



ABN 96 009 217 154

28 April 2023

Announcement to ASX

Electronic lodgement

2023 MARCH QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

- Total net production from Canadian assets (before Royalty) of 44.1 thousand barrels of oil equivalent (BOE)
- Acquisition of 2 oil wells, 10,240 gross acres and 10 drillable prospects adjacent to Red Earth assets in Canada
- Anshof-3 producing at 110 BOPD (22 BOPD net to Xstate)
- Anshof oil field production license awarded by Austria's Ministry of Finance

Xstate Resources Limited (**ASX:XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to provide the Quarterly Activities Report for the quarter ending 31 March 2023.

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

Xstate's March quarter share of production from the Company's Canadian assets was 44,149 boe, with net operational receipts for the quarter totaling A\$286k, which is consistent with last quarter.

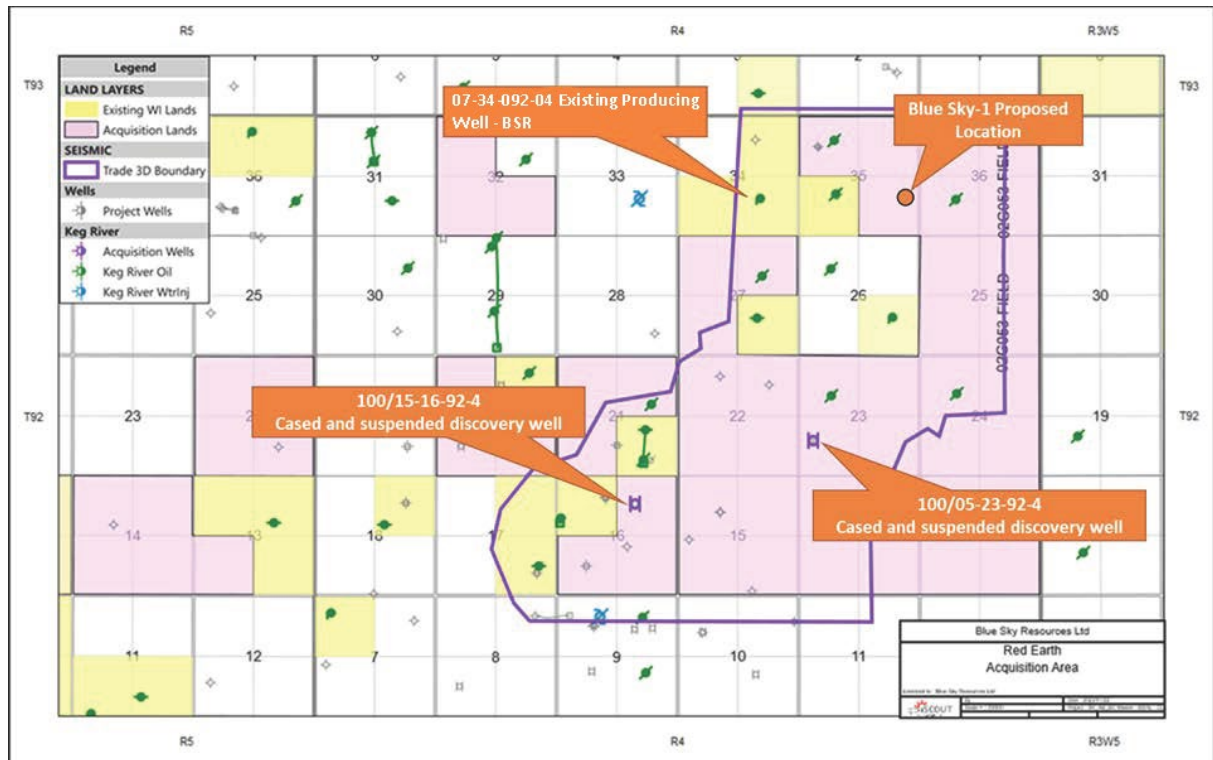
During the quarter, Xstate acquired a 25% working interest in 10,240 gross acres (16 sections) for C\$750,000 (C\$293/ac) from Blue Sky Resources (BSR).

The acquisition includes:

1. 10,240 gross acres of unencumbered crown land with no rehabilitation liabilities.
2. 2 wells that had been drilled and completed but had not been put into production.
3. 10 Keg River prospects within the acreage with similar technical characteristics to the existing discoveries and fields in the region identified on a 30km² 3D seismic survey acquired by ConocoPhillips in 2002.

An additional payment of C\$66,250 per well is payable should either of the 2 discovery wells produce at a rate greater than 100 BOPD each for a period of more than 45 days when production recommences ("**Contingent Success Payments**").

The acquisition and the exploration drilling was funded from existing cash balance and cash flows from our Canadian assets.



Location of Acquired Wells and Leases - shown in Pink - with existing Red Earth leases in Yellow, and 3D seismic outline in Purple.



Aerial View of Xstate's new oil well and production facilities



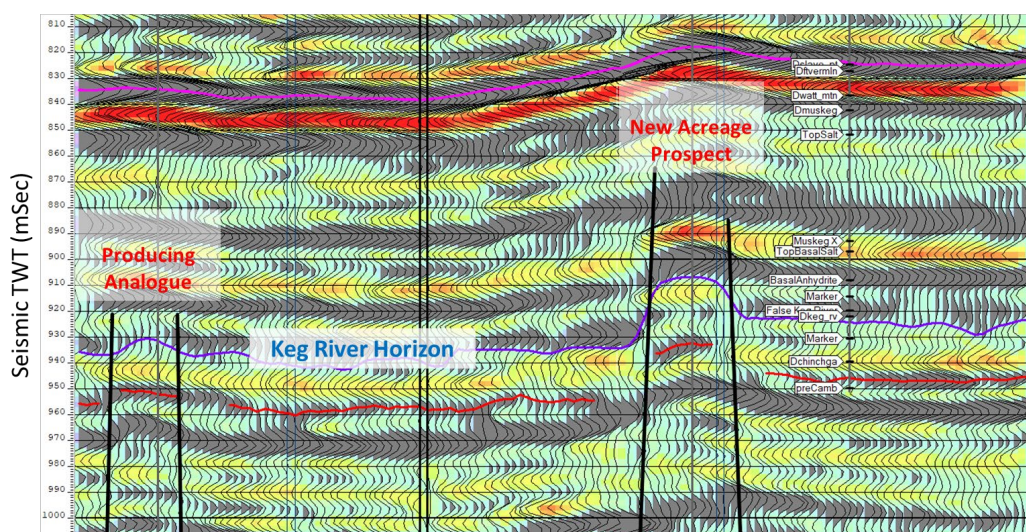
Pump Jack on new oil well



1000 Barrel Storage Tanks at one the new wells

The acquired acreage is immediately adjacent to our South Senex property at Red Earth. The leases are covered by a ConocoPhillips 2002 acquired 3D seismic survey covering some 30km². Only 2 wells have been drilled on the leases since the 3D was acquired, and both intersected oil in the Keg River Limestone. Initial mapping by the Operator, BSR, has identified a further 10 prospects on the leases, all showing seismic and structural characteristics similar to existing discoveries and fields in the region at the Keg River stratigraphic level.

2002 3D Seismic Survey Showing New Prospect



Selected seismic line over newly acquired prospect

Subsequent to the end of the quarter, the 2 production wells were brought online, and most recently, the Operator reported production (3-day average) from the two new oil producers was 170 BOPD gross (43 BOPD net to Xstate). The wells are constrained by water production, which must be trucked in the early days. Rates are expected to improve in the coming months.

With this incremental production increase, Xstate's total daily production from its Canadian assets is 534 BOEPD (Net).

XST share of Oil and Gas production in Canada	March Quarter 2023	December Quarter 2022
Gross production boe*	44,149	43,938

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

As identified during the September 2022 Quarterly Report, the Operator, Blue Sky Resources, is undertaking a significant reactivation program, the results of which should begin to be visible in the next quarter.

Xstate's Producing Assets in Canada



AUSTRIA: ANSHOF OIL PROJECT (20% WI)

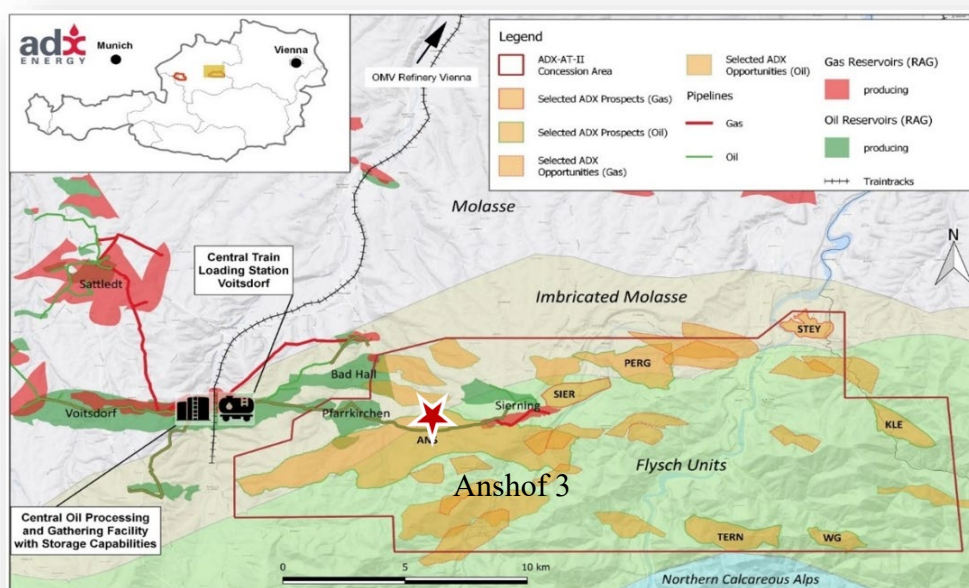
During the quarter, a production licence was awarded by the Austrian Ministry of Finance for the Anshof Oil Field. Anshof-3 production continued through the quarter at a stable rate of 110 BOPD gross (22 BOPD net to Xstate) over 84 production days.

Anshof-3 oil production performance continues to exceed expectations with strong pressure support and deliverability. Water free production of 33-degree API crude oil has been maintained. Crude oil quality continues to meet all the required specifications of the transporter and the buyer (OMV refinery near Vienna). Limited crude oil storage capacity at the Anshof-3 well site continues to cause unintended production interruptions. The Operator ADX Energy has procured additional storage vessels (2x50m³) to mitigate this limitation. The first additional tank is planned to be installed and in operation in June 2023 with the additional storage enabling oil production to be increased up to approximately 150 BOEPD.

XST share of Oil and Gas production in Austria	March Quarter 2023	December Quarter 2022
Gross production (bbls)	1,988	1,297



The Anshof -3 producing well and early production unit as well as the nearby concrete foundations for the Anshof-2 and Anshof-1 development wells



Location Map of Anshof 3

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

Evaluations to monetize the previously reported Borba gas discovery continued with review of alternative developments, 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 2023	December Quarter 2022
Gross Gas	29,283	37,303
Net XST (after Royalty)	3,745	5,204
<i>Note: mcf = Thousand Cubic feet gas</i>		

XSTATE TENEMENT LISTING

XSTATE RESOURCES LIMITED –TENEMENT LIST			
Project name	Region	Category	Working Interest (WI)
Anshof 3 Farmin	Austria	Exploration	20%
Alvares Project	California	Appraisal	25%
Dempsey 1-15 Well	California	Exploration & Appraisal	10%
Dempsey Trend - (Includes Borba)	California	Active leasing 3 large prospects	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%

NEW VENTURES

During the quarter, Xstate continued its review of new venture opportunities. The Company is pursuing high impact exploration and development opportunities that can be acquired by leveraging off our strong cashflow.

LISTING RULE 5 DISCLOSURES

LR 5.4.1: Exploration expenditure during the quarter totalled \$20k. This is comprised entirely of ongoing exploration operations in California.

LR 5.4.3: Production expenditure payments for Canadian Oil and Gas operations during the quarter were \$nil.

LR 5.4.5: Payments to related parties totalled \$38k. 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

Tel Office: +61 8 9435 3200

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 and Canadian 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 2023

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	286	286
1.2	Payments for		
	(a) exploration & evaluation	(20)	(20)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(42)	(42)
	(e) administration and corporate costs	(68)	(68)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(4)	(4)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	158	158

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	(820)	(820)

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	(820)	(820)
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	-	-
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	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	813	813
4.2	Net cash from / (used in) operating activities (item 1.9 above)	158	158
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)	-	-

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	2	2
4.6	Cash and cash equivalents at end of period	153	153

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	153	813
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)	153	813

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	38
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	158	
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(20)	
8.3	Total relevant outgoings (item 8.1 + Item 8.2)	138	
8.4	Cash and cash equivalents at quarter end (item 4.6)	153	
8.5	Unused finance facilities available at quarter end (item 7.5)	-	
8.6	Total available funding (item 8.4 + item 8.5)	153	
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A	
<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:			
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:			
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:			
<i>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.</i>			

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: 28 April 2023

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.