



ABN 96 009 217 154

30 April 2015

ASX Limited

Electronic lodgement

ASX Code: XST

March 2015 Quarterly Activity Report

Highlights

- Farmout discussions continue with parties primarily for the Dempsey and Alvares prospects
- The Dempsey and Porters Ranch drilling applications and the SCU #1-24 water-disposal project application remain pending

Exploration

SACRAMENTO BASIN

Exploration leases continued to be renewed, maintaining ~19,000 gross acres across the basin. XST has a working interest (WI) in these leases of between 10% and 30%.

Geological evaluation and geophysical mapping has now been completed over 3 prospects. They are:

- The Alvares appraisal project (XST 25% WI) which involves the appraisal drilling of a large anticline originally drilled in 1982 and which had extensive gas shows and flowed gas to surface. Best estimate deterministic recoverable prospective resource is over 2 TCF.
- The Dempsey gas prospect (XST 10% WI) is a large fault bound anticline mapped on 3D seismic with up to 7 prospective reservoir targets. Best estimate deterministic recoverable prospective resource is approximately 1 TCF.
- The Arnaudo gas prospect (XST 10% WI) is a structural / stratigraphic combination trap mapped on 3D seismic data along trend from a producing 268 BCF gas field. Best estimate prospective resources are 20 BCF.

Xstate continues to work closely with its AMI partner to jointly farmout both Alvares and Dempsey and possibly Arnaudo with a view to drilling in 2015.

SCU #1-24 water-disposal project (XST 13.25%)

Awaiting Government approvals

SANTA MARIA BASIN

Porter Ranch Project (XST 22.5% Working Interest)

The Porter Ranch oil exploration project in San Luis Obispo County consists of a gross 9,051 acres leased over a number of surface anticlines in the prospect area.

During the quarter, the permitting process continued in preparation for the drilling of one exploration well with a planned total depth of 1,500 metres to test the Monterey oil reservoirs in 2015. The prospect has best estimate recoverable prospective resources of 10 million barrels of oil. This estimate is based on surface geology, 2D seismic and geologic and production parameters from nearby wells and comparisons to analogous fields in the Santa Maria Basin.

The County continues to assess our application to drill an exploration well on the Porter Ranch leases.

Production

SACRAMENTO BASIN

Rancho - Capay Gas Field (XST 10% WI in 5 wells) & Los Medanos Gas Field (XST 10% WI in 2 wells)

Xstate acquired a working interest in minor gas production rights in the Sacramento Basin onshore California in 2013. The purpose of the acquisition was to acquire the leases for further exploration and to access an extensive 3D seismic database from which to generate new exploration opportunities. Production for the quarter was as follows:

Production	March 2015 Quarter	December 2014 Quarter
Gross mcf ** (100%)	49,583	55,348
Net XST mcf (after Royalty)	3,375	3,772

***mcf – Thousand Cubic feet gas*

Planned Activity – June 2015 Quarter

- Continued efforts to farmout of the Alvares, Dempsey and Arnaudo prospects
- The leasing of additional prospective land in the Sacramento Basin
- The possible exercise of an option to acquire additional interests
- Work-over of the SCU #1-24 well ahead of water injection operations

XSTATE RESOURCES LIMITED		
Tenement List		
Project name	Location	Working Interest
Alvares Prospect	Sacramento Basin Onshore Northern California	25%
Dempsey Prospect	Sacramento Basin Onshore Northern California	10%
Arnaudo Prospect	Sacramento Basin Onshore Northern California	10%
California AMI Prospects	Sacramento Basin Onshore Northern California	30%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	10%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	10%
Porter Ranch Oil Prospect	Santa Maria Basin- Onshore Southern California	22.5%
SCU #1-24 Water Disposal Well	San Joaquin Basin Onshore Southern California	13.25%
Changes in Reporting Period: There have been no changes in the Projects or Working Interests in the reporting quarter		

For and on behalf of the Board of Xstate Resources Limited

Chris Hodge
Managing Director

Competent Person

The technical information provided has been compiled by Mr Chris Hodge, Managing Director of Xstate Resources Limited. He is a qualified petroleum geologist with over 35 years technical, commercial and management experience in exploration for, appraisal and development of oil and gas and mineral and energy resources.

Mr Hodge has reviewed the results, procedures and data contained in this release.

Mr Hodge consents to the inclusion of the above information in the form and context in which it appears.

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

US exploration is conducted on leases grant by Mineral Right owners, in XST's case primarily private individuals or groups. Leases can vary in size from very small parcels (part of an acre) to large landholdings (covering a few square miles). Leases generally are for 5 years and rentals are paid annually. There are no work commitments associated with the leases. Some leases are 'Held By Production' and royalties, generally less than 20% of revenues, are paid to mineral right owners in lieu of rentals. XST has not listed all it leases as it is impractical and not meaningful for potential project value assessment in a conventional gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to XST shareholders.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

XSTATE RESOURCES LIMITED

ABN

96 009 217 154

Quarter ended ("current quarter")

31 MARCH 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(127)	(127)
(b) development	-	-
(c) production	-	-
(d) administration	(153)	(153)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	-	-
1.7 Other – cash on acquisition of subsidiary	-	-
Net Operating Cash Flows	(280)	(280)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - sale of exploration assets	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(280)	(280)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(280)	(280)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(280)	(280)
1.20	Cash at beginning of quarter/year to date	490	490
1.21	Exchange rate adjustments to item 1.20	17	17
1.22	Cash at end of quarter	227	227

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	59
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 - Includes salaries and fees paid to directors, as well as superannuation paid on behalf of directors. Also includes corporate and accounting services paid to a company associated with one of the directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	95
Total	95

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	227	490
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	227	490

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	182,129,185	182,129,185	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	19,500,000 17,000,000 2,500,000	- - -	<i>Exercise price</i> Various Various 5 cents	<i>Expiry date</i> 31 May 2016 31 December 2015 31 December 2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 30 April 2015
Company Secretary

Print name: David M McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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