

4 April 2022

Announcement to ASX

Electronic lodgement

CANADIAN OIL DEVELOPMENT DRILLING UNDERWAY

- First of 3 Planned Oil Development Wells spudded in Alberta
- Drilling program funded by Canadian operational cash flows
- Targeting 10% increase in oil production

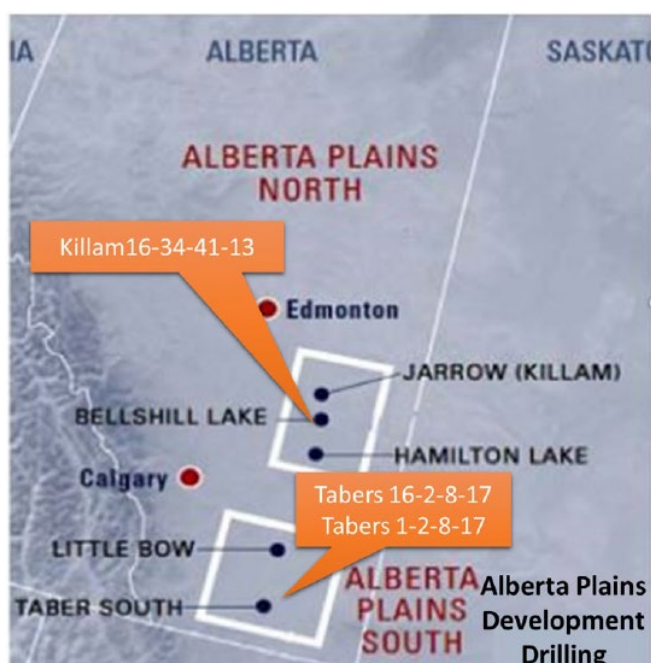
Xstate Resources Limited (**ASX: XST**) (“Xstate”, “XST” or “the Company”) is pleased to inform its shareholders and the market of the commencement of drilling the first of 3 planned oil development wells.

The Tabers 16-2-8-17 well was spudded by operator Blue Sky Resources Limited on April 2, 2022.

The well is being drilled using Bonanza Drilling Inc. Rig 3.



This is the first of 3 oil development wells that Xstate intends to participate in drilling at the Alberta Plains Asset. The drilling program will be funded from the net cash flows resulting from production in Canada.



The planned development wells are:

- | | |
|------------------------|---|
| 1. Tabers 16-2-8-17: | Targeting Proved Undeveloped Reserves |
| 2. Tabers 1-2-8-17: | Targeting Probable Undeveloped Reserves |
| 3. Killam 16-34-41-13: | Targeting Probable Undeveloped Reserves |

The wells are considered independent of each other.

The cost of the 3 well development program is estimated at A\$2.7 million (gross), which will be circa A\$945,000 net to Xstate. The operator anticipates a gross increase in production of 200 BOPD, which is 70 BOPD net to Xstate. Given the current benchmark oil price of around US\$100/bbl, these wells are projected to pay back the capital expenditure in less than 12 months.

The Alberta Plains Working Interests are:

Xstate Group (ASX:XST)	35%
Sacgasco Group (ASX:SGC)	20%
Blue Sky Resources	45%

Xstate Executive Chairman Mr Andrew Childs commented:

“These three wells represent an opportunity to increase production and revenues for Xstate during the current period of high oil prices.

The production from these wells is anticipated to supplement the 30% improvements in production rates achieved already this year from our Canadian oil and gas fields as reported in the latest Xstate Annual Report last week.

We believe further production increases are possible as our Operator Blue Sky seeks and implements field work programs”

This release was approved by the board of the Company

Andrew Childs

Executive Chairman

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 globally.