



ABN 96 009 217 154

31 July 2023

Announcement to ASX

Electronic lodgement

2023 JUNE QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

- Total net production from Canadian assets (before Royalty) of 38,378 barrels of oil equivalent (boe)¹
- Xstate divests marginal Canadian asset for cash
- Anshof-3 producing consistently with a total of 2,088 (net) produced during the quarter

Xstate Resources Limited (**ASX:XST**) (**Xstate, XST or the Company**) is pleased to provide the Quarterly Activities Report for the quarter ending 30 June 2023.

CHAIRMAN'S COMMENT

"Cashflow for the quarter was relatively stable, however, the recently announced disposal of our 35% interest in the Alberta Plains asset² will see the Company bank net funds of approximately A\$1,200,000. The Alberta Plains asset was experiencing ongoing operational issues that affected profitability but the reserves were still valuable and the sale will allow us to focus on our more productive assets and fund our ongoing search for new ventures. These funds, in addition to our receivables from Austria should improve our balance sheet by nearly A\$1.5m during this quarter."

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

Canadian production for the June quarter totaled 38,378 boe comprising:

- i) Red Earth 18,942 bbl
- ii) Alberta Plains 19,436 boe

Operational costs increased unexpectedly however leaving the Company with no net income for the quarter from these assets.

Canadian Production update

Following the sale of the Alberta Plains assets, Xstate's total daily production from its Canadian assets will total ~225 BOPD (Net).

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

² See ASX Announcement dated 19 July 2023

Asset Sale

Subsequent to the end of the quarter, the Company announced a sale of its Alberta Plains project (XST 35% WI) for net proceeds of approximately A\$1,200,000.

Albert Plains Assets sold for A\$1.2m



Figure 1: Xstate's Producing Assets in Canada

Canadian Tax Refund

The Company has been advised that it is due a tax refund for a total of CAD123,000 as a result of overpayment of instalments paid to the Canadian authorities during FY22 against the Company's finalized income tax return. These funds are expected to be received during the 3rd quarter of 2023.

AUSTRIA: ANSHOF PRODUCTION (XST:20% WI)

Activity during the quarter was subdued however production remained consistent and the well produced a gross total of 10,440 bbls during the quarter (100% Gross, 2,088 net to XST) giving the Company total share of production of 4,076 for the year to date. The Company has accrued and unpaid revenue of circa €66,000 that it expects to receive in the near future.

Whilst the Anshof -3 well is currently producing a steady average of 124 BOPD gross (25 BOPD net to Xstate) this flow has been constrained by storage issues. The Operator advises that it intends to increase production to 135bbl per day (27bbl net to XST) once the newly installed oil storage tank is commissioned.

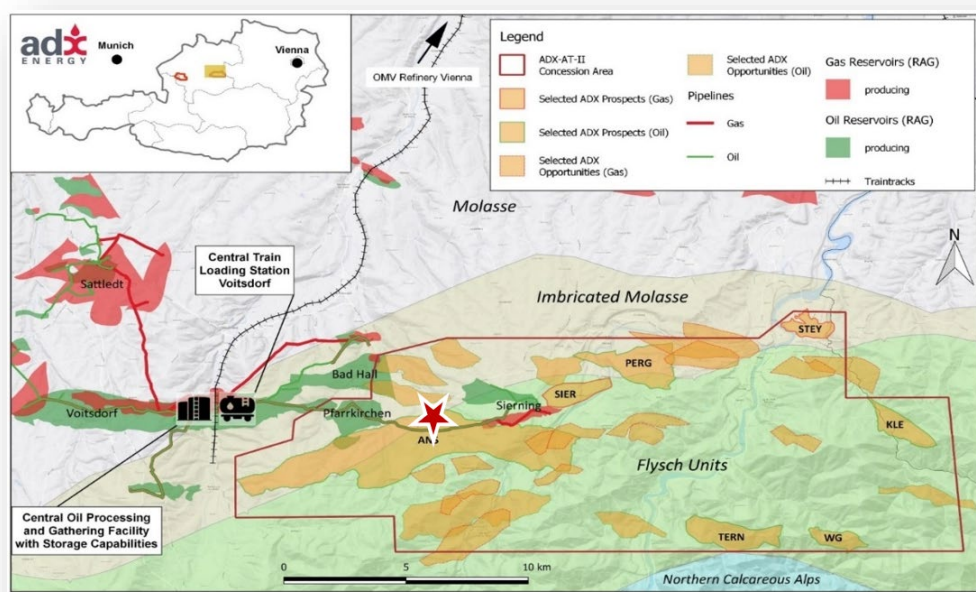


Figure 2: Location Map of Anshof 3

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

There were no changes to the California assets and evaluations to monetize the 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.

CALIFORNIA: SACRAMENTO BASIN PRODUCTION (VARIOUS WIs)

No changes to the Sacramento project with the Company maintaining its 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*)	June Quarter 2023	Mar Quarter 2023
Gross Gas	29,179	29,283
Net XST (after Royalty)	3,682	3,745

Note: mcf = Thousand Cubic feet gas

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% (Sold 19 Jul 2023)

NEW VENTURES

The Company continues to look for new high impact exploration and development opportunities.

LISTING RULE 5 DISCLOSURES

LR 5.4.1: Exploration expenditure received during the quarter totalled \$84k. This is due to a net refund of unutilized cash calls.

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 \$11k. 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 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")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	286
1.2	Payments for		
	(a) exploration & evaluation	84	64
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(8)	(50)
	(e) administration and corporate costs	(96)	(160)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	(4)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(19)	139

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)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)

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	(14)	(14)
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	(14)	(14)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	153	813
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(19)	139
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)	(14)	(14)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(2)	-
4.6	Cash and cash equivalents at end of period	118	118

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	118	153
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)	118	153

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	11
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)	(19)	
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)	(19)	
8.4	Cash and cash equivalents at quarter end (item 4.6)	118	
8.5	Unused finance facilities available at quarter end (item 7.5)	-	
8.6	Total available funding (item 8.4 + item 8.5)	118	
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.21	
	<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: 31 July 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.