



ABN 96 009 217 154

29 April 2022

Announcement to ASX

Electronic lodgement

MARCH 2022 QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

- **Total net production** from Canadian assets (before Royalty) of **44,052 BOE**, an increase from the last quarter
- **2 development wells successfully drilled** in the Alberta Plains asset with a third planned for the next quarter
- Farmin to 20% of Austrian exploration well, **Anshof-3, delivers an oil and gas discovery** with production resulting in a **clean oil flow of 75 barrels of oil per day gross**

Xstate Resources Limited (**ASX:XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to provide the Quarterly Activities Report for the quarter ending 31 March 2022.

CHAIRMAN'S COMMENT

Mr Andrew Childs, Executive Chairman commented; *"The March Quarter of 2022 has seen the company capitalise on the strong foundation we have set. Through our joint venture participation we have increased our production in Canada, drilled two Canadian production wells, and drilled a successful exploration well in Austria. Post the end of the quarter, the Austrian well, Anshof-3, flowed clean oil at 75 barrels per day gross (XST share 15 barrels of oil per day) and our production from our Canadian assets is currently circa 570 barrels of oil equivalent per day."*

CANADA: RED EARTH (25% WI) AND ALBERTA PLAINS (35% WI)

This quarter saw increased production and revenue in Canada. Xstate's March quarter share of production from the Company's Canadian assets was 44,052 BOE, which delivered total net operating receipts for the quarter of A\$933,000 (this includes \$464,000 that was received shortly after quarter end).

The focus for Xstate's Canadian assets remains optimizing and increasing production and cashflow in this strong oil price environment. Two wells of the three well development drilling program at Alberta Plains were successfully completed during the quarter, and will be brought on line in the June quarter. The third development well will also be drilled in the June quarter. Xstate's 35% share of the 3 well drilling program will be CAD\$900,000 (A\$1,008,000), and appears to be on budget. The Company anticipates a gross increase in production of 200 BOEPD in total from all 3 wells, which is 70 BOEPD net to Xstate. Should the oil price remain above US\$100/bbl, these wells pay back the capital expenditure in under 12 months. It is currently expected that the optimisation program will be funded entirely from the operating cashflow.

XST share of Oil and Gas production in Canada	March Quarter 2022	December Quarter 2021
Gross Sales BOE*	44,052	41,509
Net XST BOE (after Royalty)	38,391	36,124

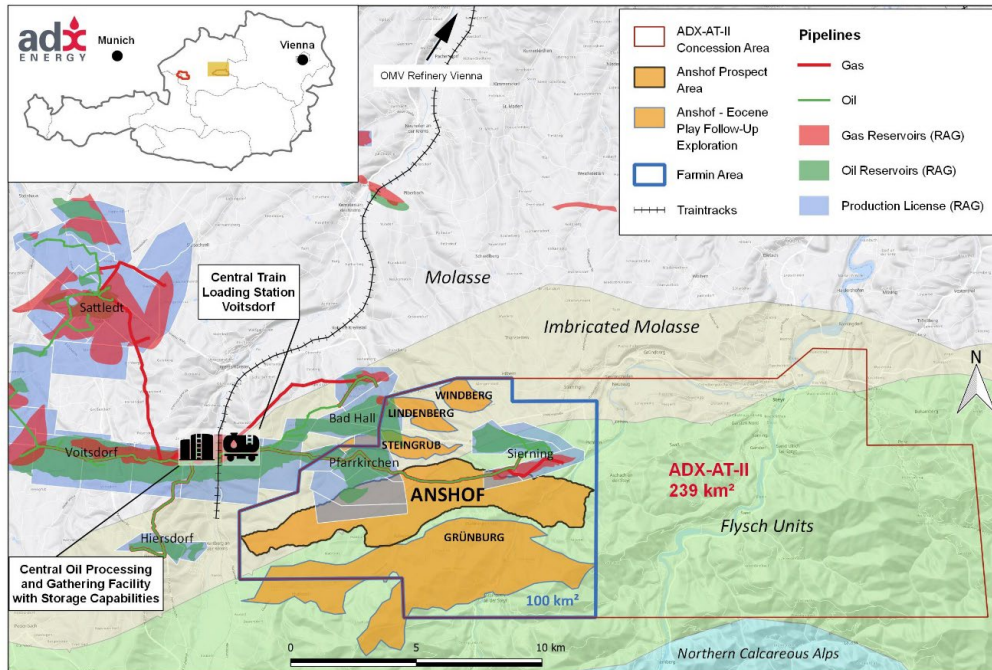
*barrels of oil equivalent (BOE) - gas converted to BOE using a 6:1 ratio



Xstate's Producing Assets in Canada

AUSTRIA: ANSHOF-3 EXPLORATION WELL (XST:20% WI)

During the quarter, the Operator (ADX Energy) announced that the Anshof-3 exploration well had intersected gas and oil pay on wireline logs and was a hydrocarbon discovery. The Anshof Prospect is situated in the eastern margin of the Molasse Basin and is a thrust anticline defined on 3D seismic. Xstate has earned a 20% working interest in the Anshof Prospect Area.



Anshof Prospect Map

The results of the Anshof-3 exploration well were:

- Oil interpreted across a gross interval of 9m at the primary Eocene oil target of which approximately 2.5 to 4m is expected to be productive net pay zone;
- Gas interpreted across a 20m gross interval of laminated sand and shale reservoirs within

The reservoir characteristics across the oil and gas intervals are analogous to productive zones encountered in nearby wells providing further confidence in the interpretation of drilling and logging results.

The well was cased and cemented with 7 inch casing to the total depth of 2,499m utilising the RED Drilling & Services GmbH E-200 rig (RED rig) which has subsequently been demobilised.

Subsequent to the end of the quarter, the Eocene oil zone was tested and produced oil to surface at an approximate rate of 75 barrels of oil per day (gross), which is 15 barrels of oil per day net to Xstate. The well has been shut in to record a pressure build up which is expected to provide further information in relation to the continuity of Eocene oil reservoirs around the well.

Well productivity was within expectation for the relatively thin column encountered at the crest of the Anshof structure. Oil rates in subsequent appraisal wells planned on the Eastern flank of the structure where the Eocene reservoirs are expected to thicken and are likely to result in significantly higher production rates.



Photograph of Anshof-3 Production Test

The well flowed without any acidization, which is usually required to overcome reservoir damage from drilling. Acidization in offset wells has resulted in substantial increases in production rates. Planning has already commenced to install a pump in the well and a early production testing system so that commercial oil sales can commence. Eocene oils produced in the area typically have a low gas oil ratio and require pumping. It is likely that the well will be acidized ahead of production with a view to enhancing oil rates from the well. The 32° API oil can be delivered for sale by truck to a nearby oil terminal prior to securing a production license for the entire Anshof discovery.

CALIFORNIA: BORBA NATURAL GAS DRILLING (XST WI 33.33%)

Evaluations to monetise the previously reported Borba gas discovery continued with review of alternative developments and monetization of the Borba gas discovery. These include electricity production for an onsite data centre, hydrolysis of natural gas for Hydrogen generation for the local transport market or other means of transporting the gas molecules to local markets. Permitting of onsite facilities is being initiated.

CALIFORNIA: SACRAMENTO BASIN PRODUCTION (VARIOUS WIs)

The Company continued to maintain leases in the Sacramento Basin during the quarter. Xstate has working interests (WI) of between 10% and 33% in oil and gas leases. In addition to our existing Sacramento Basin production, the Company is investigating workover and exploration opportunities to take advantage of the current high gas prices in California.

Oil and Gas production in California (mcf*)	March Quarter 2022	December Quarter 2021
Gross Gas	32,169	31,333
Net XST (after Royalty)	3,112	3,123
<i>Note: mcf = Thousand Cubic feet gas</i>		

XSTATE TENEMENT LISTING (as at 31 March 2022)

XSTATE RESOURCES LIMITED – TENEMENT LIST		
Project name	Category	Working Interest (WI)
Anshof 3 Farmin	Austria – Exploration	20%
Alvares Project	California – Appraisal	25%
Dempsey 1-15 Well	California – Exploration & Appraisal	10%
Borba	California – Exploration & Appraisal	33%
Rancho Capay Field	California – Production	10%
Malton field	California – Production	30%
East Rice East Creek Field	California – Production	10%
Los Medanos Gas Field	California – Production	10%
Dutch Slough Field	California – Production	30%
Red Earth	Canada – Production	25%
Alberta Plains	Canada – Production	35%

APPENDIX 5B DISCLOSURES

ASX Listing Rule 5.4.1: Exploration expenditure during the quarter totalled \$768k. This comprises \$658k in respect of exploration drilling in Austria on the Anshof-3 well and \$110k in respect of ongoing Californian exploratory assessment operations.

ASX Listing Rule 5.4.2: Production expenditure payments for Canadian oil and gas operations during the quarter were \$nil.

ASX Listing Rule 5.4.5: Payments to related parties totalled \$15k. These were in respect of Directors' salaries and superannuation payments.

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:XST) is an ASX listed company focused on the oil and gas sector. The Company has existing oil and gas assets located in the California in the United States of America, Alberta in Canada and Austria. Xstate is presently pursuing new opportunities in the oil and gas sector onshore North America and around the world.

Leases:

US, Canadian and Austrian exploration is conducted on leases granted by Mineral Right owners, including the respective Governments and private individuals or groups. Leases can vary in size from very small parcels (part of an acre) to large landholdings (covering a few square miles). Leases generally are for 5 years and rentals are paid annually. There are no firm work commitments associated with the leases. Some leases are 'Held By Production' (HBP) and royalties are paid to mineral right owners in lieu of rentals. SGC has not listed all its leases as it is impractical and not meaningful for potential project value assessment in a conventional natural gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to XST shareholders.

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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Xstate Resources Limited

ABN

96 009 217 154

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	469	469
1.2	Payments for		
	(a) exploration & evaluation	(768)	(768)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(22)	(22)
	(e) administration and corporate costs	(42)	(42)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(363)	(363)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	(1,775)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(5)	(5)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(5)	(5)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	723	723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(363)	(363)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5)	(5)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	Cash and cash equivalents at end of period	352	352

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	352	723
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	352	723

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	15
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(363)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + Item 8.2)	(363)
8.4 Cash and cash equivalents at quarter end (item 4.6)	352
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	352
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.97
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: No. Operating cash outflows from the March quarter included \$768k in exploration costs as drilling of the Anshof-3 well in Austria was completed. Minimal costs are budgeted for Q2 for well testing at Anshof-3, reducing exploration spend. Should sustained high oil prices be observed, it would indicate that continued revenues from As of the date of release of this document, a further C\$424k has been received from Canadian production. Canadian assets should provide sufficient working capital to fund working capital costs in Q2 and minimal exploration expenditure budgeted.	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: No. As noted above, it is expected that cash flows from the Canadian operations will support the working capital requirements.	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. On the basis of the information above that continued oil revenues from Canada will provide sufficient cash flow for planned operations moving forward.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2022

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.