ABN 96 009 217 154

Announcement to ASX **14 July 2021**

ACQUIRES ADDITIONAL CANADIAN PRODUCTION ASSETS

- **Acquires a further 25% working interest (flowing 178 BOEPD and Proved Reserves of 916,400 BOE net) in Alberta Plains oil and gas fields in Canada – takes total working interest to 35%**
- **Lifts Xstate total net production in Alberta Plains to 249 BOEPD and 474 BOEPD (96% oil) across all assets in Canada**
- **Purchase Price of C$1,250,000, to be paid as C$300,000 in cash and C$950,000 in XST shares**
- **Asset Vendor & Canadian Operator to become Substantial Shareholder**
- **Net Xstate Proved Reserves increased to 1,282,960 BOE in Alberta Plains and 2,244,140 BOE in totally for all assets in Canada**

Xstate Resources (ASX:XST) ("Xstate" or "the Company") is pleased to announce the acquisition of a further 25% Working Interest (WI) in Blue Sky Resources Limited's (BSR) assets in the Alberta Plains. The company also announces the termination of its letter agreement to purchase 25% of the ABC assets in Canada, as announced on 28 April 2021.

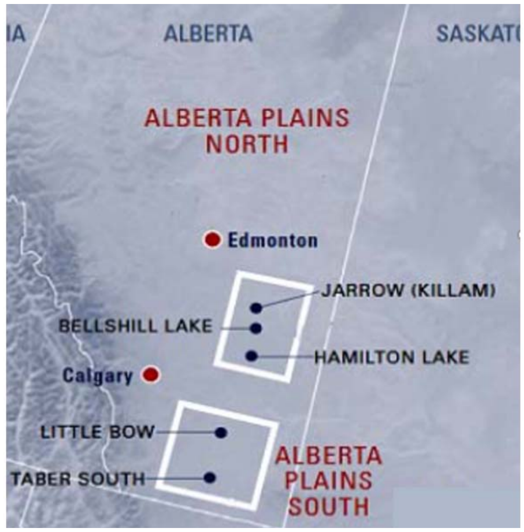
The Alberta Plains Acquisition

Xstate has signed a binding Letter Agreement with BSR to acquire a further 25% of the Alberta Plains assets ("the Assets") for a purchase price of C$1,250,000. The consideration will be paid as C$300,000 in cash and the remainder C$950,000 (A$1,018,086) in XST shares at an issue price of A$0.004 per share (254,521,500 shares) with an effective date of 1 July 2021. The acquisition is fully funded from existing cash reserves.

The acquisition delivers an additional 178 BOEPD of net production (96% oil) and represents a purchase price of US$5,600 per flowing barrel. This is a 12% increase on our original 10% purchase of Alberta Plains, announced on 28 January 2021. Xstate notes that the price of oil has increased from US$53/bbl to US$74/bbl over the same time period, an increase of 38%. The acquisition is subject to 30 days due diligence and the signing of a formal agreement.

Alberta Plains Oil and Gas Producing Assets

The Assets consists of 7 oil and gas fields and associated infrastructure, located between Edmonton and the USA border (see location map below). The majority of the oil and gas wells have been produced for many years. The average production for the last 5 years, before the Asset wells were shut-in during 2020 due to COVID 19 related low oil prices, was over 2,000 BOEPD. During 2019 the fields averaged 1,400 BOEPD (16% Natural Gas). Since XST acquired its first 10% WI in BSR's Alberta Plains fields, announced on 28 January 2021, the Operator has been working diligently to improve production. Current gross production is 710 BOEPD, of which Xstate's 35% share is now 249 BOEPD. The current split of oil:gas is 96% : 4%.



Alberta Plains Location Map

Gross (100%) and current Net to XST Remaining Reserves (both Reserves are Net Reserves after oil and gas lease royalty has been deducted) estimated on a Deterministic Basis by independent evaluators at 31 December 2019 are as follows:

Alberta Plains	**XST WI: 35%**	
	Gross	**Net Entitlement to XST**
Reserves YE 2019 (boe)		
Proved Developed Producing (PDP)	3,301,800	1,155,630
Proved Developed Not Producing (PDNP)	272,400	95,340
Proved Undeveloped (PUD)	91,400	31,990
Total Proved Reserve (1P)	**3,665,600**	**1,282,960**
Probable (Prob)	1,355,700	474,495
Total Proved plus Probable (2P)	**5,021,300**	**1,757,455**

Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these reserves is provided in Attachment 1 below.

Termination of ABC Assets acquisition

XST also announces the termination of the ABC assets acquisition in Alberta and British Columbia, Canada. The opportunity to acquire further working interest in Alberta Plains was considered better value for shareholders by the Board at the current time.

Xstate Executive Chairman, Andrew Childs commented: *"This acquisition is another important step transforming Xstate into a focused North American oil and gas producer. We welcome our Canadian Operator Blue Sky Resources to our register as a substantial shareholder and look forward to their full support in building the next mid capped E&P Company on the ASX. Our total production in Canada is now 474 BOEPD with well over 90% of this being oil, and this production is increasing daily with further low cost remedial work. Our growing production base is providing investors with significant leverage to improving oil and gas prices. "*

This release is authorised by the Board of the Company.

Andrew Childs

Executive Chairman
+61 8 9435 3200

Attachment 1 Notes to Reserves

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

The Reserves were estimated by qualified Independent Reserve Evaluator, McDaniel & Associates Consultant Ltd and have been classified in accordance with the Canadian standards set out in the Canadian Oil and Gas Evaluation Handbook (COGEH) and National Instrument 51-101 (NI 51-101), which are in turn consistent with SPE-PRMS guidelines. They have been reviewed in detail by XST's Competent Person, Mr Greg Channon.

> *QUALIFIED PETROLEUM RESERVES AND RESOURCE EVALUATOR REQUIREMENTS The reserves and resources information in this Xstate Resources Limited Australian Securities Exchange ("ASX") document are based on and fairly represent information from a report compiled by McDaniel & Associates Consultant Ltd ("McDaniel") relating to oil and gas fields in the Asset Properties. The report was prepared effective 31 December 2019 under the supervision of Michael Verney and David Jenkinson who are qualified in accordance with ASX listing rule 5.41.*
>
> *Michael Verney, P Eng. is an Executive Vice President of McDaniel, has a Bachelor of Science Degree in Civil Engineering and Bachelor of Arts degree in Economics from Queens University, and is a Registered Professional Engineer in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41.*
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> *David G Jenkinson, P.Geol. is a Vice President of McDaniel, holding a Bachelor of Science Degree in Geology from the University of Saskatchewan, and is a Registered Professional Geologist in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41*
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> ***McDaniel and its named employees and associates have consented to be named in this manner in this release. Mc Daniel have not reviewed the Assets since January 2020 and changes may have occurred since that date.***

1. The basic information employed in the preparation of the Reserve Estimates was obtained from the operator's files, public sources and from McDaniel non-confidential files. A field

inspection of the properties was not conducted in view of the generally accepted reliability of the data sources for Western Canada properties. The Reserves estimates presented herein were based on the operating and economic conditions and development status as of 31 December 2019.

2. The Reserve Estimates in this release use the average forecast price and costs of McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants Ltd. And Sproule Associates Limited as of January 1, 2020 ("Jan 2020 Consultant Avg.") for the future crude oil, natural gas and natural gas product prices presented in Canadian dollars (Refer to Table 1 Attached).
3. The crude oil Reserves estimates presented in this release were based on a review of the volumetric data and performance characteristics of the individual wells and reservoirs in question. Volumetric estimates of the original oil in-place were based on individual well petrophysical interpretations, geological studies of pool configurations, and in some cases on published estimates. In those cases where indicative oil production decline and/or increasing gas-oil and oil cut trends were evident, the remaining reserves were determined by extrapolating these trends to economic limiting conditions. Where definitive production information was not yet available, the reserves estimates were usually volumetrically determined using recovery factors based on analogy with similar wells or reservoirs or on estimates of recovery efficiencies. The cumulative production figures were taken from published sources or from records of the Operator and estimated for those recent periods where such data were not available.
4. The natural gas reserves estimates for non-associated gas and gas cap pools were based on a study of the volumetric data and performance characteristics of the individual wells and reservoirs in question. Volumetric estimates of the initial gas in-place were based on individual well petrophysical interpretations, geological studies of the pools and areas, and in some cases on published estimates. Material balance estimates of the initial gas in-place were employed where sufficient information was available for a reliable estimate. The reserves recoverable from the currently producing properties were estimated from studies of production performance characteristics and/or reservoir pressure histories. In those cases where indicative gas production decline and/or increasing oil-gas ratio and water-gas ratio trends were evident, the remaining reserves were determined by extrapolating these trends to economic limiting conditions. In cases of competitive drainage in multi-well pools the reserves were based on an analysis of the relevant factors relating to the future pool depletion by existing and possible future wells. The recovery factors for the non-producing properties were estimated from a consideration of test rates, reservoir pressures and by analogy with similar wells or reservoirs. Natural gas Reserves estimates for solution gas production from producing crude oil properties were based on an analysis of producing gas-oil ratios and existing sales gas recoveries. Solution gas reserves were assigned to non-producing oil properties where there was a likelihood of those reserves being recovered and sold from existing facilities or facilities that are expected to be available in the near future.
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 Reserves Table are Gross (100% WI- Column 1) and Net to XST 35% WI (Column 2). Bothe columns represent after Deduction of Royalty Reserves.
8. The Producing Reservoirs are predominantly conventional sandstone reservoirs
9. Xstate will acquire its 25% WI at Closing. XST is acquiring a Non-Operated interest. The Operator will be a Blue Sky Resources Limited company.
10. Leases are Crown (Government awarded) Leases. Many leases are Held By Production (HBP); annual rentals are paid on leases that are not HBP. Royalty paid to the Government is based upon a formula where lower producing wells attract lower royalty. In the past, based upon gross production of around 1,000 bopd, the production royalty averaged around 9%.
11. Based on local reservoir experience fracture stimulation, waterflooding and EOR may significantly increase reserves over time. The economic benefit and use of these techniques will be determine by economic analysis in the future.
12. No specialised processing of the oil is required.

Reserves Classifications used in this Release

1P Denotes higher confidence, lower estimate of Reserves (i.e., Proved Reserves).
2P Denotes the best estimate of Reserves and is the sum of Proved plus Probable Reserves.
BOEPD Denotes barrels of oil equivalent per day
BOE Denotes barrels of oil equivalent
Energy equivalents of oil to gas is 6:1

RESERVES DEFINITIONS

The petroleum reserves estimates presented in this release have been based on the definitions and guidelines prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society) as presented in the COGE Handbook. A summary of those definitions is presented below.

Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
    - specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates

- **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

- **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

Development and Production Status

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:

- **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.
In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest-level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable reserves.

Table 1

3 Consultant Average Prices (McDaniel, GLJ and Sproule)

Summary of Price Forecasts
January 1, 2020

	Crude Oil Price Forecasts							Liquids Price Forecasts				Gas Price Forecasts									
Year	WTI Crude Oil $US/bbl (1)	Brent Crude Oil $US/bbl (2)	Edmonton Light Crude Oil $C/bbl (3)	Alberta Bow River Hardisty Crude Oil $C/bbl (4)	Western Canadian Select Crude Oil $C/bbl (5)	Alberta Heavy Crude Oil $C/bbl (6)	Sask Cromer Medium Crude Oil $C/bbl (7)	Edmonton Ethane $/bbl	Edmonton Propane $/bbl	Edmonton Butanes $/bbl	Edmonton Cond. & Natural Gasolines $/bbl	U.S. Henry Hub Gas Price $US/MMBtu	Alberta AECO Spot Price $C/MMBtu (8)	Alberta Average Plantgate $C/MMBtu (9)	Alberta Aggregator Plantgate $C/MMBtu	Empress $C/MMBtu	Sask. Prov. Gas Plantgate $C/MMBtu	British Columbia Average Plantgate $C/MMBtu	British Columbia Station 2 $C/MMBtu	Inflation %	US/CAN Exchange Rate $US/$CAN
History																					
2009	61.80	61.60	65.90	60.30	58.58	55.30	62.80		38.60	49.25	68.15	3.95	4.20	3.95	3.90		3.87	4.05		0.3	0.880
2010	79.50	79.90	77.50	68.50	67.23	61.45	73.80		46.70	66.05	84.25	4.40	4.15	3.90	3.85		3.96	3.90		1.8	0.971
2011	95.10	111.25	95.00	78.55	77.10	67.90	88.90		55.15	76.50	104.20	4.00	3.70	3.50	3.75		3.56	3.30		2.9	1.012
2012	94.20	111.65	86.10	74.35	73.08	63.65	82.10		28.60	69.55	100.80	2.75	2.45	2.25	2.25		2.31	2.25		1.5	1.000
2013	97.95	108.60	93.05	76.55	75.25	65.25	88.25		38.90	69.40	104.65	3.75	3.20	3.00	3.00		3.10	2.90	3.08	0.9	0.971
2014	93.00	99.00	93.50	80.40	79.10	71.20	87.80		45.05	69.60	102.40	4.35	4.40	4.20	4.20	4.53	4.40	4.10	4.20	1.9	0.906
2015	48.80	52.35	57.75	46.10	44.80	39.55	51.45		6.65	35.55	60.30	2.60	2.80	2.55	2.55	3.00	2.70	2.00	2.10	1.1	0.780
2016	43.30	43.55	53.85	40.30	39.00	33.35	48.95		13.15	34.35	56.20	2.50	2.10	1.90	1.90	2.31	2.20	1.55	1.68	1.4	0.760
2017	50.90	54.25	62.85	52.00	50.70	45.20	59.85		28.90	44.60	66.85	2.95	2.40	2.15	2.15	2.83	2.35	1.75	1.88	1.6	0.770
2018	64.95	71.05	69.65	51.25	49.95	40.00	70.20		27.55	32.80	79.20	3.05	1.55	1.35	1.35	2.85	1.60	1.20	1.40	2.2	0.770
2019	56.95	64.15	68.65	59.30	58.10	54.50	67.60		17.40	23.55	70.85	2.55	1.60	1.40	1.40	2.70	1.65	0.95	1.10	2.0	0.750
Forecast																					
2020	61.00	66.33	72.64	58.43	57.57	51.23	70.29	6.42	26.36	42.10	76.83	2.62	2.04	1.84	1.84	2.59	1.94	1.46	1.66	0.0	0.760
2021	63.75	67.94	76.06	63.00	62.35	56.11	72.93	7.41	29.80	47.03	79.82	2.87	2.32	2.12	2.12	2.85	2.22	1.79	1.99	1.7	0.770
2022	66.18	70.06	78.35	64.99	64.33	57.72	74.73	8.33	32.94	50.66	82.30	3.06	2.62	2.41	2.41	3.02	2.52	2.12	2.32	2.0	0.785
2023	67.91	71.66	80.71	66.91	66.23	59.45	77.00	8.65	34.00	52.21	84.72	3.17	2.71	2.50	2.50	3.02	2.61	2.26	2.46	2.0	0.785
2024	69.48	73.27	82.64	68.65	67.97	61.09	78.87	8.98	34.88	53.48	86.71	3.24	2.81	2.60	2.60	3.12	2.70	2.35	2.55	2.0	0.785
2025	71.07	74.57	84.60	70.41	69.72	62.75	80.76	9.24	35.78	54.77	88.73	3.32	2.89	2.67	2.67	3.20	2.78	2.46	2.67	2.0	0.785
2026	72.68	76.22	86.57	72.20	71.49	64.43	82.67	9.46	36.69	56.07	90.77	3.39	2.96	2.73	2.73	3.26	2.85	2.53	2.73	2.0	0.785
2027	74.24	77.83	88.49	73.91	73.20	66.04	84.53	9.67	37.57	57.32	92.76	3.45	3.03	2.80	2.80	3.33	2.91	2.59	2.80	2.0	0.785
2028	75.73	79.36	90.31	75.53	74.80	67.55	86.29	9.89	38.41	58.50	94.65	3.53	3.09	2.86	2.86	3.40	2.98	2.66	2.86	2.0	0.785
2029	77.24	80.92	92.17	77.18	76.43	69.08	88.08	10.12	39.26	59.71	96.57	3.60	3.16	2.93	2.93	3.47	3.05	2.73	2.93	2.0	0.785
2030	78.79	82.54	94.01	78.72	77.96	70.46	89.84	10.33	40.04	60.90	98.50	3.67	3.23	2.99	2.99	3.54	3.11	2.78	2.99	2.0	0.785
2031	80.36	84.19	95.89	80.29	79.52	71.87	91.64	10.53	40.85	62.12	100.47	3.74	3.29	3.04	3.04	3.61	3.17	2.84	3.05	2.0	0.785
2032	81.97	85.87	97.81	81.90	81.11	73.31	93.47	10.74	41.66	63.36	102.48	3.82	3.36	3.11	3.11	3.69	3.23	2.89	3.11	2.0	0.785
2033	83.61	87.59	99.76	83.54	82.73	74.78	95.34	10.96	42.50	64.63	104.53	3.89	3.43	3.17	3.17	3.76	3.30	2.95	3.17	2.0	0.785
2034	85.28	89.34	101.76	85.21	84.39	76.27	97.24	11.18	43.35	65.92	106.62	3.97	3.49	3.23	3.23	3.84	3.36	3.01	3.24	2.0	0.785
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.785

(1) West Texas Intermediate at Cushing Oklahoma 40 degrees API, 0.5% sulphur
(2) North Sea Brent Blend 37 degrees API, 1.0% sulphur
(3) Edmonton Light Sweet 40 degrees API, 0.3% sulphur
(4) Bow River at Hardisty, Alberta (Heavy stream)
(5) Western Canadian Select at Hardisty, Alberta
(6) Heavy crude oil 12 degrees API at Hardisty, Alberta (after deduction of blending costs to reach pipeline quality)
(7) Midale Cromer crude oil 29 degrees API, 2.0% sulphur
(8) Historical prices based on AECO 7A (near month prices). 5A (daily price) expected to be equal to 7A over long term. 2019 historical prices: 7A $1.60/MMBTU, 5A $1.75/MMBTU
(9) This forecast also applies to direct sales contracts and the Alberta gas reference price used in the Crown royalty calculations

Xstate Competent Person

The technical information provided has been supervised and reviewed in detail by XST's Competent Person, Mr Greg Channon, who is also a Non-Executive Director of the company. Mr Channon is a qualified geoscientist with over 35 years of oil and gas industry experience and a member of the American Association of Petroleum Geologists and the South East Asian Exploration Society and is a graduate of the Australian Institute of Company Directors. He is qualified as a competent person in accordance with ASX listing rule 5.41. Mr Channon consents to the inclusion of the information in this report in the form and context in which it appears.

About Xstate Resources Limited

*Xstate Resources (**ASX:XST**) is an ASX listed company focused on the oil and gas sector. The Company has existing assets located in the Sacramento Basin in California and associated production interests together with production interests in Alberta Canada. Xstate is presently pursuing new opportunities in the oil and gas sector in North America.*