

8 April 2022

Announcement to ASX

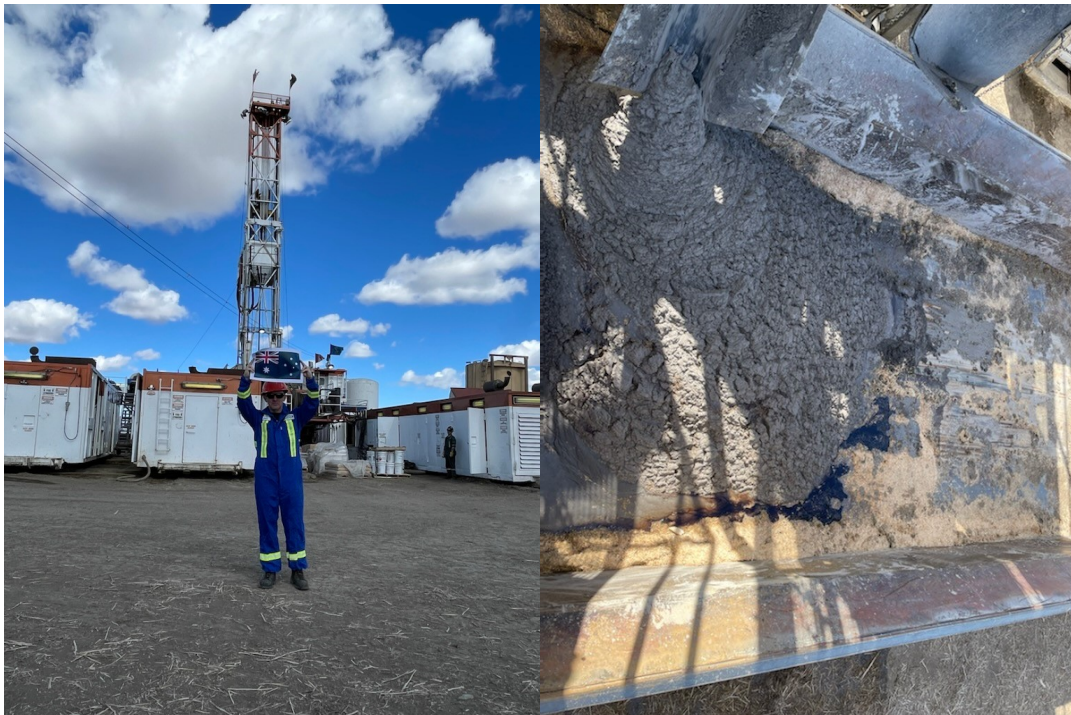
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CANADIAN DRILLING UPDATE

- First of 3 Planned Oil Development Wells Drilling completed
- Much improved comparative Drilling Performance
- Well will now be connected for production and flow test
- Drilling program funded by Canadian cashflow
- Rig moving to 2nd Oil Development Well
- Targeting 10% increase in oil production from 3 well program

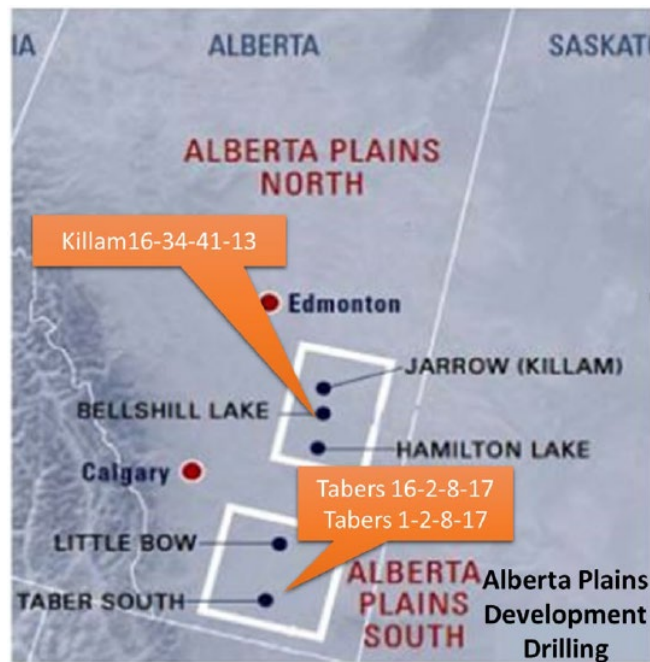
Xstate Resources Limited (**ASX: XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to provide its shareholders and the market with an update on the planned oil development wells.

The first well, Tabers 16-2-8-17, has been drilled to Total Depth of 1729m including over 500m of near horizontal lateral which was drilled within the oil column. Free oil was observed in the mud pits (image below). The well will now be connected for production at which time we will have an Initial Oil Production rate.



The Bonanza #3 drilling rig is being moved to the second well in the program, the Taber 1-2-8-17 well.

The drilling program will be funded from the net cashflow resulting from production in Canada.

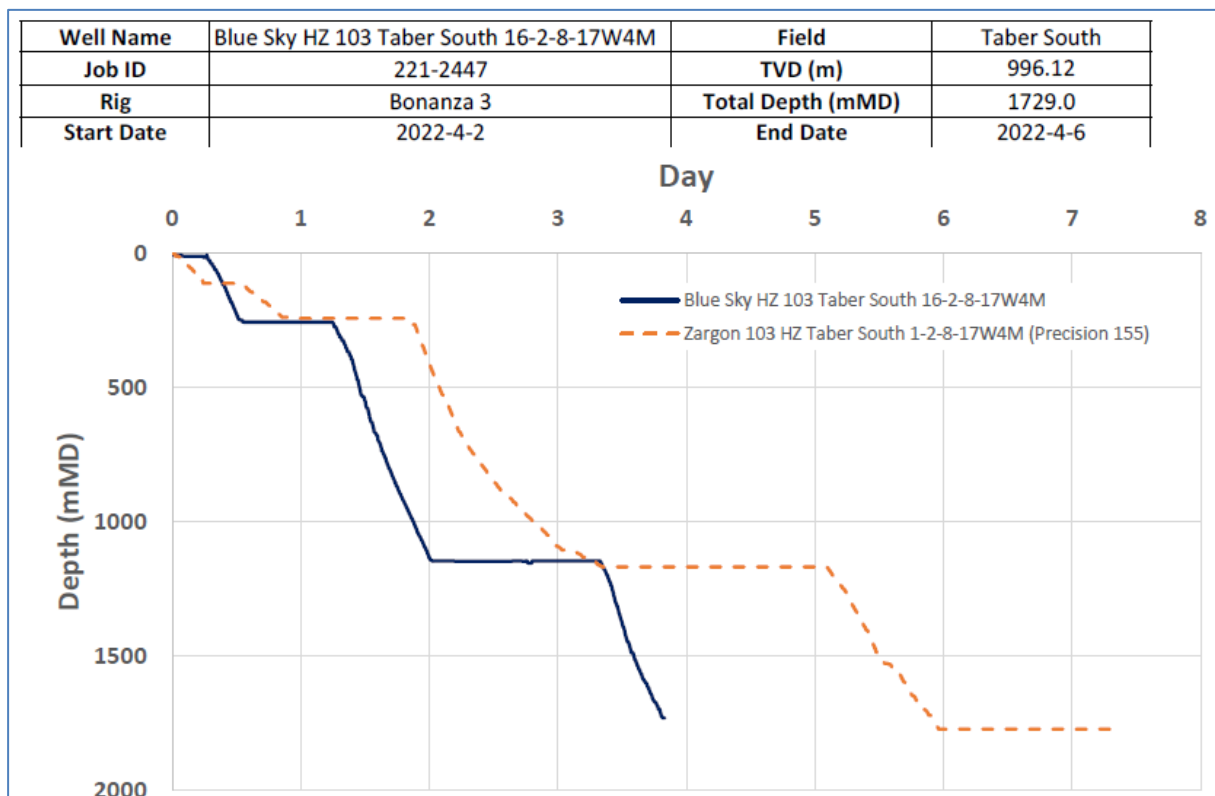


The planned development wells are:

- | | |
|------------------------|--|
| 1. Tabers 16-2-8-17: | Drilled to Produce 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 first well was drilled in a timely fashion and within budget. The much improved comparative well drilling performance by the Blue Sky and Bonanza teams is illustrated in the graph below:



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.

It is pleasing to report that the drilling of the first well was drilled ahead of schedule and has to date delivered the expected results. We congratulate the Operator, Blue Sky and the Bonanza Drilling and service provider team on the performance.

We look forward to reporting the commencement of production from this well.

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.