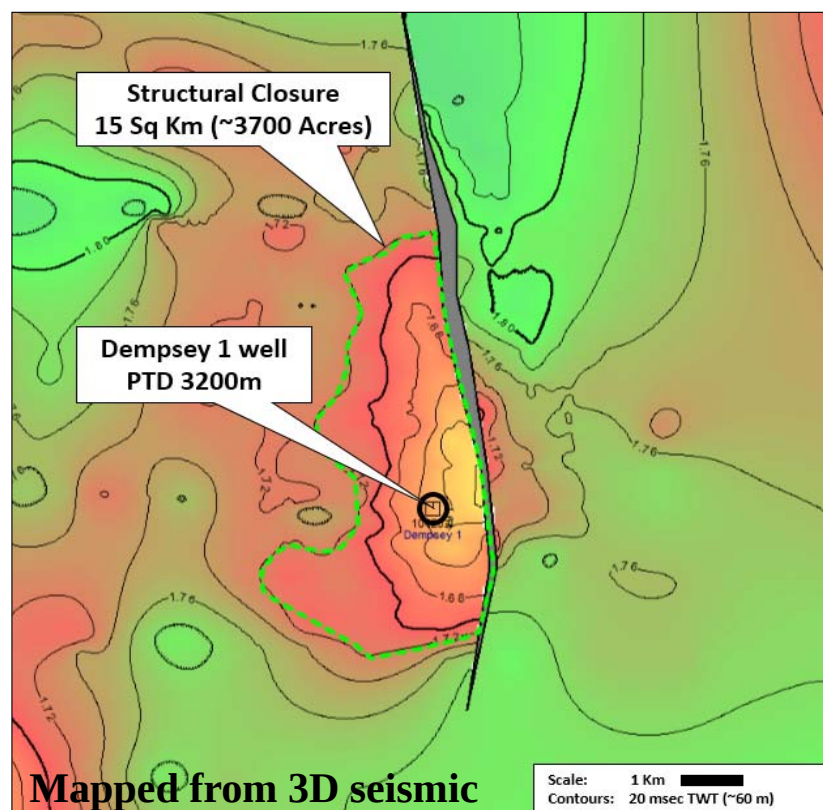
Easy access to drill site – open ranch land



Dempsey Prospect - 1 TCF gas exploration well – 7 reservoir targets

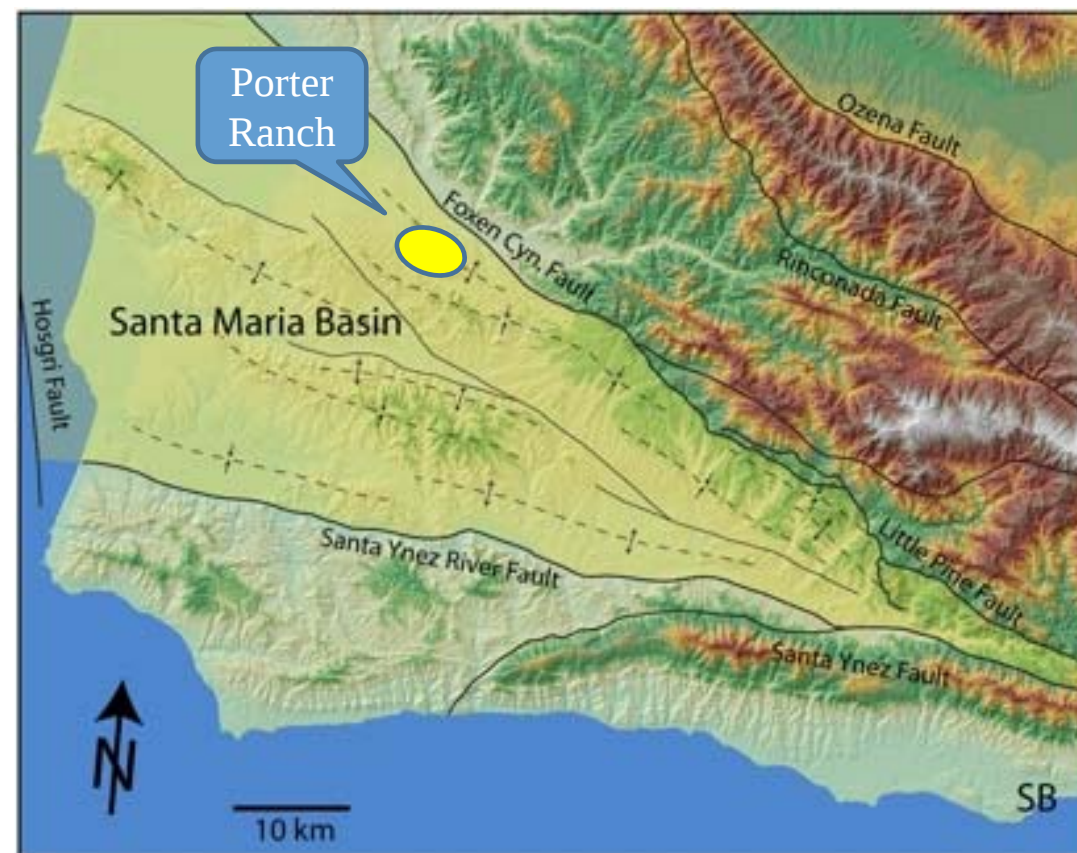
XST 10% equity - option to increase to 25%

Individual reservoirs 80 – 3,700 acres



Santa Maria Basin

- **Porter Ranch Project (XST 22.5%)**
 - Gross 9,051 acres
 - Covers 2 large surface anticlines
 - Naturally “shattered” Monterey reservoir at a depth of <1,500m
 - Prospective resource size (mean) ~10mmbbls recoverable - updip from recovered oil
 - Old oil wells in the area confirm the presence of oil saturated Monterey
 - Principle risk is the ability of Monterey to flow at commercial rates
 - Follow-up undrilled anticlines
 - Cost to drill ~\$1mm
 - Currently finalising Government approvals



Source: http://www.csulb.edu/~nonderdo/Santa_Maria_Basin.html

Activity

2014

- Exercise option to secure additional interests(?)
- Finalisation of farmout agreement Dempsey and Alvares
- Continue to generate new prospects and lease land
- Oxy drilling of Alvares lookalike well “Tulainyo” – (best guess December)

2015

- Continue to generate new prospects and lease land
- Generate new prospects / farmout
- Drill Dempsey (1 TCF gas – fully carried)
- Drill Alvares (>2 TCF gas – fully carried)
- Drill Porter Ranch (~10mmbbbls oil – farmout or drill at equity)

Conclusions

- Targeting low risk and/or multi -TCF prospects in California
- Several prospects identified - fully or partially leased
- 2 high value prospects already farmed out for full carry
- Building a prospect portfolio with diversity, materiality and follow-up potential
- Several value catalysts through 2014 and 2015

Contact Info

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This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Chris Hodge, Managing Director of Xstate Resources Limited. He is a qualified geologist with over 30 years technical, commercial and management experience in exploration for, appraisal and development of oil and gas. Mr Hodge consents to the inclusion of the information in the form and context in which it appears.

In accordance with ASX Listing Rules, any new hydrocarbon resource information in this document has been reviewed by Australian Oil Company's Technical Director, Mr Keith Martens, who has over 35 years of experience in the sector, with 15 years of experience in working in North America. Mr Martens is a qualified resources evaluator and consents to that information being included in the form and context in which it appears.

Before investing it is recommended that you conduct your own due diligence and consult financial and technical advisors.