Xstate Resources Limited ABN 96 009 217 154

Registered office
Level 1, 31 Cliff Street
Fremantle WA 6160

Tel: +61 8 9435 3200

Postal address
PO Box 584
Fremantle WA 6959

Website
www.xstateresources.com.au

20 November 2020

ACQUISITION OF OIL PRODUCING ASSET IN CANADA

HIGHLIGHTS

- **15 % working interest in 1,000 BOPD from Producing Oil Fields in Alberta, Canada with 150 BOPD net to Xstate;**
- **Purchase Price is CAD $300,000 cash (AUD $320,000) and 58,333,333 XST shares at an issue price of 0.3 cents per share (AUD $175,000);**
- **Remaining Proved (1P) Reserves (net of Royalties) is 4.4 million barrels (100%) with 0.66 million barrels net to Xstate (Estimated by Independent Auditor at 31 December 2019);**
- **Production is Cash Flow positive at current oil price;**
- **Potential to grow production and reduce OPEX through early operational activity;**
- **Acquisition fully funded through placement of 362 million XST shares at 0.25c per share;**
- **Purchase price metrics:**
  - **~US$2,400 per flowing BOPD;**
  - **~US$0.55 per BO of Proved Reserves.**

Xstate Resources Limited (ASX: XST) ("Xstate", "XST" or "the Company") is pleased to report that it has acquired a 15% Working interest in an oil producing asset in northern Alberta, Canada. The Red Earth assets consists of 6 oilfields and associated infrastructure, located 450 km north of Edmonton.

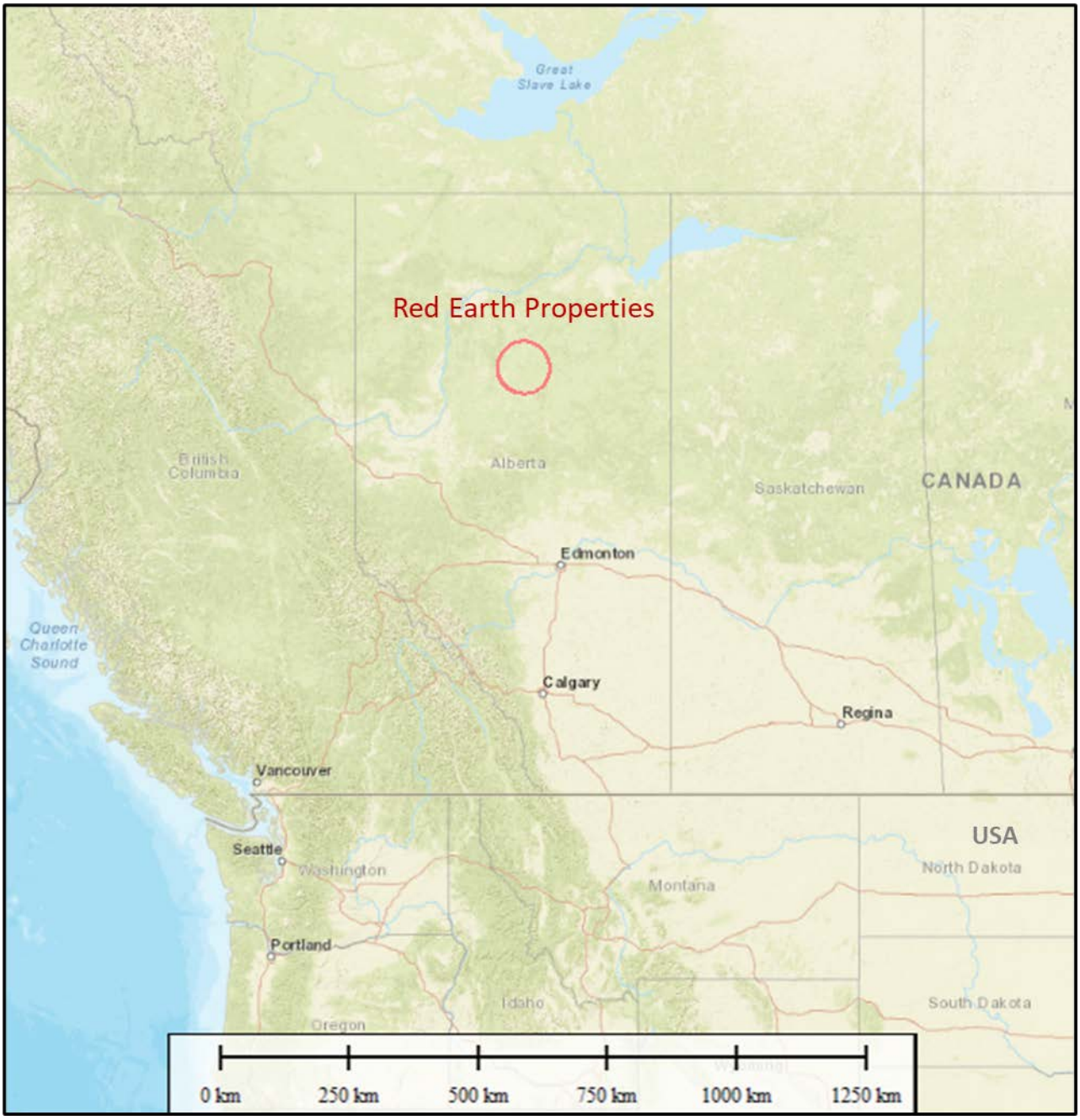
The vendor is Blue Sky Resources Limited which has recently acquired the Red Earth assets from the original owner.

A deposit of CAD $30,000 has been placed in an Escrow Account for the acquisition. The acquisition is subject to approval by the Alberta Energy Regulator (AER). The asset purchase is expected to close before 31 January 2021 with the same effective date.

The Joint Venture participants in the Red Earth assets are:

Xstate Resources Limited (ASX:XST)	**15%**
Sacgasco Limited (ASX: SGC)	30%
Blue Sky Resources Ltd (Operator)	55%

Blue Sky operates other oilfields in the vicinity and operational synergies are expected.



Cumulative oil production from the Red Earth fields over 30 years to date has been around 63 million barrels with a low 10% base decline rate. Approximately 160 producing wells are included in the assets. Current gross production is around 1,000 BOPD. Opportunities exist to return currently idle wells to production with the potential for an additional 300 BOPD in the short term. The oil is sweet light oil with an average oil quality of 39^{o} API.

The purchase price to be paid by Xstate is CAD $300,000 cash (AUD $320,000) and 58,333,333 XST shares at a deemed price of 0.3 cents per share (AUD $175,000). This is equivalent to a purchase price of approximately US$2,400 per flowing BOPD. The issue of shares is subject to shareholder approval.

A total of 362 million shares are to be issued at 0.25cents each to raise $905,000. The balance of funds not utilised for the Red Earth acquisition will form working capital.

Remaining Reserves (net of Royalties) were estimated on a Deterministic Basis by independent Auditors for the previous Operator at 31 December,2019 as follows:

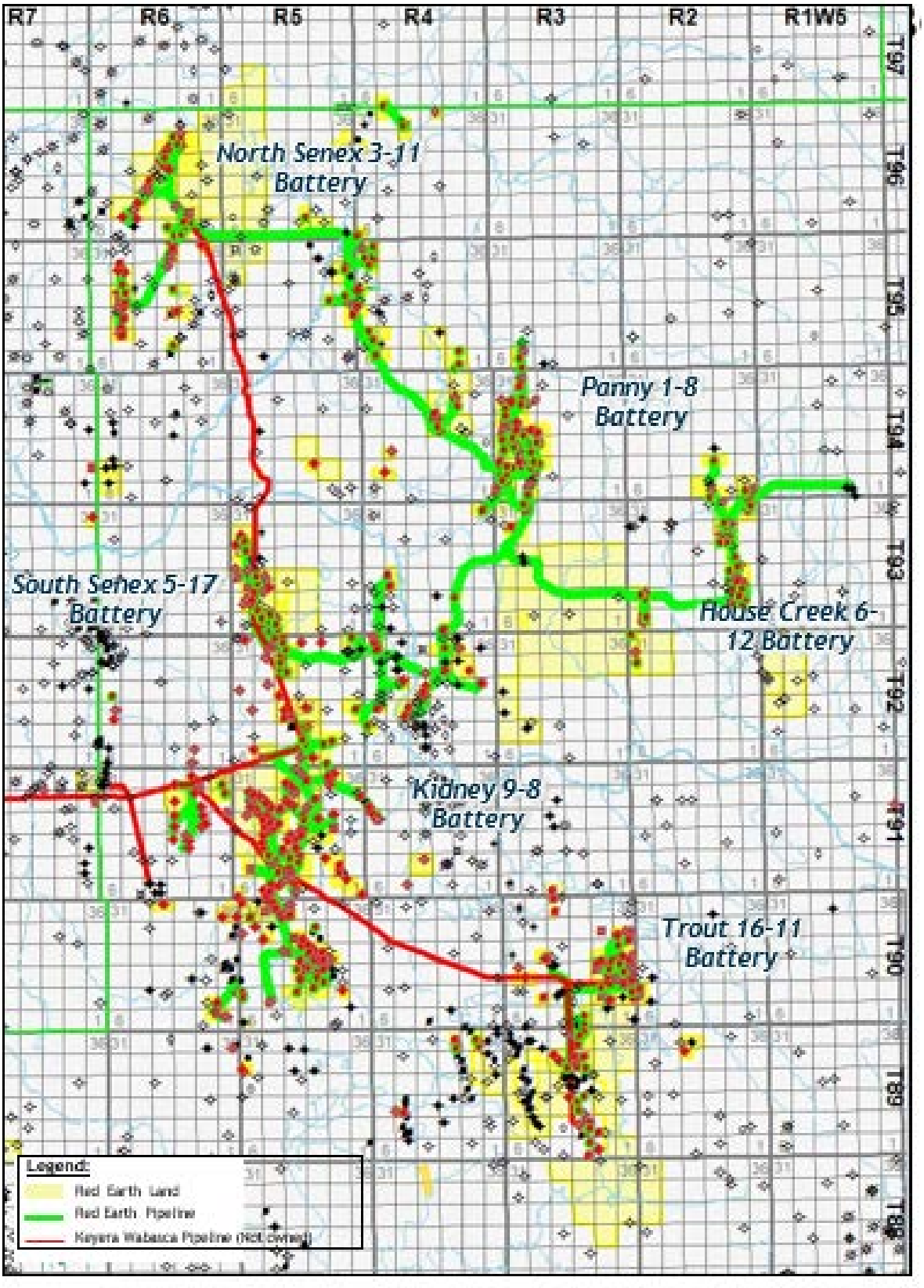
Reserve Table (31 Dec 2019)	100% Working Interest Net of Royalties (BO)	Net Entitlement to XST at 15% Working Interest (BO)
Proved Producing (PP)	2,506,000	375,900
Proved Developed Not Producing (PDNP)	1,411,000	211,650
Proved Undeveloped (PUD)	452,000	67,800
Probable Reserves (Prob)	2,305,000	345,750
Total Proved (1P) Reserve	**4,369,000**	**655,350**
Total Proved plus Probable (2P) Reserves	**6,674,000**	**1,001,100**

An updated independent Reserve Report is planned to be conducted as soon as practicable after Closing.

The purchase price is equivalent to around USD 0.55c per Barrel of Proved Oil Reserves (1P) and USD 0.36c per Barrel of Proved and Probable Oil Reserve (2P).

At current prices the assets are cash flow positive and are highly leveraged to increased oil prices.

The property includes extensive long-life oil and gas leases (covering a net area of 123,000 acres), oil wells and associated production facilities and oil flow lines, accommodation, produced water disposal facilities and wells and access roads. Additional revenues are received from third parties who use some of the facilities.



Subsurface well data and 3D and 2D seismic provides the basis for considerable development opportunity supported by the extensive infrastructure and facilities.

Xstate's Managing Director David McArthur commented: *"This acquisition takes Xstate from an Explorer to an Oil Producer. We have purchased a meaningful portion of these productive fields at a very modest price. The fields are considered mid-life, with the potential to increase and extend their production. We*

look forward to working with the new Operator, Blue Sky Resource Limited, who are active and experienced in the region. Work on lowering operating costs and accessing the PDNP reserve will begin immediately. It is anticipated that Xstate can grow our production and reserves significantly in this region.

Xstate will continue to actively seek to identify and evaluate further asset opportunities that meet the Company's investment criteria and are capable of being delivered in a timely manner. The company will source appropriately sized production acquisitions to provide a sustainable working capital base for the Company's future growth.

Additional Information Required under Chapter 5 of the ASX Listing Rules to be read as Notes to Reserve Table:

1. *The Reserves were estimated by a qualified Independent Reserve Auditor GLJ Limited and have been classified in accordance with SPE-PRMS . They have been reviewed in detail by XST's Competent Person, Mr Greg Channon.*
2. *QUALIFIED PETROLEUM RESERVES AND RESOURCE EVALUATOR REQUIREMENTS*
   The reserves and resources information in this Sacgasco Limited Australian Stock Exchange ("ASX") document provided to GLJ Limited ("GLJ") relating to oil fields in the Red Earth Property are based on, and fairly represent information prepared by, or under the supervision of James T F Guy, Charlene A Maines, Laura M Beierbach, Sarah C. Taylor, and Kelly J. Zukowski.
   James T F Guy is an employee of GLJ, has a Bachelor of Science Degree in Oil and Gas Engineering from the University of Calgary and is a Registered Professional Engineer in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41. Charlene A Maines is an employee of GLJ, holding a Bachelor of Science Degree in Earth Sceinces(Geology) from University of Waterloo and is a Registered Professional Geologist in the Province of Alberta. She is qualified in accordance with ASX listing rule 5.41. Laura M Beierbach P.Eng. is an employee of GLJ, has a Bachelor of Science Degree in Oil and Gas Engineering from the University of Calgary and is a Registered Professional Engineer in the Province of Alberta. She is qualified in accordance with ASX listing rule 5.41. Sarah C. Taylor P.Geol. is an employee of GLJ, holding a Bachelor of Scince Degree in Geology from the university of Calgary and is a Registered Professional Geologist in the Province of Alberta. She is qualified in accordance with ASX listing rule 5.41. Kelly J. Zukowski, P.Eng. is an employee of GLJ, has a Bachelor of Science Degree in Mechanical Engineering from the University of Calgary and is a Registered Professional Engineer in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41.
   GLJ and its named employees have consented to be named in this manner in this release.
3. *Production trends and operating cost trends are well established enabling the reliable prediction of future production by decline curve analysis, the estimation of future revenue from oil and gas sales as well as the forecasting of future costs. Economic life of reserves takes into account oil and gas revenues based on prevailing commodity pricing as well estimated operating costs, capital costs, royalties and mineral taxes.*
4. *The reserves are estimated at 31 December 2019 using Deterministic Methods based on GLJ estimates of future oil production using technical and economic data. Remaining oil production, based on analysis of well logs, geologic maps, seismic data, well test data. production data and property ownership information is multiplied by oil prices determined the GLJ 2020-01 price deck (based on extensive market information and professional experience and expertise) at December 31, 2019, which is part of a regular release on the GLJ website adjusted for individual field related imposts to estimate future revenues. Operator supplied field Operating Costs based on actual and projected costs are deducted from revenues on a yearly basis to determine the economic limit of the wells and summed by individual field. Royalty payments are treated as Operating Cost deductions. Estimated individual field lives based on the above methods and 2P reserves ranged*

from 12 to 25 years. These will vary over times due to oil prices, operating costs and other related imposts.

5. *As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore conclusions necessarily represent only informed professional judgement.*
6. *The Reserves have been estimated using Deterministic Methods and have been summed arithmetically and have not been adjusted for risk. The reserves are estimates and may increase and decrease as a result of market conditions, future operations including reactivations and fracture stimulations, enhanced recovery through waterfloods or changes in regulations, or actual reservoir performance. Estimates are based on certain assumptions including, but not limited to, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the Operator to recover the volumes, and that projections of future production will prove consistent with actual performance. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made.*
7. *The reserve estimates in the table are Gross (100% WI- Column 1) and Net to XST 15% WI (Column 2). The Producing Reservoirs are predominantly conventional Keg River Formation dolomites.*
8. *Xstate will acquire its 15% WI at Closing. XST is acquiring a Non Operated interest. The Operator will be Blue Sky Resources Limited*
9. *Leases are Crown (Government awarded) Leases. Most leases are Held By Production (HBP); annual rentals are paid on leases that are not HBP. Leases cover a net to the joint venture, area of around 123,000 acres*
10. *Royalty paid to the Government based upon a formula where lower producing wells attract lower royalty. Based upon the current gross production of around 1,000 bopd, the production royalty averages around 12%.*
11. *Reserves are mostly based on normal oilfield primary recovery methods using predominantly bottom hole rod insert pumps with conventional pumpjacks; 3 wells use electric submersible pumps (ESP) Some areas of the Red Earth fields are under secondary recovery using waterflood techniques.*
12. *Based on local reservoir experience further fracture stimulation and waterflooding may significantly increase reserves over time. The economic benefit and use of these techniques will be determine by economic analysis in the future.*
13. *No specialised processing of the oil is required.*
14. *Undeveloped Reserves are based on assumptions using the local cost of development wells to access the reserves, offset and analogue producing well performance and operating costs.*
15. *The Red Earth Asset production is transported by tankers and owned gathering pipelines to third party access pipelines to various markets in Canada, primarily local refineries. Oil prices received are local free market prices.*

PRMS Reserves Classifications used in this Release

1P Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.

2P Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

1. ***Developed Reserves*** are quantities expected to be recovered from existing wells and facilities.
    a. *Developed Producing Reserves* are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
    b. *Developed Non-Producing Reserves* include shut-in and behind-pipe reserves with minor costs to access.

2. ***Undeveloped Reserves*** are quantities expected to be recovered through future significant investments.

A. ***Proved Reserves*** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

B. ***Probable Reserves*** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Authorised for release by
the Board of Xstate Resource Limited.

Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information and resource reporting contained in this announcement was reviewed in detail by Mr Greg Channon, who is a Non-Executive Director of the Company. Mr Channon has more than 35 years technical, commercial and management experience in exploration appraisal and development of oil and gas. Mr Channon is a member of the American Association of Petroleum Geologists. Mr Channon has reviewed the information and supporting documentation referred to in this announcement and considers the reserve estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clause 3.1 of the Valmin Code 2015. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.