

22 November 2021





Announcement to ASX

Electronic lodgement

XSTATE COMMENCES FULLY FUNDED FOUR WELL EXPLORATION AND DEVELOPMENT DRILLING PROGRAM

- Xstate farms In to earn 20% working interest in the highly prospective 6.6 MMBOE* Anshof oil prospect in the Austrian Molasse Basin- 43% chance of geological success
- Xstate has preserved the right to extend the farm in to other prospects in the farmin area.
- Xstate commits to 3 development wells in the Alberta Plains, Canada (Xstate 35% Working Interest)
- 4 well drilling program is fully funded by existing cash and cashflow from Canada, and will begin in late 2021

Xstate Resources Limited (**ASX: XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to inform its shareholders and the market of its drilling plans over the next six months. Xstate intends to participate in the drilling of 4 wells; one high impact exploration well in Austria and 3 development wells in Canada. The drilling program is fully funded from existing cash reserves and the net cashflows from Canadian production assets.

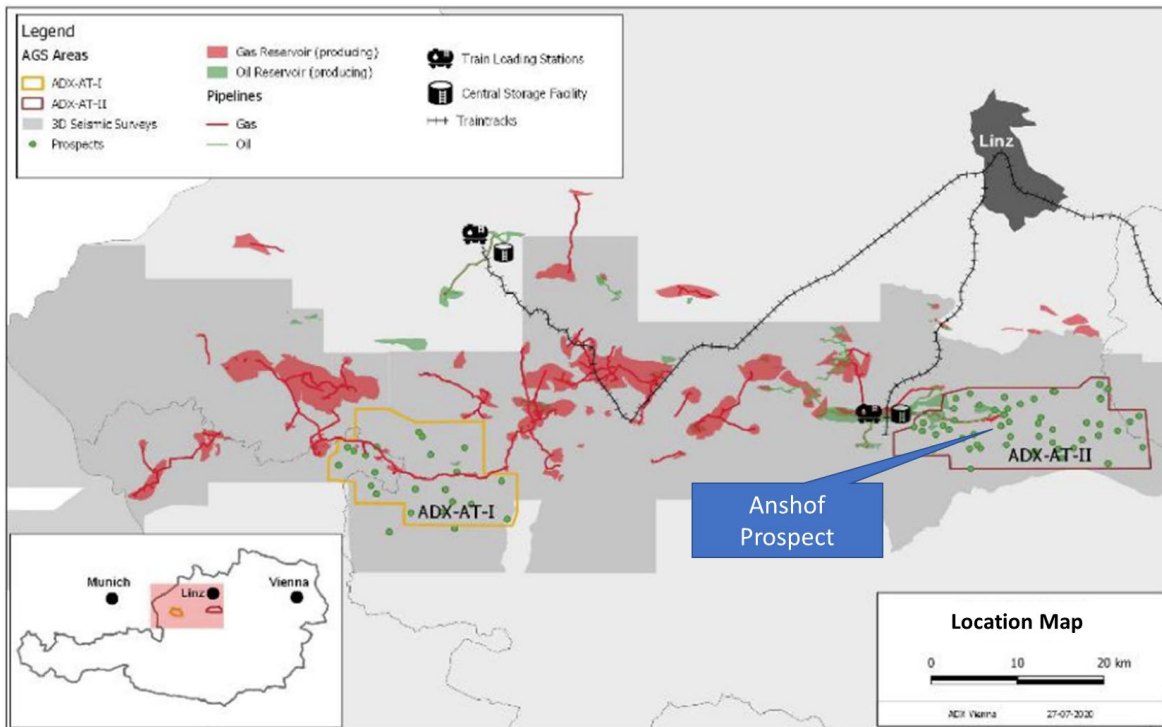
Xstate Drilling Program	2021	2022				
	December	January	February	March	April	May
Austrian Exploration Drilling	 Anshof-3					
Canadian Development Drilling	   Tabers 16-2-8-17* Tabers 1-2-8-17* Killam 16-34-41-13*					

**Drill Timing of Canadian wells may change due to logistics and rig availability*

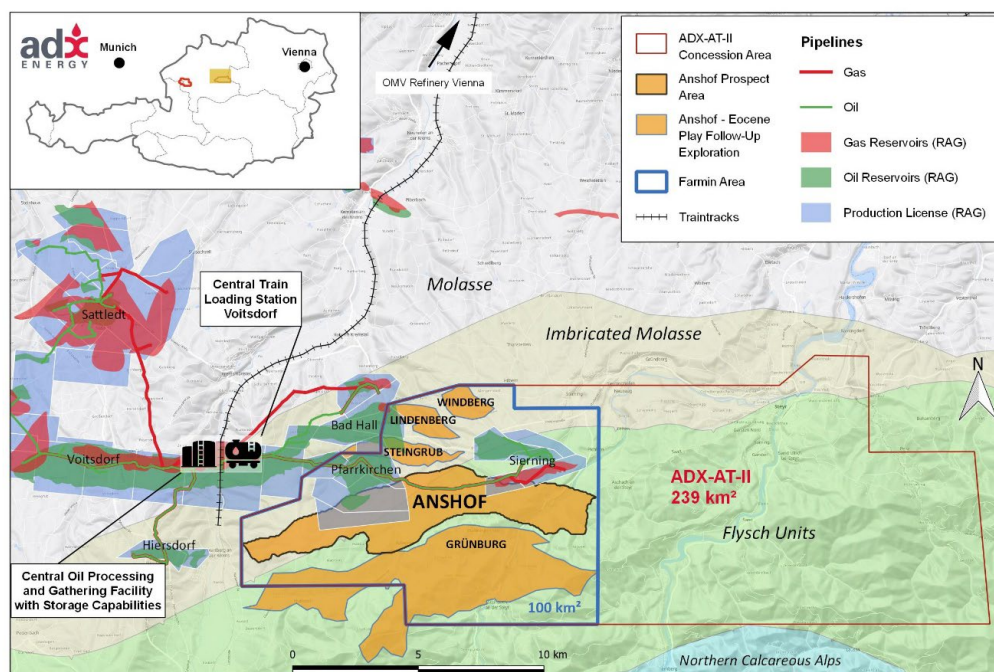
Anshof-3 Exploration Well

Xstate has negotiated with the 100% owner and Operator ADX Energy Limited (**ASX:ADX**) to farm in to a 20% working Interest in the highly prospective Anshof Prospect in the ADX-AT-II Exploration Licence in Austria. The prospect is located in the Molasse Basin in central-northern Austria and has an independently assessed unrisked mean prospective resource of 6.6 MMBOE*. The Molasse basin is highly productive, and the Operator (**ADX**) has identified several new prospects following a detailed technical review of the area.

***Prospective Resources:** those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related 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.

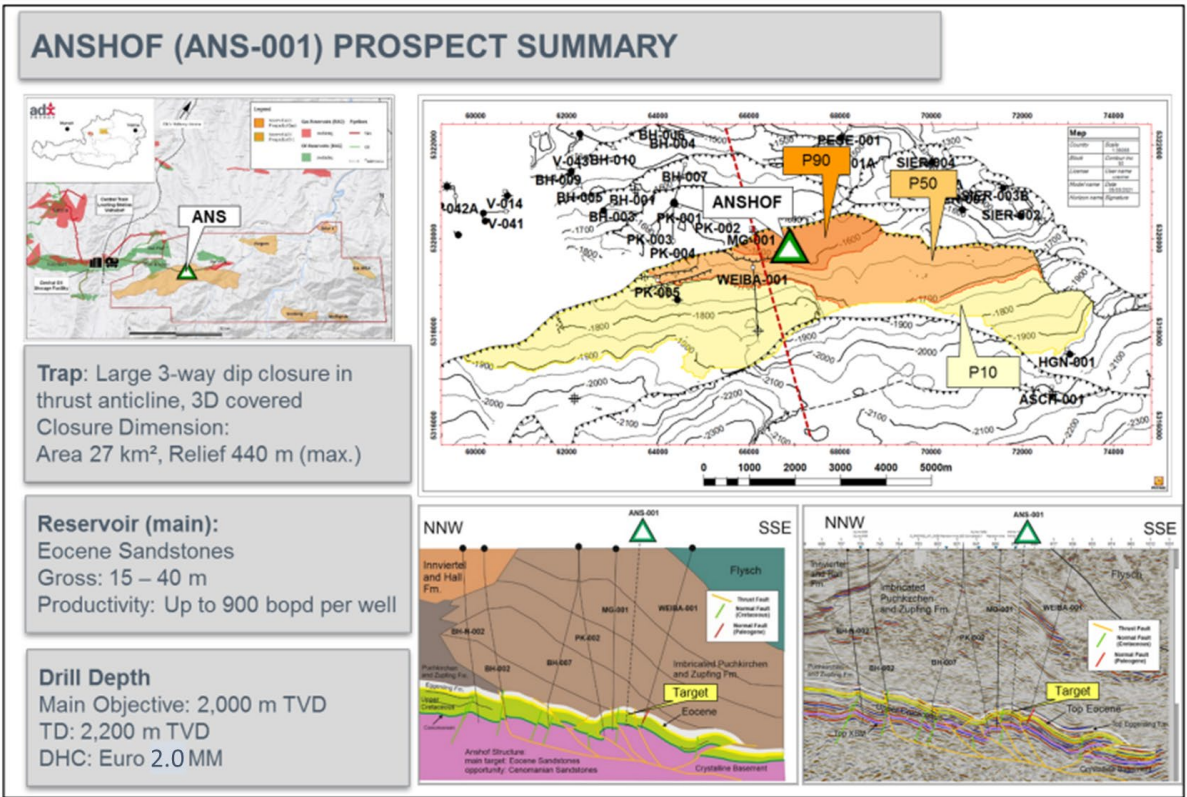


Xstate will fund 40% of the Anshof-3 well up to a cap at €1.8 million (A\$3.1 million) to earn a 20% equity interest in the Anshof Prospect Area. Beyond the €1.8 million cap, Xstate will pay its working interest share of 20%. The expected total cost to Xstate for drilling Anshof-3 at 20% working interest is A\$1.2 million (on a dry hole cost basis). Xstate also has the right to elect to fund 40% of a second well on the Anshof Prospect or the Anshof Farmin Area to earn a 20% interest in the Anshof Farmin Area within the ADX-AT-II exploration license.



In addition to the farmin, Xstate has an option for two months to farmin into the highly prospective Oho Prospect in ADX-AT-I.

The Anshof Prospect is situated in the eastern margin of the Molasse basin and is a thrust anticline defined on 3D seismic.



The large Voitsdorf oil field (22 MMbbls 2P Reserve) lies immediately to the west and adjacent to the Anshof Prospect. Success at Anshof can be rapidly commercialised due to close proximity to abundant oil and gas infrastructure that is accessible on favourable contracted terms.

RISC Advisory Pty Ltd (RISC) have undertaken an independent review of the prospect on behalf of the Operator ADX (Refer ADX release to ASX dated 10 November 2021). They assess the gross mean prospective resource as 6.6 MMMBOE (1.3 MMMBOE net to XST), with a 43% chance of geological success. The RISC probabilistic resource distribution is as follows:

UNRISKED PROSPECTIVE RESOURCE ¹		P90 ²	P50 ³	Mean ⁵	P10 ⁴
Anshof Prospect (MMBOE ⁶)	Gross (100%)	0.5	3.3	6.6	16.2
	Net XST (20%)	0.1	0.7	1.3	3.2

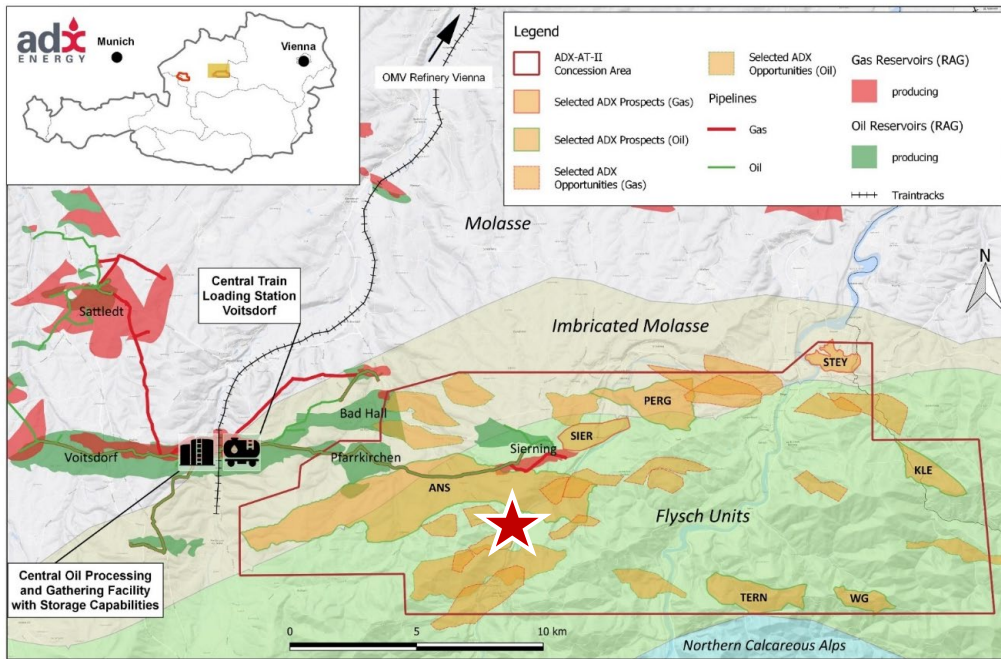
Notes to Table:

1. Prospective Resources are those estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further explorations appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
2. At least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
3. At least a 50% probability that the quantities actually recovered will equal or exceed the estimate.
4. At least a 10% probability that the quantities actually recovered will equal or exceed the estimate.
5. The arithmetic average of the probability distribution.
6. BOE means barrels of oil equivalent

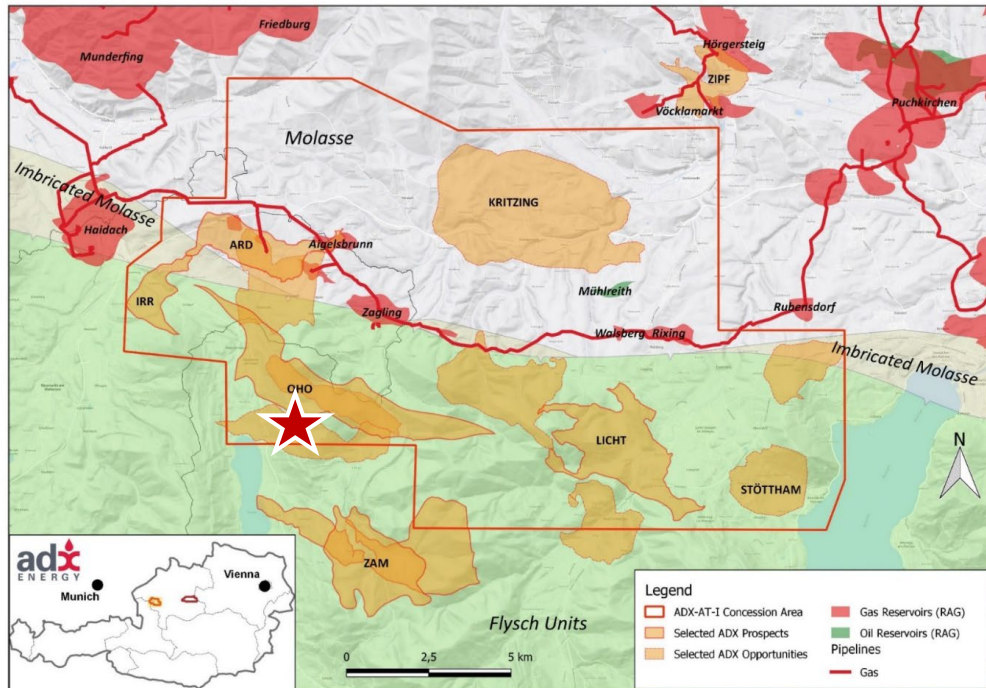
In RISC’s opinion, the method of utilising a mapping-based net-rock-volume (‘NRV’) in the prospective resource assessment in the Anshof Prospect may result in a conservative volumetric assessment. RISC was not provided with an assessment of the deeper Cenomanian secondary objective for Anshof.

Scope of RISC Assessment

ADX commissioned RISC to provide an independent review of the prospectivity of the Austrian ADX-AT-I & II exploration licenses. RISC has reviewed the resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System 2018 ('PRMS'). RISC's methodology was to review the evaluation, probabilistic resource evaluation and geologic risking carried out by ADX. Details of the findings of their review were presented in a report. RISC have not conducted a site visit.



ADX-AT-II License: Anshof (ANS- star symbol) prospect for which drilling will start in late December 2021. Follow up prospects are shown in yellow together with producing fields, pipeline network and processing facilities.



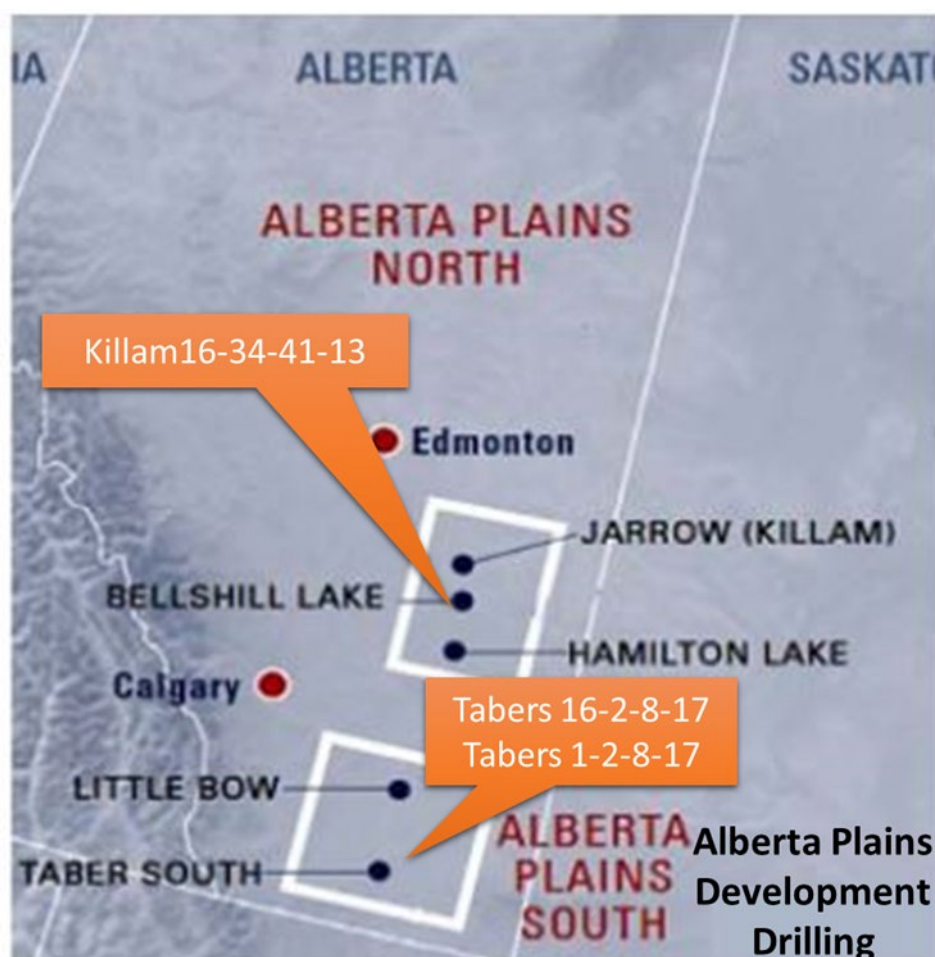
ADX-AT-I License: OHO (red star symbol) prospect for which a drill site already exists. Follow up prospects are shown in yellow together with producing fields and pipeline network. The exploration well is expected to spud in late Dec 2021 and should take around 17 days to drill.

Alberta Plains Development Wells – Canada

Xstate has approved the drilling of 3 development wells in the Alberta Plains region of Alberta, Canada. The 3 wells are within the existing producing fields, and are low-cost low risk production add-ons. Xstate holds a 35% working interest in these fields.

The planned development wells are:

1. Tabers 16-2-8-17
2. Tabers 1-2-8-17
3. Killam 16-34-41-13



The total gross cost of the 3 well development program is estimated at CAD\$2.5 million (A\$2.7million). Xstate's 35% share will be CAD\$900,000 (A\$983,000). The Company anticipates a gross increase in production of 200 BOEPD which is 70 BOEPD net to Xstate. If the oil price remains above US\$80/bbl, these wells pay back the capital expenditure in less than 12 months.

Drilling Licences have been applied for with the Alberta Energy Regulator (**AER**). Once they are received, the Operator (**Blue Sky Resources**) will mobilise to drill the wells as soon as possible. Xstate anticipates a spud date of early Q1 2022 for each of the wells. The wells are considered independent of each other, and may each be drilled using separate rigs.

Xstate Executive Chairman, Andrew Childs commented: *"These four wells represent an exciting drilling program for our company. Xstate is using its existing cash and net cashflow from Canadian operations to fund high impact exploration opportunities and solid development upgrades. The drilling program will begin before the end of 2021, and continue into 2022. Additionally, this entrée into Austria gives XST access to significantly higher oil and gas prices in Europe."*

The Executive Chairman of Xstate, Mr Andrew Childs, is also a Non-Executive Director of ADX Energy. Mr Childs declared his conflict at the beginning of this process, and recused himself from all Board Meetings and decision making in relation to the Austrian opportunity.

This release was approved by the board of the Company

David McArthur

Director

Xstate Resources Limited

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About Xstate Resources Limited:

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

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.

Reporting Standards:

Reserves and resources are reported in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.

RISC Independence:

RISC has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of this report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets. RISC makes the following disclosures:

- *RISC is independent with respect to ADX and confirms that there is no conflict of interest with any party involved in the assignment;*
- *Under the terms of engagement between RISC and ADX, RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;*
- *Neither RISC Directors nor any staff involved in the preparation of this report have any material interest in ADX or in any of the properties described herein.*

RISC has conducted an independent audit of the developed Reserves and consented to the inclusion of information specified as RISC audited values in this release.

About RISC:

RISC is an independent advisory firm offering the highest level of technical and commercial advice to a broad range of clients in the energy industries, worldwide. RISC has offices in London, Perth, Brisbane and South East Asia and has completed assignments in more than 90 countries for over 500 clients and have grown to become an international energy advisor of choice.