



# RE-COMPLIANCE PROSPECTUS

## XSTATE RESOURCES LIMITED ACN 009 217 154

For an offer of 100 million fully paid ordinary shares in the capital of the Company (**Shares**) at an issue price of \$0.02 each to raise a minimum of \$2.0 million (**Minimum Subscription**) and up to a maximum of 150 million Shares to raise up to \$3.0 million before costs (**Maximum Subscription**) (**Offer**).

The Offer includes a priority offer to Eligible Xstate Shareholders of \$1.0 million worth of Shares under the Offer (**Priority Offer**).

The Offer is scheduled to close at 5.00pm (WST) on 24 July 2025 unless extended or withdrawn.

The Offer is conditional upon satisfaction of the Offer Conditions, which are detailed further in Section 6.1. No Shares will be issued pursuant to this Prospectus until those Offer Conditions are met.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in scale of the Company's activities.

### Joint Lead Managers



PAC Partners Securities Pty Ltd



BW Equities Pty Ltd

### IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If, after reading this Prospectus, you have any questions about the Shares being offered under this Prospectus or any other matter, you should consult your stockbroker, accountant, solicitor or other professional adviser.

The Shares offered by this Prospectus should be considered highly speculative.

# IMPORTANT NOTICES

## General

This Prospectus is dated 26 June 2025 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The ASIC, ASX Limited (**ASX**) and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary.

## Expiry Date

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## No Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking into account your financial and investment objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

## Risks

There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a highly speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Some of the risks that investors and their professional advisors should consider before deciding whether to invest in the Company are set out in Section 8 of this Prospectus. There may be additional risks to those that should be considered in light of your personal circumstances.

## No Cooling Off Period

Cooling off rights do not apply to an investment in Shares issued under this Prospectus. That means, in most circumstances, you cannot withdraw your Application once it has been accepted.

## Change in scale of activities and re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company's proposed acquisition from Elixir Energy of a 51% interest in the Diona Project (**Acquisition**) will constitute a significant change in the scale of the Company's operations that requires, pursuant to ASX Listing Rules 11.1.2 and 11.1.3:

- a) the approval of Shareholders, which approval is being sought at the general meeting proposed to be held on or about 28 July 2025 (**General Meeting**) (refer to notice of meeting released on the ASX on 26 June 2025 (**Notice of Meeting**)); and
- b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

The Company expects that the completion of the Offer made pursuant to this Prospectus and the Acquisition will enable the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

The Company's Shares are currently suspended from quotation on ASX and will remain suspended until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules (**Re-compliance**).

## Conditional Offer

The Offer contained in this Prospectus is subject to the following conditions (**Offer Conditions**):

- the Company's Shareholders approving the Re-compliance Resolutions at the General Meeting;
- the Company raising the Minimum Subscription, being \$2.0 million, under the Offer;
- ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules subject to conditions acceptable to the Company (acting reasonably) which, when satisfied, will result in Reinstatement; and
- the Acquisition Agreement becoming unconditional (other than for completion of the Offer).

If any of the Offer Conditions is not satisfied, then the Offer will not proceed, and the Company will repay all application monies received under the Offer (without interest) in accordance with the Corporations Act. See Section 6.1 for further details on the Offer Conditions.

## Consolidation

The Company is seeking Shareholder approval at the General Meeting to undertake a consolidation of its issued capital on a 2.23:1 basis (**Consolidation**). Unless stated otherwise, all references to Securities in this Prospectus are on a post-Consolidation basis.

## Electronic Prospectus and Application Form

A copy of this Prospectus can be downloaded from the website of the Company at [www.xstateresources.com.au](http://www.xstateresources.com.au). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, such Application Form was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## Geographic Restrictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

This Prospectus does not constitute an offer of Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

#### **Qualified Evaluator Statements**

Refer to the Independent Technical Specialist Report in Schedule 3 for Qualified Evaluator Statements in relation to the Technical Information and Prospective Resources referred to in this Prospectus.

This Prospectus contains statements attributable to third parties. These statements are made or based upon statements made in previous technical reports that are publicly available from either government departments or the ASX. The authors of these previous reports have not consented to the statements' use in this Prospectus, and these statements are included in accordance with ASIC Corporations (Consents to Statements) Instrument 2016/72.

#### **Forwarding-looking Statements**

This Prospectus may contain forward-looking statements, which may be identified by words such as "may", "could", "believes", "estimates", "expects" or "intends" and other similar words that connote risks and uncertainties. Certain statements, beliefs, and opinions contained in this Prospectus, in particular those regarding the possible or assumed future financial or other performance, industry growth or other trend projections are only predictions and subject to inherent risks and uncertainties. No financial forecasts have been prepared by the Company.

Except as required by law, and only to the extent so required, neither the Company, its Directors nor any other person gives any assurance that the results, performance or achievements expressed or implied by any forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. Any forward-looking statements are subject to various risk factors, many of which are beyond the control of the Company and its Directors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

The business, financial condition, operating results and prospects of the Company may change after the date of this Prospectus. You should be aware that past performance is not indicative of future performance. Any new or change in circumstances that arise after the date of this Prospectus will be disclosed by the Company to the extent required, and in accordance with, the Corporations Act.

Forward looking statements should be read in conjunction with risk factors set out in Section 8 and other information in this Prospectus.

This Prospectus, including the Independent Technical Specialist Report in Schedule 3, uses market data and third-party estimates, assumptions and projections. There is no assurance that any of the third-party estimates, assumptions or projections contained in this information will be achieved. The Company has not independently verified this information.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

#### **No Reliance**

No person is authorised to give any information or to make any representation in connection with the Offer in this Prospectus which is not contained in the Prospectus or incorporated by reference. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

#### **Privacy**

If you apply for Shares, you must provide personal information to the Company, the Share Registry, and Joint Lead Managers. The Company, the Share Registry and the Joint Lead Managers will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. If you do not provide the information requested in the Application Form, the Company, the Share Registry and the Joint Lead Managers may not be able to process or accept your Application.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of Shares held) in its public register of members. The information contained in the Company's register of members, must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payment, communicate financial results and annual reports and other information that the Company may wish to communicate to its Shareholders, together with any requirements to comply with legal and regulatory requirements.

In submitting an Application, you agree that the Company, the Share Registry and the Joint Lead Managers may communicate with you in electronic form or contact you by telephone in relation to the Offer. Under the Privacy Act, you may request access to your personal information held by the Company, the Share Registry and the Joint Lead Managers by contacting the Company Secretary by post to the Company's registered office or by email to [companysecretary@xstateresources.com.au](mailto:companysecretary@xstateresources.com.au).

#### **Website**

The Company's website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus.

#### **Photographs and Diagrams**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

#### **Defined Terms**

Unless the contrary intention appears, or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 12.

#### **Financial Amounts**

All financial amounts contained in this Prospectus are expressed in Australian dollars (Australian dollars or \$), unless otherwise stated. Any discrepancies between totals and sums of components in figures and tables contained in this Prospectus are due to rounding.

**Time**

All references to time in this Prospectus are references to Australian Western Standard Time.

**Enquiries**

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer, please call the Company's Share Registry, on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia), or email at [corporate.actions@automicgroup.com.au](mailto:corporate.actions@automicgroup.com.au).

# CORPORATE DIRECTORY

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## Directors

Andrew Childs – Non-Executive Chairman  
Andrew Bald – Managing Director  
Greg Channon – Non-Executive Director

## Company Secretary

Jordan McArthur

## Registered office

Level 1,  
31 Cliff Street,  
Fremantle, WA 6160

## Principal Place of Business

Level 1,  
31 Cliff Street,  
Fremantle, WA 6160

Telephone: +61 8 9435 3200  
Email: [companysecretary@xstateresources.com.au](mailto:companysecretary@xstateresources.com.au).  
Website: [www.xstateresources.com.au](http://www.xstateresources.com.au)

## ASX Code

XST

## Joint Lead Managers

PAC Partners Securities Pty Ltd  
Level 29/360 Collins St  
Melbourne VIC 3000

BW Equities Pty Ltd  
Level 30/360 Collins St  
Melbourne VIC 3000

## Share Registry\*

Automic Pty Ltd  
Level 5, 191 St Georges Terrace  
Perth, WA 6000  
Telephone: 1300 288 664 (within Australia)  
+61 2 9698 5414 (outside Australia)  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)  
Website: [www.automicgroup.com.au](http://www.automicgroup.com.au)

## Re-compliance Solicitors

EMK Lawyers Pty Ltd  
Unit 1, 519 Stirling Highway  
Cottesloe WA 6011

## Independent Solicitors

McCullough Robertson  
Level 11/66 Eagle St  
Brisbane City QLD 4000

## Investigating Accountant

BDO Corporate Finance Australia Pty Ltd  
Level 9, Mia Yellagonga Tower 2  
5 Spring Street,  
Perth, WA 6000

## Independent Technical Specialist

Calan McIntyre  
10 Keightley Road East  
Shenton Park WA 6008

## Auditor\*

BDO Audit Pty Ltd  
Level 9, Mia Yellagonga Tower 2  
5 Spring Street,  
Perth, WA 6000

\*This entity has been included for information purposes only.  
They have not been involved in the preparation of this  
Prospectus.

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SCHEDULE 1 INDEPENDENT LIMITED ASSURANCE REPORT

SCHEDULE 2 INDEPENDENT SOLICITOR'S REPORT

SCHEDULE 3 INDEPENDENT TECHNICAL SPECIALIST REPORT

APPLICATION FORM

# 1. KEY OFFER INFORMATION

## 1.1 Important Dates

Event	Date
Lodgement of Prospectus with the ASIC	26 June 2025
Priority Offer Record Date <sup>(1)</sup>	5:00pm 27 June 2025
Opening Date of the Offer	3 July 2025
Closing Date of the Offer	5:00pm 24 July 2025
General Meeting to approve the Re-compliance Resolutions	28 July 2025
Issue of Shares (completion of Offer) and Completion of the Acquisition	31 July 2025
Expected date for Reinstatement	13 August 2025

<sup>(1)</sup> Eligible Xstate Shareholders as at the Priority Offer Record Date will have priority to \$1.0 million of the Offer.

The above dates are indicative only and may change without notice. The Company reserves the right to amend the indicative timetable, including by closing the Offer early or extending the Closing Date or accepting late applications, without prior notice, subject to the requirements of the Listing Rules and the Corporations Act. The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to Applicants. The re-instatement of the Company's Shares to quotation on the ASX is subject to confirmation from ASX in its absolute discretion.

## 1.2 Key Offer Statistics

Item	Minimum Subscription \$2.0 million	%	Maximum Subscription \$3.0 million	%
Issue price per Share under the Offer <sup>(1)</sup>	\$0.02		\$0.02	
Existing Shares on issue pre-Consolidation	321,519,150		321,519,150	
Existing Shares on issue at date of Prospectus (post-Consolidation)	144,178,992	59%	144,178,992	49%
Total number of Shares offered under the Offer	100,000,000	41%	150,000,000	51%
<b>Total number of Shares on issue at completion of the Offer <sup>(2)</sup></b>	<b>244,178,992</b>	<b>100%</b>	<b>294,178,992</b>	<b>100%</b>
<b>Indicative undiluted market capitalisation at completion of the Offer <sup>(3)</sup></b>	<b>\$4,883,580</b>		<b>\$5,883,580</b>	
Existing Options on issue pre-Consolidation <sup>(4)</sup>	14,750,000		14,750,000	
Existing Options on issue post-Consolidation <sup>(4)</sup>	6,614,350	31%	6,614,350	21%
Proposed Lead Manager Options <sup>(5)</sup>	15,000,000	69%	25,000,000	79%
<b>Total number of Options on issue at completion of the Offer</b>	<b>21,614,350</b>		<b>31,614,350</b>	
Cash proceeds to be received under the Offer (before Costs of the Offer)	\$2,000,000		\$3,000,000	
Ownership by investors under the Offer at completion of the Offer	41%		51%	

Notes:

(1) Shares may not trade at this price upon completion of the Offer.

(2) Assumes no Existing Options are exercised before completion of the Offer.

(3) Based on the Offer issue price and the total number of Shares on issue on completion of the Offer. Assumes no Existing Options are exercised.

(4) Existing unquoted Options on issue with an exercise price of \$0.03 each on a pre-Consolidation basis (\$0.067 each on a post-Consolidation basis) and an expiry date of 30 June 2026. Refer to Section 10.3 of this Prospectus for details.

(5) Unquoted Lead Manager Options with an exercise price of \$0.04 each (on a post Consolidation basis), expiring 18 months from issue, to be issued, subject to Shareholder approval and successful completion of the Offer, to the Joint Lead Managers in accordance with the Joint Lead Manager Mandate. Equal to 6.1% of the Shares on issue at completion of the Offer on a Minimum Subscription basis and 8.5% on a Maximum Subscription basis. Refer to Sections 9.3 and 10.4 of this Prospectus for details.

### 1.3 How to Invest under the Offer (including the Priority Offer)

Applications for Shares under the Offer can only be made by completing the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares under the Offer are set out in Section 6.5 of this Prospectus.

Eligible Xstate Shareholders may apply to participate in the Priority Offer (which forms part of the Offer) using a Priority Offer Application Form. The Company will provide Eligible Xstate Shareholders with further details of how to apply under the Priority Offer. Refer to Section 6.6 of this Prospectus for further details.

### 1.4 Company and Diona Project Overview

Xstate Resources Limited (**Xstate** or the **Company**) is an ASX listed oil and gas focused company that, via its wholly owned subsidiaries, owns various working interest in oil and gas assets in California and a 3% royalty over Canadian assets previously owned by the Company. In January 2024, the Company disposed of its main undertaking, being its 25% working interest in various oil wells in Alberta, Canada. On 26 August 2024, the Company's Shares were suspended from quotation by ASX until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules (**Re-compliance**).

On 4 April 2025, Xstate entered into an acquisition agreement with Elixir Energy Limited (ACN 108 230 995) (ASX:EXR) (**Elixir**) to acquire a 51% working interest in the Diona Project, a petroleum exploration project forming part of ATP 2077 on the south-western flank of the Taroom Trough in the Surat-Bowen Basin, Queensland (see Figure 1) (**Acquisition**).

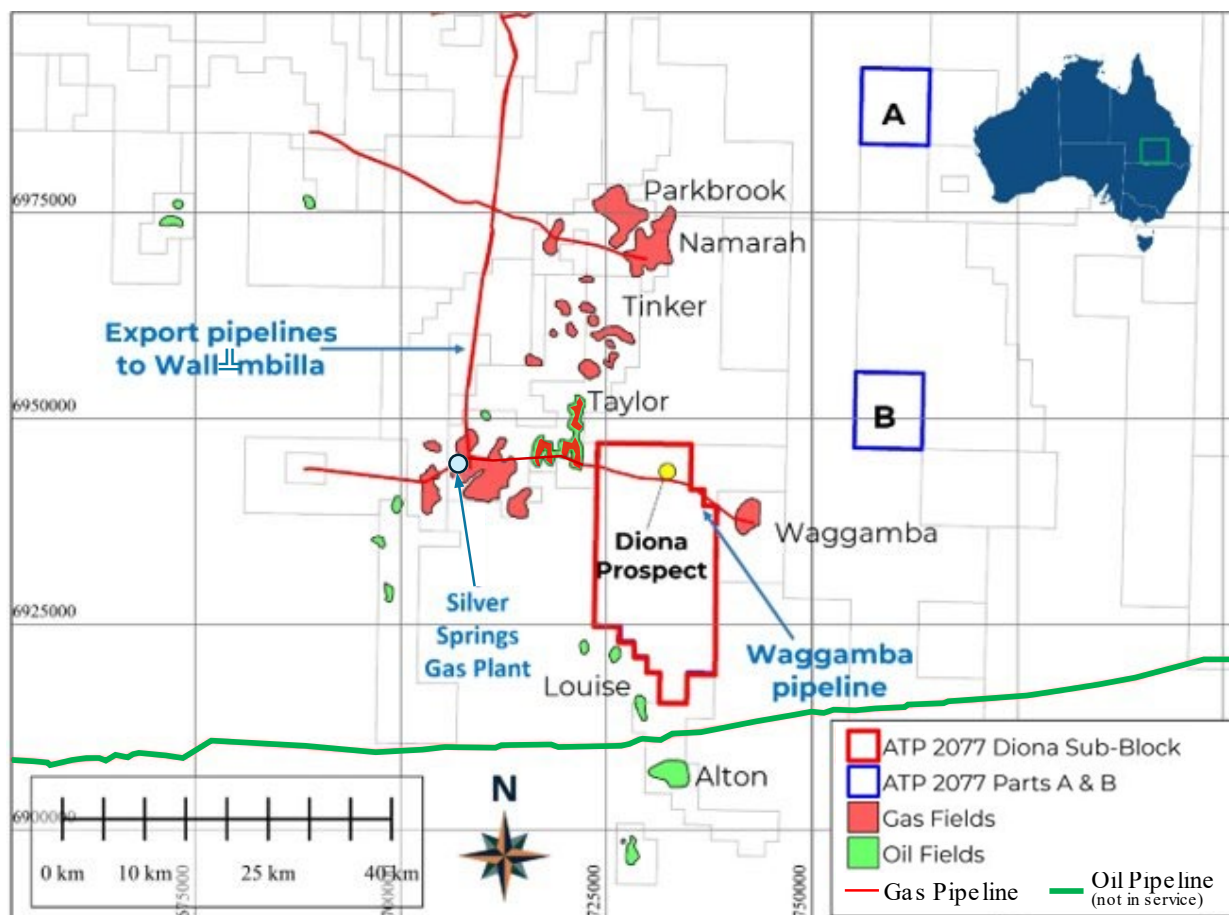


Figure 1: Location of Diona Project (ATP 2077 Diona Sub-Block) and Diona Prospect.



On successful completion of the Offer, Xstate intends to:

- complete the Acquisition and re-comply with Chapters 1 and 2 of the ASX Listing Rules (subject to ASX's absolute discretion) such that the Company's Shares are re-admitted to quotation on the ASX; and
- sole fund the drilling of the Diona-1 well at the Diona Prospect, targeting commencement in 3rd quarter of CY2025, with subsequent activities to be governed by a Joint Operating Agreement (JOA) with Elixir.

The Diona Prospect is considered to host at least 3 stacked reservoir plays in the Showgrounds, Upper Tinowon and Wallabella Sandstones, all of which will be tested by the Diona-1 well. The target is gas and condensate with:

- un-risked arithmetic sum of the mean Prospective Resources of 12.5 Bscfe (gross) and 6.4 Bscfe (net to Xstate) assuming exploration success at all three reservoir targets;
- un-risked probabilistic mean Prospective Resources of 2.6 Bscfe (net to Xstate); and
- on a risked basis, a 55% chance of making a 2.6 Bscfe discovery (net to XST) in the mean case and an 85% chance of development.<sup>1</sup>

*Prospective Resources Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery (Pg) and a risk of development (Pd). Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons. All Prospective Resource volumes presented have been calculated in accordance with Guidelines issued by the Society of Petroleum Engineers in the Petroleum Resource Management System (2018) using probabilistic methods.*

## 1.5 Use of Funds

The Company intends to apply funds raised from the Offer following re-admission to quotation on the ASX as follows:

Item	Minimum Subscription (\$2.0 million)		Maximum Subscription (\$3.0 million)	
	\$	%	\$	%
<b>Available funds</b>				
Existing cash reserves <sup>(1)</sup>	2,740,500	58	2,740,500	48
Funds from the Offer	2,000,000	42	3,000,000	52
<b>Total</b>	<b>4,740,500</b>	<b>100</b>	<b>5,740,500</b>	<b>100</b>
<b>Use of Funds</b>				
Diona-1 Well <sup>(2)</sup>	2,650,000	56	2,650,000	46
Exploration and Development	120,000	2	120,000	2
Costs of the Offer <sup>(3)</sup>	319,206	7	439,206	8
Working Capital <sup>(4)</sup>	1,651,294	35	2,531,294	44
<b>Total</b>	<b>4,740,500</b>	<b>100</b>	<b>5,470,500</b>	<b>100</b>

Notes:

(1) Based on cash and cash equivalents at 31 May 2025.

(2) Includes \$2.0m cash backed Conditional Performance Bond (CPB) in favour of Elixir. Within 5 Business days of completion of the Acquisition, Xstate will deposit \$2.0m into a third-party trust account to be held in escrow. During the drilling of the Diona-1 well, funds will be progressively released to Xstate from the CPB to pay for drilling costs. If the Diona-1 well is not completed within 18 months of the Acquisition and Xstate has incurred less than \$2.0m in well costs, Elixir is entitled under the CPB to the shortfall. Refer to Section 9.1 of this Prospectus for further details in respect of the CPB.

<sup>1</sup> Refer to Section 4.12, Table 2 and the Independent Technical Specialist's Report (ITSR) in Schedule 3 for further details including low, best and highest estimates and qualified petroleum evaluator statement.

- (3) Refer to Section 10.9 of this Prospectus for details of the Costs of the Offer.
- (4) Residual working capital will be used to fund follow up exploration and development activities at the Diona Project (to be determined post drilling of the Diona-1 well), corporate and administrative costs, and on-going operating costs for its existing global exploration and production interests. If the Diona-1 well is successful, working capital will be used to meet Xstate's 51% share of JOA expenditure to complete and production test the Diona-1 well (Xstate's share estimated at ~\$500,000 as at the date of this Prospectus).

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors. The Directors consider the Company will have sufficient working capital on completion of the Offer to achieve its stated objectives.

## 2. LETTER FROM THE CHAIR

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Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder in **Xstate Resources Limited** (Xstate or the **Company**).

The Company is an oil and gas focused exploration company which holds various workings interests ranging between 10-33% in oil and gas exploration wells in the Sacramento Basin in California and a 3% overriding royalty on Canadian assets previously owned by the Company.

As announced to the ASX on 7 April 2025, Xstate has entered into an Acquisition Agreement with Elixir (ASX:EXR) to acquire a 51% working interest in the Diona Project, a petroleum exploration project which forms part of ATP 2077 in the Surat-Bowen basin in Southwest Queensland (**Acquisition**). The Acquisition will give us our first project as a majority working interest holder and operatorship of the proposed Diona-1 well, which Xstate will sole fund.

The Diona Gas Project contains the Diona Prospect that is considered to host at least 3 stacked reservoir plays in the Showgrounds, Upper Tinowon and Wallabella Sandstones, all of which will be tested by our first pure vertical well, Diona-1. The target is gas and condensate with un-risked arithmetic sum mean Prospective Resources of 12.5 Bscfe (gross) and 6.4 Bscfe (net to Xstate)<sup>2</sup>.

The Diona-1 well is approximately 300 metres from a gas pipeline which, in the event of a successful discovery, is expected to expedite production. Following on from Diona-1, there are at least 3 more targets that could be drilled at the Diona Project and which, in the event of success, should see XState aiming to produce significant amounts of gas.

In anticipation of raising funds under this Offer, the Company has been finalising plans to commence drilling the Diona-1 well as soon as practicable following completion of the Offer and its acquisition of 51% of the Diona Project, with the goal of commencing drilling in the 3<sup>rd</sup> quarter of calendar 2025.

Under this Prospectus, the Company is seeking to raise a minimum of \$2.0 million via the issue of 100 million Shares at an issue price of \$0.02 per Share with a maximum subscription of 150 million Shares to raise up to \$3.0 million. In addition, Eligible Xstate Shareholders as at the Priority Offer Record Date will be entitled to a priority of \$1.0 million worth of Shares in the Offer.

PAC Partners and BW Equities are the Joint Lead Managers to the Offer.

The Company expects completion of the Offer and the Acquisition will enable the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules such that the Company's Shares are re-instated to quotation on the ASX.

The Offer is subject to a number of conditions, including that Shareholders at the upcoming General Meeting scheduled for 26 July 2025 approve the change in scale that would result from the Acquisition, the issue of Shares under the Offer and a consolidation of the Company's securities. The Offer, and the Acquisition, will only be completed if all conditions are satisfied<sup>3</sup>.

This Prospectus contains detailed information about the Offer, the Company and the risks of participating in a speculative investment of this nature. The Company faces the risk of its Shares not being reinstated to quotation on the ASX as well as the usual risks associated with oil and gas exploration in Australia and overseas which include risks in relation to exploration and development, reserves and resources estimates, additional funding, key personnel, commodity price and foreign exchange rate. I ask that prospective investors please take the time to review this Prospectus for a full appreciation of the quality of the Company's exploration projects and details of the team that will develop and implement the Company's strategy.

<sup>2</sup> Arithmetic sum of the mean unrisked Prospective Resource assuming exploration success at all three reservoir targets. Refer to Section 4.12, Table 2 and the ITSr in Schedule 3 for further details and Section 1.4 for a disclaimer in respect of Prospective Resources estimates.

<sup>3</sup> Refer to Section 6.1 of this Prospectus for the Offer Conditions and Section 9.1 of this Prospectus for the Acquisition Conditions.

On behalf of the Board, I encourage all existing shareholders to participate in this capital raising and we look forward to welcoming new shareholders on our journey as we seek to make a meaningful exploration discovery while creating value for all stakeholders.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A Childs', with a large, stylized initial 'A' and a long, sweeping horizontal stroke at the end.

Andrew Childs  
Chairman  
Xstate Resources Limited

### 3. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
<b>A. Company and Business Overview</b>		
Who is the issuer of this Prospectus?	Xstate Resources Limited (ACN 009 217 154) ( <b>Xstate</b> or the <b>Company</b> ) (ASX Code: XST).	
Who is the Company?	<p>The Company was incorporated in Western Australia on 9 February 1987 and is a public company limited by shares.</p> <p>The Company is an ASX listed oil and gas focused company which, via its wholly owned subsidiaries, owns various working interests in oil and gas assets in California and a 3% royalty over Canadian assets previously owned by the Company.</p> <p>In January 2024, the Company disposed of its main undertaking, being its 25% working interest in various oil wells in Alberta, Canada. On 26 August 2024, the Company's Shares were suspended from quotation by ASX until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules (<b>Re-compliance</b>).</p> <p>As announced to the ASX on 7<sup>th</sup> April 2025, the Company has entered into an acquisition agreement with Elixir Energy Limited (ACN 108 230 995) (ASX:EXR) (<b>Elixir</b>) to acquire a 51% working interest in the Diona Project, a petroleum exploration project forming part of ATP 2077 on the south-western flank of the Taroom Trough in the Surat-Bowen Basin, Queensland (<b>Acquisition</b>).</p> <p>ATP 2077 itself comprises 3 separate sub-blocks of which one block, the Diona Sub-Block, hosts the Diona Prospect. Elixir will retain and operate Blocks A and B of ATP 2077.</p> <p>On successful completion of the Offer, Xstate intends to:</p> <ul style="list-style-type: none"> <li>complete the Acquisition and re-comply with Chapters 1 and 2 of the ASX Listing Rules (subject to ASX's absolute discretion) such that the Company's Shares are re-admitted to quotation on the ASX (<b>Reinstatement</b>); and</li> <li>sole fund the drilling of the Diona-1 well at the Diona Prospect as operator, targeting commencement in 3rd quarter of CY2025, with subsequent activities to be governed by a Joint Operating Agreement (<b>JOA</b>) with Elixir.</li> </ul>	Section 4.1
What is the nature of the Company's Projects?	<p>The Company's existing projects comprise:</p> <ul style="list-style-type: none"> <li>various working interests in a small number of producing gas wells, associated land leases and production, and pipeline access equipment in the Sacramento Basin, California (<b>Sacramento Basin Project</b>)<sup>4</sup>; and</li> <li>the 3% Crest Jinn Royalty<sup>5</sup>.</li> </ul> <p>On completion of the Offer and the Acquisition, the Company will hold a 51% working interest in the Diona Project and must sole fund the Diona-1 well within 18 months. Thereafter, operations at the Diona Project will be governed by the JOA between the Company and Elixir.</p>	Sections 4 and Schedules 2 and 3

<sup>4</sup> In the March quarter of 2025, 2,203 thousand cubic feet of gas was credited to Xstate.

<sup>5</sup> Estimated at \$1,350 for the period 1 January 2025 to 31 March 2025.

Item	Summary	Further information
What are the key terms and conditions of the Acquisition?	<p>The Acquisition is governed by an Acquisition Agreement between the Company and Elixir executed on 4 April 2025.</p> <p>Under the Acquisition Agreement, in consideration for the acquisition of a 51% working interest in the Diona Project, Xstate has paid Elixir a \$250,000 non-refundable deposit (<b>Deposit</b>) and has agreed to sole fund and drill the Diona-1 well within 18 months of completion of the Acquisition.</p> <p>Completion of the Acquisition is subject to the following conditions precedent (<b>Acquisition Conditions</b>):</p> <ul style="list-style-type: none"> <li>a) ASX providing approval for Xstate's Shares to be re-admitted to quotation on the ASX on conditions acceptable to Xstate acting reasonably (<b>Reinstatement Conditions</b>) (Xstate intends to apply for this letter within 7 days of lodgement of the Prospectus with ASIC in accordance with the Corporations Act);</li> <li>b) Xstate completing a sufficient capital raising to comply with ASX's Reinstatement Conditions (completion of the Offer is intended to satisfy this condition);</li> <li>c) any Shareholder approvals required by Xstate in connection with the Acquisition or the Re-compliance are obtained (Xstate is seeking the required approvals, comprising the Re-compliance Resolutions, at the General Meeting);</li> <li>d) any required waivers or confirmations under the ASX Listing Rules that Xstate deems necessary in connection with the Acquisition, Re-compliance or the Offer are obtained and remain valid (Xstate has obtained the ASX waivers and confirmation as detailed in Section 10.5 which remain in effect as at the date of this Prospectus);</li> <li>e) Xstate and Elixir obtain any regulatory consents or approvals applicable to the Acquisition, Re-compliance or the Offer (including but not limited to the transfer of a 51% interest in ATP 2077 to Xstate) (Xstate has applied to the relevant Queensland Minister for consent to the transfer<sup>6</sup>); and</li> <li>f) agreement of the terms of a \$2.0 million conditional performance bond (<b>CPB</b>) as security that Xstate will incur expenditure of at least \$2.0 million in drilling the Diona-1 well within 18 months of completion of the Acquisition (Xstate and Elixir have agreed the terms of the CPB in principle with formal documentation being negotiated).</li> </ul> <p>Subject to satisfaction or due waiver of the Acquisition Conditions, on completion of the Acquisition:</p> <ul style="list-style-type: none"> <li>a) Elixir will transfer to Xstate a 51% legal interest in ATP 2077 and a 51% beneficial interest in the Diona Sub-Block in ATP 2077 containing the Diona Prospect, with Elixir retaining a 100% beneficial interest in ATP 2077 Sub-Blocks A &amp; B (which hold the Taroom Trough deep gas play known as the Grandis Project); and</li> <li>b) the JOA will come into effect.</li> </ul>	Section 9.1.

<sup>6</sup> Registration of the transfer of the 51% interest in ATP 2077 requires the consent of the Queensland Minister administering the *Mineral and Energy (Common Provisions) Act 2014* (Qld) which was applied for on 24 June 2025.

Item	Summary	Further information
Do the Projects have Reserves or Resources Estimates?	Yes. The three reservoirs to be targeted by the Diona-1 well have an un-risked arithmetic sum of the mean Prospectus Resources Estimate of 12.5 Bscfe (gross) and 6.4 Bscfe (net to Xstate) <sup>7</sup> .	Section 4.12 and Schedule 3
What are the Company's objectives?	<p>The Company's objectives are:</p> <ul style="list-style-type: none"> <li>in conjunction with Elixir Energy, undertake a seismic balancing and depth conversion project for the multiple vintages of 2D seismic at the Diona Project to address the miss-tie issues;</li> <li>drill the Diona-1 Well within 12 months post-Acquisition; and</li> <li>subject to the success of the Diona-1 Well, undertake completion and production testing and assess the potential for production and further drilling at the Diona Project.</li> </ul>	Section 6.2
What is the purpose of the Prospectus?	<p>The purpose of this Prospectus is to:</p> <ul style="list-style-type: none"> <li>raise sufficient funds to meet the Company's stated objectives set out above;</li> <li>provide the Company with additional funding to progress exploration of the Diona Project;</li> <li>remove the need for a disclosure document to be issued upon the sale of any Shares that are to be issued under the Offer; and</li> <li>assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (see Section 6.15 for further details).</li> </ul> <p>The Company intends on applying the funds raised under the Offer along with its current cash reserves in the manner detailed in Section 1.5.</p>	Sections 1.5 and 6.3
What are the key risks of an investment in the Company?	<p>The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.</p> <p>These risks include a variety of Company, industry specific and general risks, including (without limitation) the following:</p> <ul style="list-style-type: none"> <li><b>Re-quotation of Shares on ASX:</b> As the acquisition of the working interest in the Diona project constitutes a significant change in the scale of the Company's activities, the Company is undertaking a re-compliance process to satisfy the requirements of Chapters 1 and 2 of the Listing Rules, in the same manner as if it were seeking admission to the Official List. The ASX Listing Rules require the Company to satisfy specific criteria, including minimum financial thresholds, sufficient shareholder spreads, and adequate working capital for ongoing operational commitments. If the Company fails to meet these requirements, ASX may refuse to re-admit the Company to official quotation. Were this to occur, the Company's Shares would remain in suspension and not be able to be traded on the ASX until such a time as the requirements could be met, if at all.</li> <li><b>Exploration and Development:</b> There can be no assurance that future exploration of the land subject to the Company's working interests will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited. The business of exploration, project</li> </ul>	Section 8

<sup>7</sup> Assuming exploration success at all three reservoir targets. The net un-risked probabilistic resource estimate for the entire prospect is 1.4 Bscfe (2U) and ranges from 0.4 Bscfe (1U) to 6.5Bscfe (3U) with a mean case of 2.6 Bscfe. This resource range includes scenarios where either one, two or all three of the reservoir targets discover hydrocarbons. Refer to Section 4.12, Table 2 and the ITSR in Schedule 3 for further details and Section 1.4 for a disclaimer in respect of Prospective Resources estimates.

Item	Summary	Further information								
	<p>development and, if the Company successfully commences production at any of its Projects, contains elements of significant risk, including in relation to technical, financial, legal and social matters.</p> <ul style="list-style-type: none"><li>• <b>Reserves and Resources Estimates:</b> Calculation of estimates of recoverable oil and gas reserves and resources contain significant uncertainties which are inherent in the reservoir geology, well data, operating costs and oil prices and requirement management to make a series of assumptions for the purposes of preparing such reserve reports. Although such assumptions may be reasonable at the time they are made and may be subject to review by independent reserves auditors, future drilling results and costs and oil prices may differ significantly from those assumptions. There is a risk that resource estimations will not convert into reserves or any actual production may significantly vary from estimates.</li><li>• <b>Additional Funding:</b> The Company will likely generate losses for the foreseeable future. While the funds to be raised under the Offer are considered sufficient to meet the stated objectives of the Company, the Company will likely require additional funding for its activities. In particular, if the Diona-1 well is successfully completed and production tested, the Company will need to raise additional funds to bring the Diona-1 well into production and to drill any further wells at the Diona Project. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company.</li><li>• <b>Key Personnel:</b> The Company is substantially reliant on the expertise and abilities of its key personnel in overseeing the day-to-day operations of its exploration Projects. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees cease their relationship with the Company.</li><li>• <b>Commodity Price:</b> Changes in the market price of oil and natural gas, which in the past have been subject to material fluctuations, will affect the profitability of the Company’s operations and its financial condition in the future.</li><li>• <b>Foreign Exchange Rate:</b> The international price of oil and gas is typically denominated in United States dollars, whereas the income and expenditure of the Company with respect to the Diona Project will be denominated in Australian dollars, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined by international markets.</li></ul> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited. Additional risk factors which will affect the Company are (non-exhaustively) disclosed at Section 8 of this Prospectus.</p>									
B. Directors, Senior Management and Substantial Holders										
Who are the Directors and senior management?	<table><tr><th>Person</th><th>Title/Role</th></tr><tr><td>Andrew Childs</td><td>Non-Executive Chairman</td></tr><tr><td>Andrew Bald</td><td>Managing Director</td></tr><tr><td>Greg Channon</td><td>Non-Executive Director</td></tr></table>	Person	Title/Role	Andrew Childs	Non-Executive Chairman	Andrew Bald	Managing Director	Greg Channon	Non-Executive Director	Section 7.1
	Person	Title/Role								
	Andrew Childs	Non-Executive Chairman								
	Andrew Bald	Managing Director								
Greg Channon	Non-Executive Director									
What benefits and interests do the Directors have in the	The following table shows the total annual remuneration proposed to be paid to Directors and the relevant interests of Directors in Securities as at the date of this Prospectus.	Section 7.2								



Item	Summary	Further information																				
Company?	<table><tr><th>Director</th><th>Annual Remuneration <sup>(1)</sup></th><th>Shares <sup>(2)</sup></th><th>Options <sup>(3)</sup></th></tr><tr><td>Andrew Childs <sup>(4)</sup></td><td>\$60,000</td><td>1,121,077</td><td>1,793,722</td></tr><tr><td>Andrew Bald <sup>(5)</sup></td><td>\$235,000</td><td>1,419,780</td><td>1,793,722</td></tr><tr><td>Greg Channon <sup>(6)</sup></td><td>\$60,000</td><td>236,993</td><td>1,793,722</td></tr><tr><td><b>Total</b></td><td><b>\$355,000</b></td><td><b>2,777,850</b></td><td><b>5,381,166</b></td></tr></table> <p>(1) Includes compulsory superannuation (currently 11.5% per annum, increasing to 12.0% per annum from 1 July 2025)) and reasonable expenses incurred. Refer to the Company's annual reports for remuneration received in previous financial years.</p> <p>(2) On a post Consolidation basis. This does not include any Shares that Directors may take up under the Offer. Each of the Directors (or their nominees) wishes to subscribe for up to 2,500,000 Shares at an issue price of \$0.02 each (being \$50,000 in subscription each) in the Offer, subject to Shareholder approval, pursuant to Resolutions 4 to 6 of the Notice of Meeting.</p> <p>(3) On a post Consolidation basis. Exercisable at \$0.067 each, expiring 30 June 2026. Refer to Section 10.3 for full terms of the Options.</p> <p>(4) Held by Brazell Pty Ltd, a related party to Mr Childs.</p> <p>(5) Annual remuneration is calculated assuming 60% FTE. Shares and Options held by Hera Investments Pty Ltd, a related party of Mr Bald.</p> <p>(6) Held by Ruby Lloyd Pty Ltd, a related party of Mr Channon.</p> <p>The Directors (via their controlled entities) have also received consultancy fees for additional services provided to the Company as disclosed in the Company's annual reports and as permitted by the Constitution. In addition, for the 6 month period from 1 January 2025 to 30 June 2025:</p> <ul style="list-style-type: none"><li>Andrew Bald (via Panthea Capital Partners Pty Ltd (<b>Panthea</b>)) has been/will be paid consultancy fees totalling \$27,000 plus GST; and</li><li>Greg Cannon (via Ruby Lloyd Pty Ltd) has been/will be paid consultancy fees totalling \$20,925 plus GST).</li></ul> <p>Director Andrew Childs (trading as Resources Recruitment) leases office space to the Company under a monthly tenancy and has received rent as disclosed in the Company's annual reports. In addition, for the 6 month period from 1 January 2025 to 30 June 2025, rent totalling \$18,000 plus GST has been/will be paid.</p>	Director	Annual Remuneration <sup>(1)</sup>	Shares <sup>(2)</sup>	Options <sup>(3)</sup>	Andrew Childs <sup>(4)</sup>	\$60,000	1,121,077	1,793,722	Andrew Bald <sup>(5)</sup>	\$235,000	1,419,780	1,793,722	Greg Channon <sup>(6)</sup>	\$60,000	236,993	1,793,722	<b>Total</b>	<b>\$355,000</b>	<b>2,777,850</b>	<b>5,381,166</b>	
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What agreements has the Company with related parties and substantial shareholders?	<p>The Company has the following agreements with related parties and current substantial (&gt;5%) Shareholders on arms' length terms:</p> <ul style="list-style-type: none"><li>consultancy services agreement with Andrew Bald to act as Managing Director of the Company;</li><li>non-executive Director appointment letters with Messrs Andrew Childs and Greg Channon;</li><li>deeds of indemnity, insurance and access with the Directors on standard terms; and</li><li>office lease with Director Mr Andrew Childs.</li></ul>	Sections 7.3 and 9																				
Who are and will be the substantial Shareholders of the Company?	<p>As at the date of this Prospectus, the following entities hold 5% or more of the total number of Shares on issue or will hold 5% or more on completion of the Offer (on a post Consolidation basis and assuming none subscribe for and receive additional Shares pursuant to the Offer).</p> <table><tr><th>Shareholder</th><th>Shares</th><th>Current %</th><th>Minimum Subscription (\$2.0m)</th><th>Maximum Subscription (\$3m)</th></tr><tr><td>Blue Sky Resources Ltd</td><td>10,900,520</td><td>7.6%</td><td>4.5%</td><td>3.7%</td></tr><tr><td>Chris Whitehead <sup>(1)</sup></td><td>9,458,086</td><td>6.6%</td><td>3.9%</td><td>3.2%</td></tr><tr><td><b>Total</b></td><td><b>20,358,616</b></td><td><b>14.2%</b></td><td><b>8.3%</b></td><td><b>6.9%</b></td></tr></table> <p>(1) Held both directly and indirectly by Whead Pty Ltd and Stil Capital Pty Ltd.</p>	Shareholder	Shares	Current %	Minimum Subscription (\$2.0m)	Maximum Subscription (\$3m)	Blue Sky Resources Ltd	10,900,520	7.6%	4.5%	3.7%	Chris Whitehead <sup>(1)</sup>	9,458,086	6.6%	3.9%	3.2%	<b>Total</b>	<b>20,358,616</b>	<b>14.2%</b>	<b>8.3%</b>	<b>6.9%</b>	
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Item	Summary	Further information
What benefits and interests do the Joint Lead Managers have in the Company?	<p>The Company has appointed PAC Partners Securities Pty Ltd (<b>PAC Partners</b>) and BW Equities Pty Ltd (<b>BW Equities</b>) as the joint lead managers in connection with the Offer (together the <b>Joint Lead Manager</b>). The Joint Lead Managers will be paid fees totalling in aggregate 6% plus GST of the amount raised under the Offer and issued up to 25 million Lead Manager Options (\$0.04 exercise price, expiring 18 months from issue) (on a post Consolidation basis)<sup>8</sup>. The Company has also agreed to pay a success fee of \$50,000 (plus GST) (in aggregate) (<b>Success Fee</b>) to the Joint Lead Managers if at least \$2.5 million is raised under the Offer (before costs). The Joint Lead Managers will determine the allocation between them of the above fees and Lead Manager Options by separate agreement.</p> <p>Using a Black-Scholes valuation methodology (80% volatility and 3.41% risk-free interest rate), each Lead Manager Option is valued at \$0.0039.</p> <p>The total value of the fees payable to the Joint Lead Managers in respect of the Offer will be \$178,500 on a Minimum Subscription basis and \$327,500 on a Maximum Subscription basis, representing 8.9% and 10.9% of funds to be raised under the Capital Raising, respectively. Of this fee, the cash component payable will be \$120,000 (plus GST) on a Minimum Subscription basis and \$230,000 (plus GST) on a Maximum Subscription basis (inclusive of the Success Fee), representing 6% (excluding GST) of the funds to be raised on a Minimum Subscription basis, and 7.7% (excluding GST) of the funds to be raised on a Maximum Subscription basis.</p> <p>The Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.</p> <p>Refer to Section 9.3 for details of the Company's mandate with the Joint Lead Managers. The Joint Lead Managers and their associates do not have a relevant interest in any Securities of the Company as at the date of this Prospectus.</p>	Section 9.3
<b>C. Financial Overview</b>		
What is the key financial information?	<p>The ILAR by BDO Corporate Finance Pty Ltd in Schedule 1 includes:</p> <ul style="list-style-type: none"> <li>audited historical Consolidated Statement of Financial Position of the Company for the financial year (<b>FY</b>) ending 31 December 2024;</li> <li>reviewed Pro-Forma Consolidated Statement of Financial Position for the Company as at 31 December 2024 assuming completion of the Offer; and</li> <li>audited historical Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows of the Company for the financial years ending 31 December 2022, 2023 and 2024.</li> </ul> <p>The Company's financial performance across this period includes net loss of \$3,414,981 for FY2022 and net profit after tax of \$1,426,696 for FY23 and \$1,205,122 for FY2024.</p> <p>Investors are urged to read the ILAR in full and should note the scope and limitations of the report.</p>	Section 5 and Schedule 1

<sup>8</sup> 15.0 million Lead Manager Options if the Minimum Subscription is raised, with a further ten (10) Lead Manager Options issued for every additional one (1) dollar raised under the Public Offer above the Minimum Subscription, up to a maximum of an additional 10.0 million Lead Manager Options if the Maximum Subscription is raised (totalling 25 million Lead Options in aggregate). If Shareholders do not approve the issue of the Lead Manager Options, the Company must take reasonable steps to issue the Broker Options when able to do so in compliance with the ASX Listing Rules.

Item	Summary	Further information
What is the financial outlook for the Company?	<p>Post completion of the Offer, the Company's financial performance will be largely dependent on expenditures incurred on, and returns received from, its interests in its exploration Projects, which (particularly in the case of returns) are inherently uncertain.</p> <p>The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe they do not have a reasonable basis to forecast future earnings. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.</p>	Section 5.2
Does the Company have any debt or debt facilities?	No.	Schedule 1
What is the Company's dividend policy?	<p>The Company does not expect to pay any dividends in the near future as its focus will primarily be on using its cash reserves to progress the Diona Project.</p> <p>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and the operating results and financial condition of the Company, future growth opportunities and capital requirements and general business and other factors considered relevant by the Directors.</p> <p>No assurance can be given by the Company in relation to the payment of dividends or franking credits attaching to dividends.</p>	Section 5.3
<b>D. Summary of the Offer</b>		
What is the Offer?	<p>The Company is offering 100 million Shares at an issue price of \$0.02 per Share to raise a minimum of \$2.0 million (before costs) and up to a maximum of 150 million Shares to raise up to \$3.0 million (before costs) (<b>Offer</b>).</p> <p>The Offer includes a priority offer to Eligible Xstate Shareholders of \$1.0 million worth of the Shares under the Offer at an issue price of \$0.02 each (<b>Priority Offer</b>).</p>	Section 6.1
What is the Issue Price?	\$0.02 per Share.	Section 6.1
Who is eligible to participate in the Offer?	<p>The Offer is open to all investors in Australia. It is also open to certain types of institutional and professional investors in New Zealand pursuant to exemptions from local prospectus and registration requirements (<b>Eligible Jurisdictions</b>).</p> <p>This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.</p>	Sections 6.13 and 6.14
Who is eligible to participate in the Priority Offer?	<p>Only Eligible Xstate Shareholders may apply to participate in the Priority Offer. Eligible Xstate Shareholders are those Xstate Shareholders who:</p> <ul style="list-style-type: none"> <li>are the registered holder of a Marketable Parcel of Xstate Shares as at 5:00pm (WST) on the Priority Offer Record Date; and</li> <li>have a registered address in Australia (and any other Eligible Jurisdiction where it is lawful to make the Priority Offer).</li> </ul>	Sections 6.1, 6.13 and 6.14
How do I apply for Shares under the Offer?	Applications for Shares under the Offer must be made by completing an electronic Application Form or by completing the Application Form provided with this Prospectus in accordance with the instructions set out	Section 6.5

Item	Summary	Further information
	in the Application Form. The electronic Application Form is accessible via <a href="https://apply.automic.com.au/Xstate">https://apply.automic.com.au/Xstate</a> .	
How do I apply for Shares under the Priority Offer?	<p>Only Eligible Xstate Shareholders may apply to participate in the Priority Offer.</p> <p>The electronic Priority Offer Application Form is accessible via <a href="https://apply.automic.com.au/XstatePriority">https://apply.automic.com.au/XstatePriority</a>.</p> <p>The Company will provide each Eligible Xstate Shareholder with further details of how to apply under the Priority Offer via letter or email, which will include a priority code to submit a Priority Offer Application Form under the Priority Offer and details of how to download the electronic Prospectus.</p>	Section 6.6
Is the Offer underwritten?	The Offer is not underwritten.	Section 6.1
Will there be a lead manager to the Offer?	PAC Partners and BW Equities will act as the Joint Lead Managers to the Offer.	Section 9.3
What will the Company capital structure look like on completion of the Offer?	Refer to Section 6.4 for a pro forma capital structure on completion of the Offer.	Section 6.4
What are the Offer Conditions?	<p>The Offer is subject to the following conditions (<b>Offer Conditions</b>):</p> <ul style="list-style-type: none"> <li>the Company's Shareholders approving the Re-compliance Resolutions at the General Meeting;</li> <li>the Company raising the Minimum Subscription, being \$2.0 million, under the Offer;</li> <li>ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules subject to conditions acceptable to the Company (acting reasonably) which, when satisfied, will result in Reinstatement; and</li> <li>the Acquisition Agreement becoming unconditional (other than for completion of the Offer).</li> </ul> <p>If any of the Offer Conditions is not satisfied, then the Offer will not proceed and the Company will repay all application monies received under the Offer in accordance with the Corporations Act.</p>	Section 6.1
Will I be guaranteed a minimum allocation under the Offer?	No, the Company is not in a position to guarantee a minimum allocation of Shares under the Offer.	Section 6.8
What is the allocation policy?	<p>Subject to the priority given to Applications by Eligible Xstate Shareholders under the Priority Offer, the allocation of Shares under the Offer will be determined by the Board in its absolute discretion, in consultation with the Joint Lead Managers.</p> <p>The Board reserves the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the Applicant as soon as practicable after the Closing Date.</p> <p>Valid applications under the Priority Offer will be satisfied at the discretion of the Board. If valid applications under the Priority Offer are received in respect of Shares exceeding the number available, such Applications will be scaled back in the discretion of the Board and the difference between the number of Shares applied for and the number resulting from such scale-back will be treated as an Application by the relevant Eligible Xstate Shareholder under the Offer and will be subject to the allocation policy applicable to the Offer.</p>	Section 6.8

Item	Summary	Further information
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer, is set out in Section 10.2 of this Prospectus.	Section 10.2
Will any Shares be subject to escrow?	<p>The Company does not expect that any current Shares or Options on issue or Shares issued under the Offer to be classified as restricted securities or required to be held in escrow under the ASX Listing Rules post Reinstatement.</p> <p>The Company expects any Lead Manager Options to be classified by ASX as restricted securities and required to be held in escrow for 24 months from the date of Reinstatement.</p> <p>As at the date of this Prospectus, the ASX has not made a determination in respect of the escrow restrictions to be applied to the Company's Securities. The determination may be different from the assumptions set out in this Prospectus.</p> <p>The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in ASX imposed escrow prior to Reinstatement.</p>	Section 6.10
What will the Company's free float be on completion of the Offer?	<p>The Company's 'free float', being the percentage of Shares not subject to escrow and held by non-affiliated Shareholders (i.e. are not related parties of the Company or their associates or someone whose relationship with the Company the ASX considers makes them an affiliate) at the time of Reinstatement is expected to be 99% (assuming no affiliated Shareholders participate in the Offer).</p> <p>The Company is seeking Shareholder approval at the General Meeting for the Directors (or their nominees) to subscribe for up to an aggregate total of 7.5 million Shares under the Offer. If these Shares are approved and issued, the free float is expected to be between 96% (Minimum Subscription) and 97% (Maximum Subscription).</p>	Section 6.10
Will the Shares offered be quoted?	Application for quotation of all Shares to be issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus.	Section 6.9
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Key Offer Information.	Key Offer Information
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of 100,000 Shares (\$2,000 worth) and thereafter, in multiples of 25,000 Shares (\$500 worth) and payment for the Shares must be made in full at the issue price of \$0.02 per Share.	Section 6.1
What are the Costs of the Offer?	The cash costs of the Offer are estimated at approximately \$319,206 (Minimum Subscription) and up to approximately \$439,206 (Maximum Subscription) (excluding GST).	Section 10.9
<b>E. Additional information</b>		
Is there any brokerage, commission or stamp duty payable by Applicants to the Offer?	No brokerage, commission or stamp duty is payable by Applicants on issue of Shares under the Offer.	Section 6.17
What are the tax implications of investing in Shares?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	Section 6.15

Item	Summary	Further information
Where can I find more information?	<p>By speaking to your sharebroker, solicitor, accountant, or other independent professional adviser.</p> <p>By contacting the either the Company via email at <a href="mailto:companysecretary@xstateresources.com.au">companysecretary@xstateresources.com.au</a> or the Share Registry by phone on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia), or email at <a href="mailto:corporate.actions@automic.com.au">corporate.actions@automic.com.au</a>.</p>	

## 4. COMPANY GROUP AND ITS PROJECTS

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### 4.1 Company Overview

The Company was incorporated in Western Australia on 9 February 1987 and is as a public company limited by shares.

The Company is an ASX listed oil and gas focused company that, via its wholly owned subsidiaries, owns various working interests in oil and gas assets in California and a 3% royalty over Canadian assets previously owned by the Company as detailed in Section 4.4 below.

In January 2024, the Company disposed of its main undertaking, being its 25% working interest in various oil wells in Alberta, Canada. On 26 August 2024, the Company's Shares were suspended from quotation by ASX until the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules (**Re-compliance**).

As announced to the ASX on 7 April 2025, the Company has entered into an acquisition agreement with Elixir Energy Limited (ACN 108 230 995) (ASX:EXR) (**Elixir**) to acquire a 51% working interest in the Diona Project, a petroleum exploration project forming part of ATP 2077 on the south-western flank of the Taroom Trough in the Surat-Bowen Basin, Queensland (see Figure 2 further below) (**Acquisition**).

On successful completion of the Offer, Xstate intends to:

- a) complete the Acquisition and re-comply with Chapters 1 and 2 of the ASX Listing Rules (subject to ASX's absolute discretion as detailed below) such that the Company's Shares are re-admitted to quotation on the ASX (**Reinstatement**); and
- b) sole fund the drilling of the Diona-1 well at the Diona Prospect as operator, targeting commencement in 3rd quarter of CY2025, with subsequent activities to be governed by a Joint Operating Agreement (**JOA**) with Elixir.

### 4.2 Re-compliance

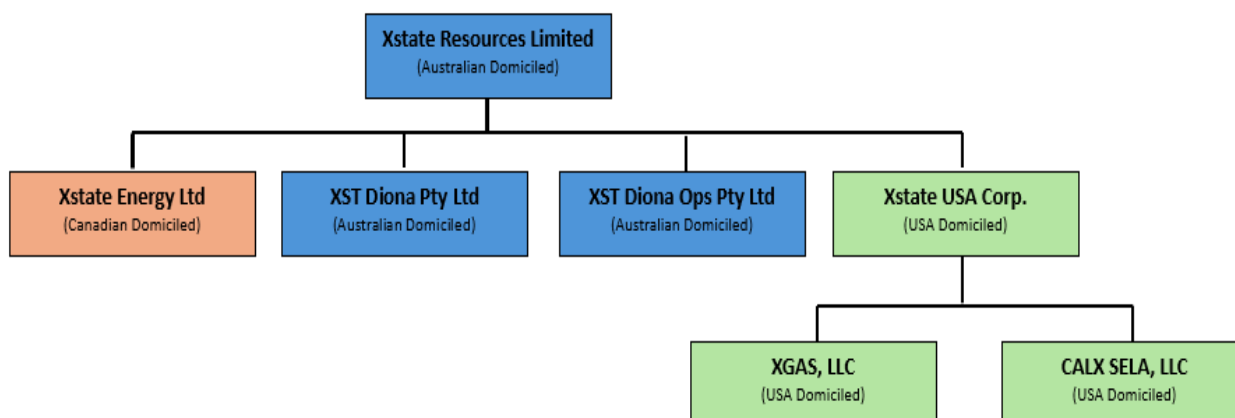
ASX has absolute discretion in deciding whether or not to re-admit the Company's Shares to quotation on the ASX and, therefore, the Acquisition will not proceed if ASX exercises that discretion in the negative. Having to re-comply with ASX's admission and quotation requirements also enlivens ASX's ability to impose such conditions on admission and/or quotation as it considers appropriate. ASX may exercise this discretion notwithstanding that the Company is currently admitted to the Official List and even where the Company otherwise meets, or is expected to meet the specific conditions set out in the ASX Listing Rules for listing and quotation.

### 4.3 Corporate Structure

The Company has six wholly owned subsidiaries:

- Xstate Energy Ltd (**Xstate Energy**), incorporated in Canada on 4 February 2021;
- Xstate Diona Pty Ltd (ACN 682 925 588), incorporated in Western Australia on 6 December 2024;
- Xstate Diona Ops Pty Ltd (ACN 671 650 463), incorporated in Western Australia on 22 September 2023;
- Xstate (USA) Corp. (**Xstate USA**), incorporated in USA on 20 January 2017;
- XGAS, LLC (**XGAS**), incorporated in USA on 9 February 2017; and
- CALX SELA, LLC (**CALX**), incorporated in USA on 10 January 2017.

The corporate structure of the Company Group is as follows:



#### 4.4 Existing Projects

The Company's existing projects comprise:

- various working interests in a small number of producing gas wells, associated land leases and production, and pipeline access equipment in the Sacramento Basin, California (**Sacramento Basin Project**)<sup>9</sup>; and
- the 3% Crest Jinn Royalty.

Table 1 – Working interest details

Project	Location	Category	Working Interest <sup>10</sup>	Registered Holder(s)
Dempsey 1-15 Well	California	Exploration & Appraisal	10%	Sacgasco CA, Inc*
Dempsey Trend – (Includes Borba)	California	Active leasing 3 large prospects	33%	Sacgasco CA, Inc
Rancho Capay Field	California	Production	10%	Sacgasco CA, Inc
Malton Field	California	Production	30%	Sacgasco CA, Inc
East Rice East Creek Field	California	Production	10%	Sacgasco CA, Inc
Los Medanos Gas Field	California	Production	10%	Sacgasco CA, Inc
Dutch Slough Field	California	Production	30%	Sacgasco CA, Inc

\* Subsidiary of Australian Oil Company Ltd.

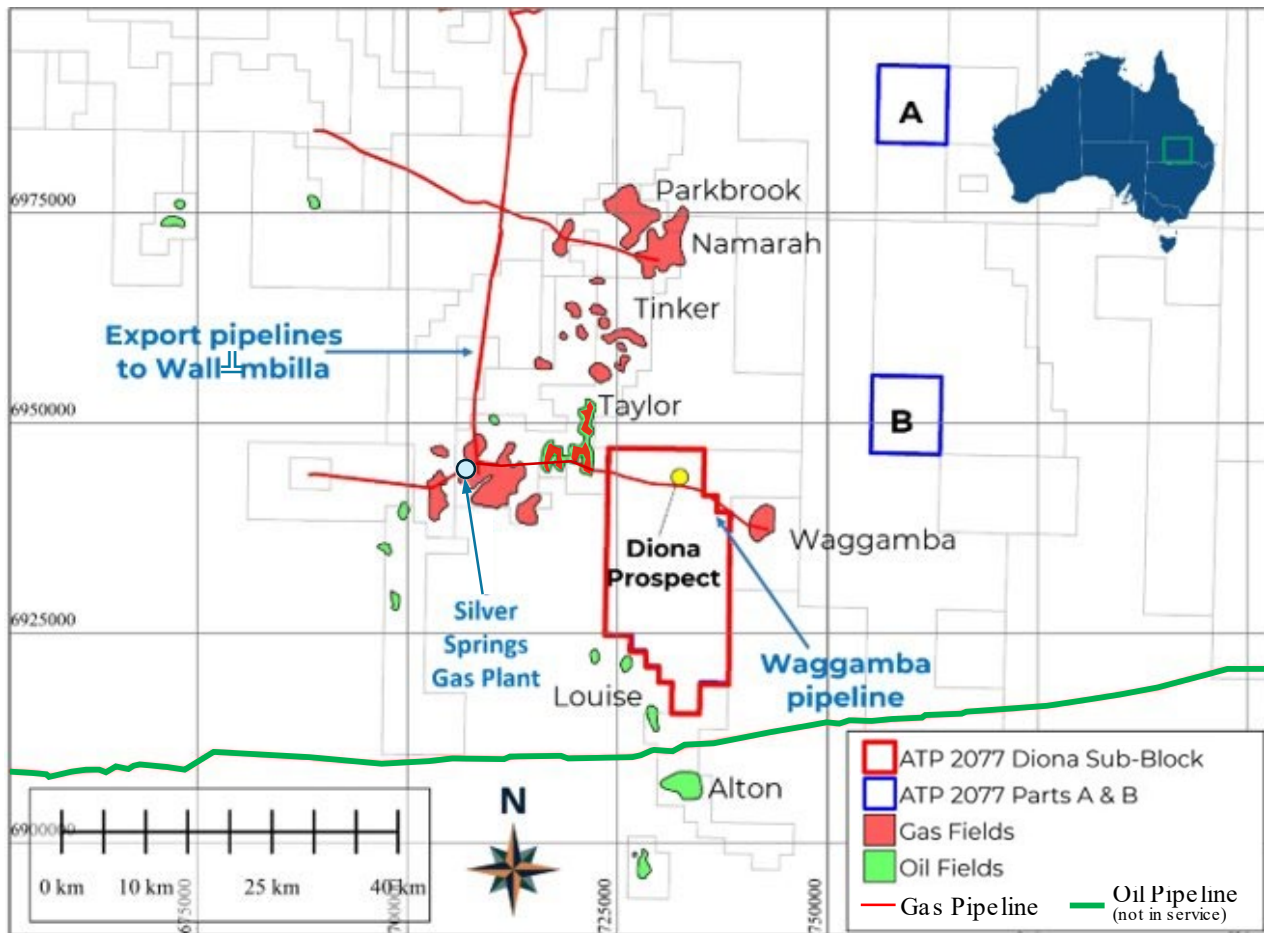
<sup>9</sup> In the March quarter of 2025, 2,203 thousand cubic feet of gas was credited to Xstate.

<sup>10</sup> Leases held by the Company's wholly owned subsidiary Xgas LLC, and granted by mineral right owners, primarily governments, 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).



## 4.5 Diona Project Overview

On successful completion of the Offer and the Acquisition, the Company intends to focus its efforts on exploring and drilling the Diona Project located on the south-western flank of the Taroom Trough in the Surat-Bowen Basin, a long-established hydrocarbon province in eastern Australia (see Figure 2 below).



**Figure 2:** Location of Diona Project (ATP 2077 Diona Sub-Block) and Diona Prospect.

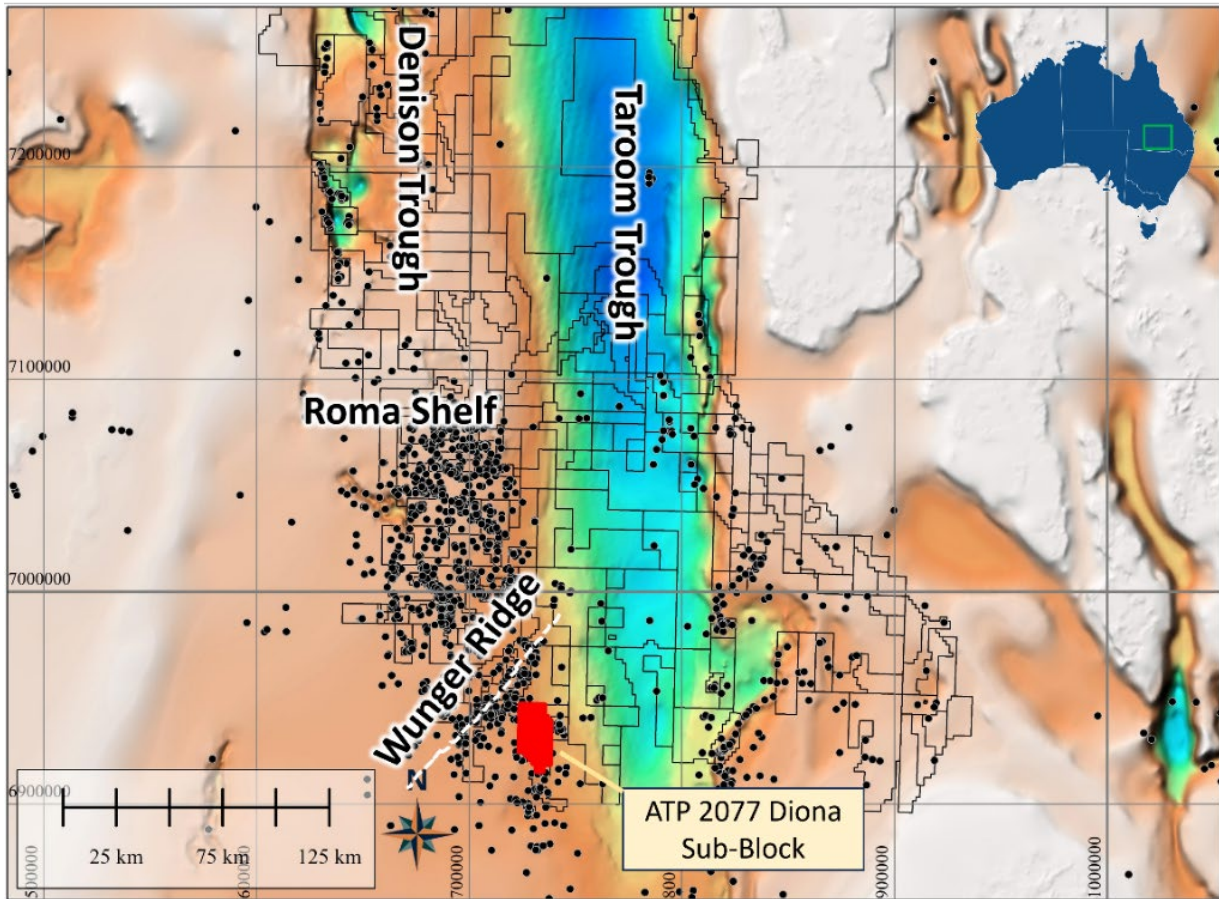
The first major discovery in this basin was made in 1961 on the eastern side of the basin at Moonie, which hosted most of the oil reserves in the basin, and which ultimately produced 34MMstb of oil. Exploration on the western side of the basin subsequently yielded numerous conventional gas discoveries with an average size of around 5Bcf, along with many small oil discoveries.

Despite the recent focus in the basin on unconventional exploration plays, significant potential remains for further conventional oil or gas discoveries. While likely to be of modest size, any such discoveries are well placed for commercialisation due to the significant production infrastructure that exists across the basin and the high prevailing gas prices in the region.

## 4.6 Geological Setting

The Bowen-Surat Basin comprises two superimposed basins: the Permo-Triassic Bowen Basin, and the Jurassic to Cretaceous Surat Basin, each of which contain around 50% of the conventional petroleum reserves in the area. The Bowen Basin is a north-south trending back arc to foreland basin that was terminated by a major period of compression, uplift and erosion at the end of the Triassic. It is unconformably overlain by the more regionally extensive and less deformed Surat Basin succession.

Basin fill is overwhelmingly clastic and includes fluvial deposits, coal measures, marine shales, and frequent tuffs reflecting contemporaneous volcanism. All the conventional oil and gas fields in the basin are interpreted to be sourced from thick Permian aged coals of the Bowen Basin succession.



**Figure 3:** OZ SEEBASE depth to basement map showing main structural elements of the southern Bowen Basin and non-CSG petroleum wells

#### 4.7 Prospectivity

The remaining exploration prospectivity in the vicinity of the Diona Project is interpreted to be restricted to plays within the Bowen Basin stratigraphic succession. The Bowen Basin comprises several discrete depocentres, the most significant of which is the Taroom Trough, which hosts most of the basin's hydrocarbon resources.

The Diona Project is located on the south-western flank of the Taroom Trough, immediately to the east of the Wunger Ridge (Figure 3 above), which hosts a major historic gas production hub centred on the circa 100bcf Silver Springs field.

Two highly prospective exploration plays have been identified in the Diona Project (Figure 4 below). The Company will target the Diona Prospect in the first instance before considering its further options.

The ITSR concludes at page 13 that:

*"ATP 2077 (Diona sub-block) is favourably located with respect to the Triassic Showgrounds Sandstone play, the Permian Upper Tinowon Sandstone play, and the Permian Wallabella Sandstone play. Interpretation of these plays has been undertaken by Elixir Energy across the permit area and has led to the identification of the Diona Prospect as the most prospective prospect within the permit."*

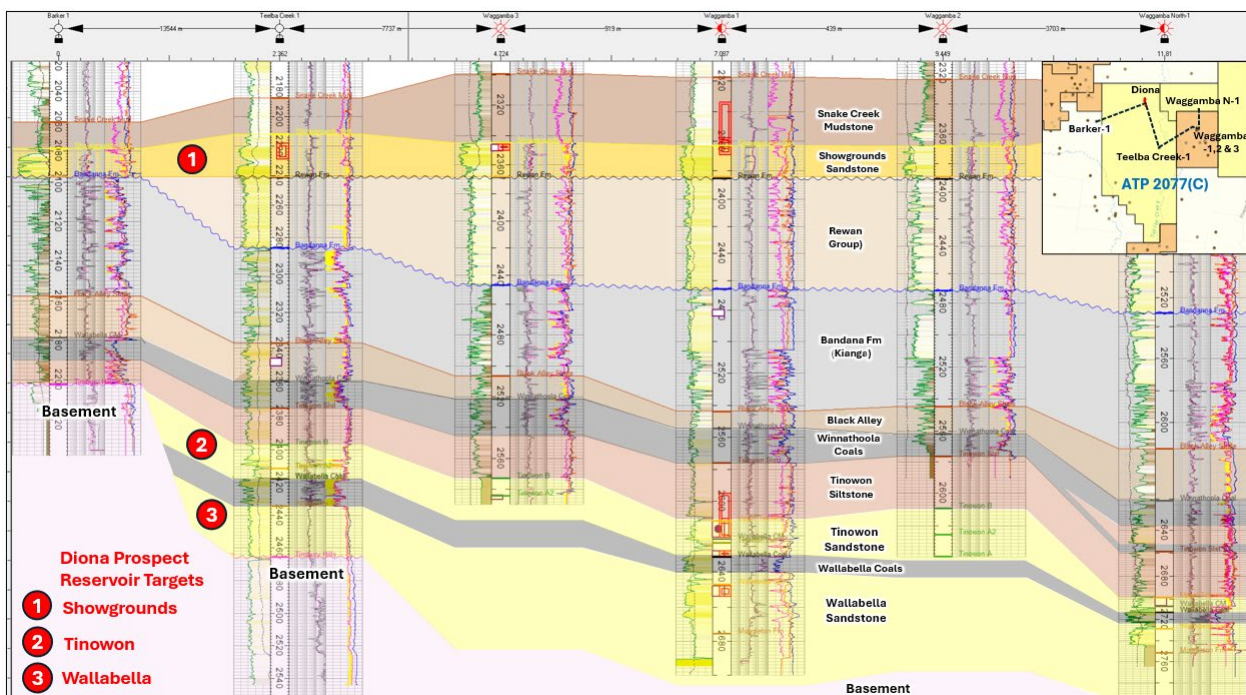
## 4.8 Showgrounds Sandstone

The Triassic aged Showgrounds Sandstone hosts most of the reserves on the Wunger Ridge to the west. The play is characterised by high quality fluvio-deltaic reservoirs trapped within structural closures that are sealed by the Snake Creek mudstone, with hydrocarbons sourced from Permian aged coals of the underlying Kianga Formation and Back Creek Group.

Historic exploration demonstrates the reservoir quality in the Showgrounds Sandstone play degrades to the east of Diona. However, significant remaining exploration potential is recognised in an under-explored fairway that runs along the eastern flank of the Wunger Ridge, through the centre of the Diona Project. The key risks for the Showgrounds Sandstone play are the eastward degradation of reservoir quality, access to hydrocarbon charge from the deeper Permian source rocks and the reliability of mapping of structural closures on available 2D seismic data.

## 4.9 Permian Tinowon and Wallabella Sandstones

Up until the mid-1990s, exploration in the Taroom Trough was focused on Triassic and Jurassic objectives. None-the-less, during this period, numerous wells were either drilled targeting specific Permian objectives or deepened in pursuit of secondary targets or stratigraphic information. Several of these wells yielded serendipitous hydrocarbon discoveries in fluvio-deltaic reservoirs, including the Waggamba Field, which is located immediately to the east of Diona.



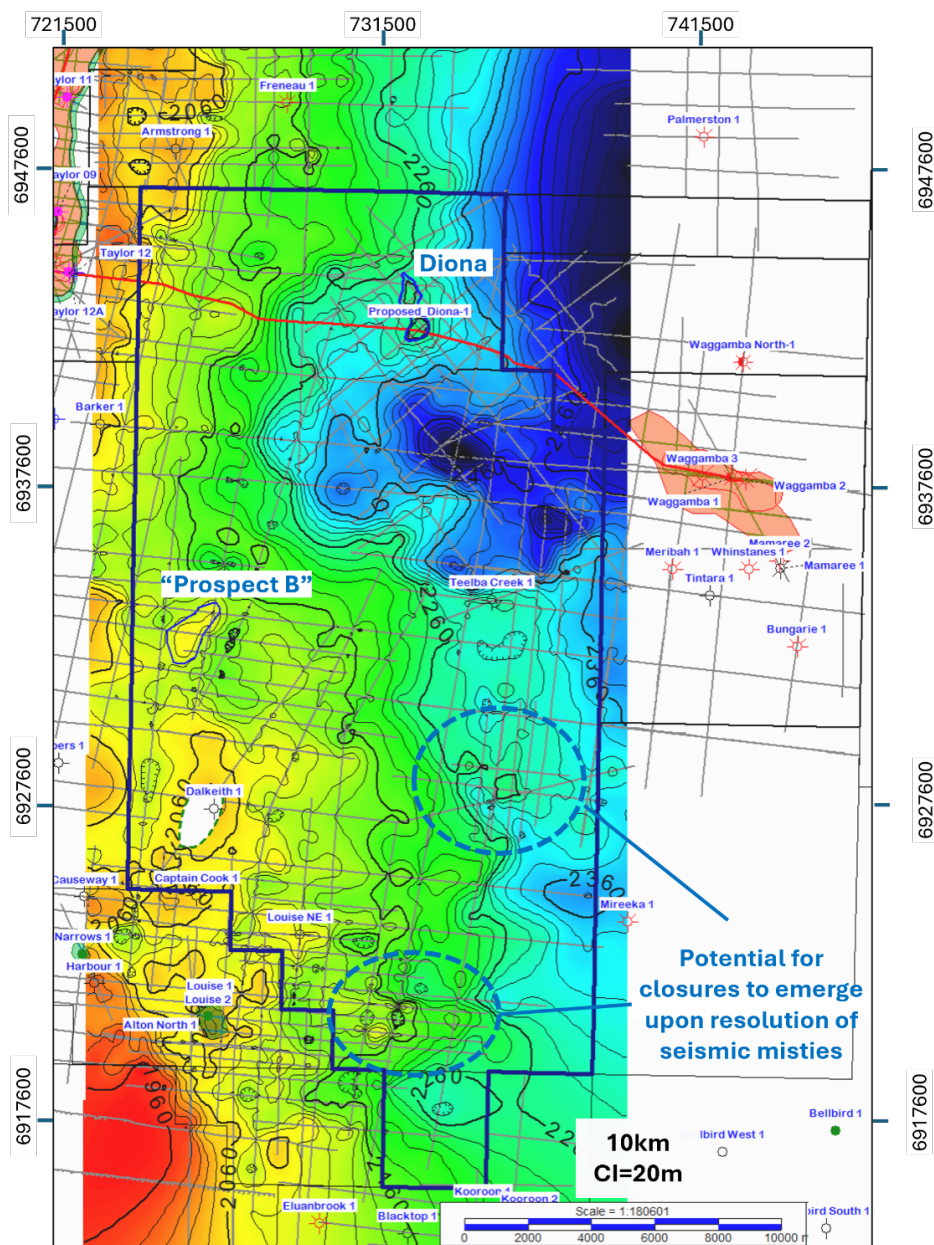
**Figure 4:** Well correlation flattened on Base Showgrounds Sandstone illustrating the Showgrounds, Tinowon and Wallabella Sandstone plays in the Diona Project

Like many of the other Permian discoveries of the Taroom Trough, the seal mechanism at Waggamba is poorly understood, but it almost certainly involves an element of stratigraphic or diagenetic trapping. The Tinowon Sandstone at Waggamba was brought onstream in 1982 and production has continued until the present day. Follow-up drilling to the north and south of Waggamba yielded disappointing results, with poor quality Tinowon Sandstone reservoirs encountered. However, the potential westward extension of the Waggamba Tinowon Sandstone play in the northern part of the Diona Project has not been adequately tested and is considered to have significant exploration potential. The deeper Wallabella Sandstone, which flowed gas on test in the 1981 Waggamba-1 discovery well, provides additional exploration potential at Diona. The key risks for the Tinowon and Wallabella sandstone plays are reservoir quality and the definition and sealing integrity of stratigraphic or diagenetic traps.



The current Operator, Elixir Energy, has undertaken a comprehensive review of the potential of the Diona Project and has high-graded the Diona Prospect for future drilling.

As well as the Diona Prospect, Elixir Energy has identified structures in the southern half of the permit that have potential at both the Showgrounds Sandstone and Permian play levels (see Figure 5 below). Evaluation of these leads is impeded by an inconsistent database of multiple vintages of 2D seismic with significant miss-tie issues. Elixir has commissioned a seismic balance and depth conversion project to resolve these issues, and once complete, it is anticipated that this work will result in the identification of additional prospects within the permit.



**Figure 5:** ATP 2077 Diona Sub-block Top Permian (Top Bandana Formation) depth below ground level, also showing historic wells and 2D seismic data

## 4.10 Production Infrastructure

The Diona Project is attractively located approximately 15km to the east of the Silver Springs gas processing plant which has been repurposed from its original role as a production facility to a short-term gas storage facility.

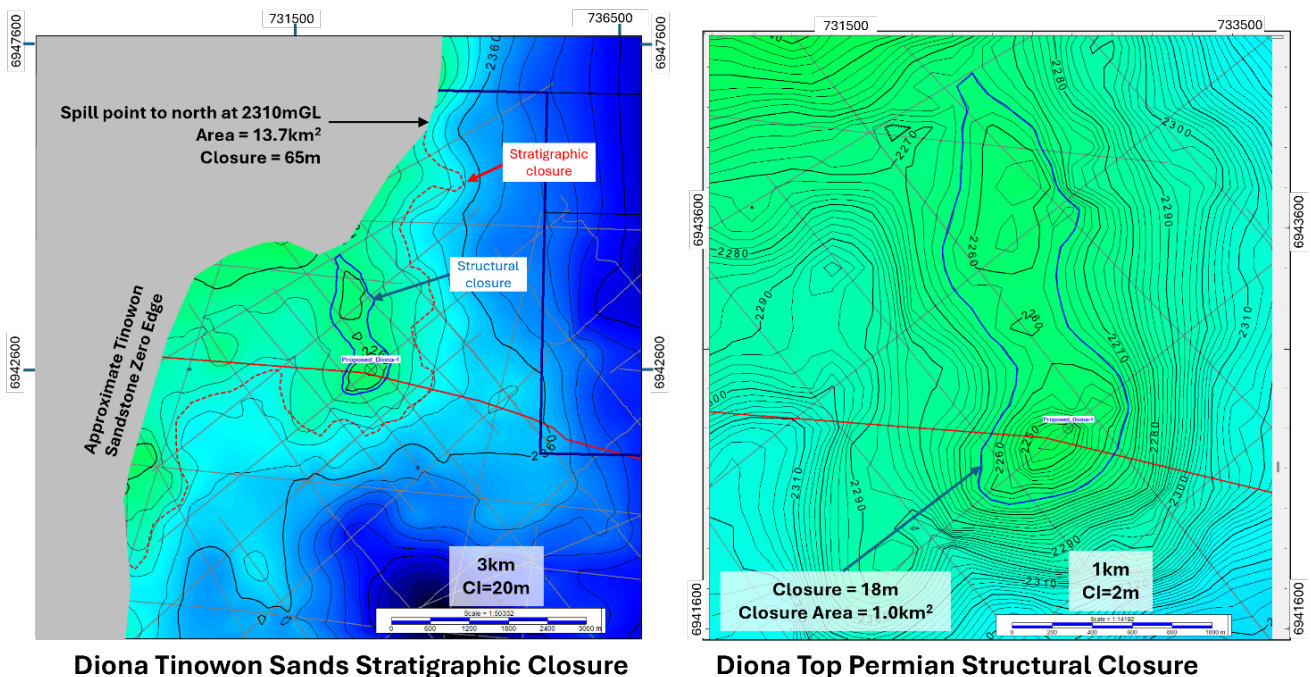
Gas production from Waggamba is ongoing with the gas exported across the Diona Prospect to Silver Springs via the 25km Waggamba transmission pipeline. Exported gas from the Silver Springs processing plant facility is sent to AGL's Wallumbilla LPG plant via a 100km pipeline, where propane, butane and condensate are removed to provide sales-quality gas for input into the Roma to Brisbane pipeline, which supplies gas into the domestic market.

## 4.11 Diona Prospect Evaluation

The Diona Prospect is located immediately beneath the Waggamba gas export pipeline, approximately 12km west of Waggamba and 11 kilometres east of the Taylor gas and oil field. The prospect targets 3 stacked reservoir objectives at Showgrounds, Upper Tinowon and Wallabella Sandstone levels (see Figure 4 above) all of which can be tested via a single vertical exploration well.

Diona is a four-way dip closed anticline which is interpreted to be present at all three reservoir objectives. At the primary Top Bandana mapping horizon, the structure has an area of 1.0km<sup>2</sup> and a vertical relief of 18m (Figure 6 and Figure 7 below). The Tinowon and Wallabella Sandstone targets have additional stratigraphically trapped upside associated with the inferred pinch-out of these two reservoirs against the eastern flank of the Wunger Ridge (Figure 6 and Figure 7 below).

Diona is well located for hydrocarbon charge due to its position on a prominent east-southeast nose that plunges down into the prognosed Permian source kitchen. This structural nose likely acts as a focus for migration from a ~40 square kilometre hydrocarbon fetch area that is likely to vary in maturity from the oil window to the gas-condensate window. Gas is considered the most likely hydrocarbon phase, but oil is a possibility, mainly in the Showgrounds sandstone, which is the shallowest of the three targets.



**Figure 6:** Diona Prospect Top Bandana Formation Depth Map (metres below ground level) illustrating potential structural and stratigraphic trap geometries



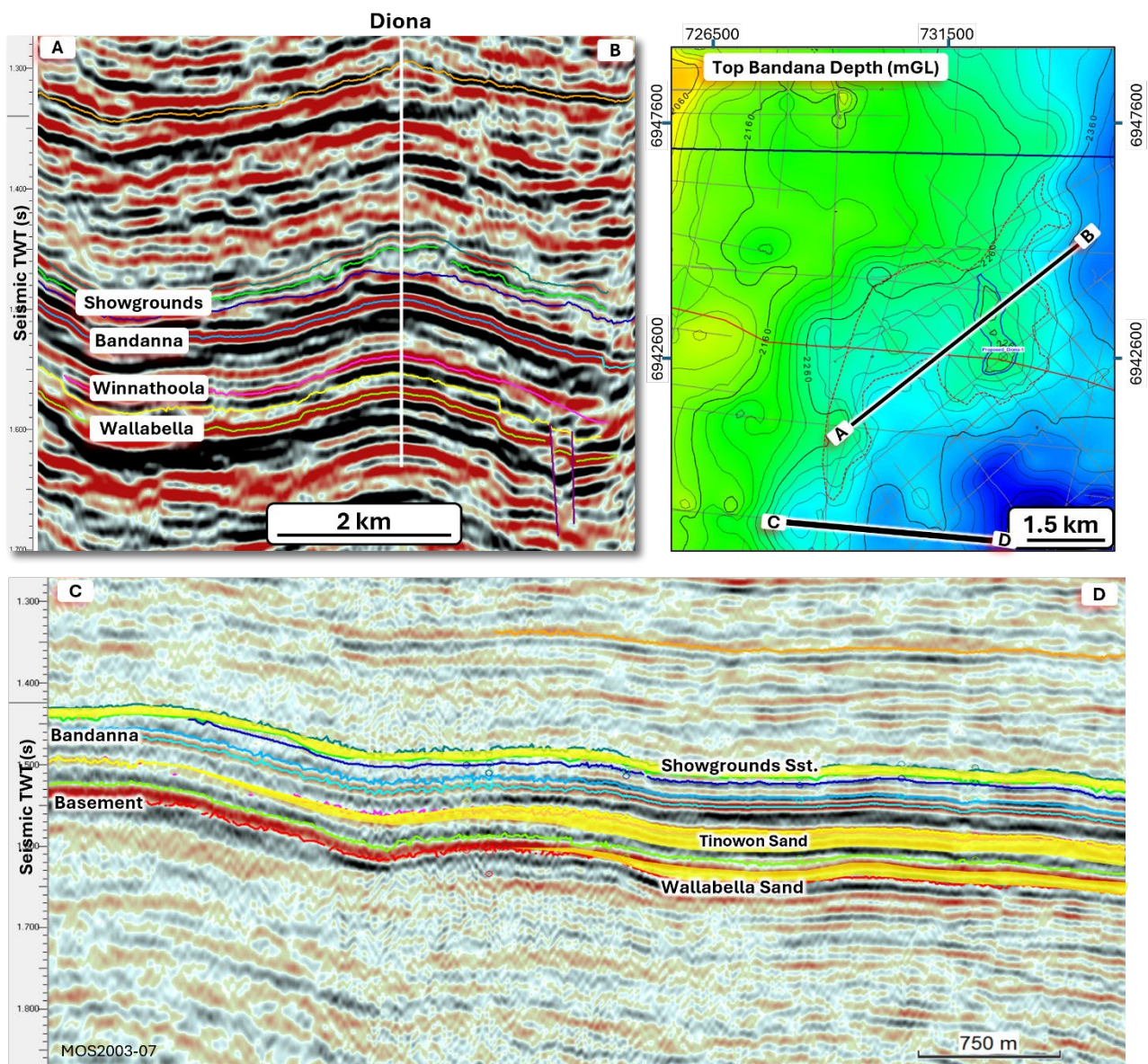


Figure 7: Seismic line A-B across Diona structural closure, and seismic line C-D near southern limit of inferred stratigraphic trap illustrating possible pinch-outs of the Tinowon and Wallabella Sands

#### 4.12 Diona Prospect Prospective Resources Estimates

Xstate commissioned Mr Calan McIntyre to prepare an Independent Technical Specialists Report (ITSR) to assess the Prospective Resources Estimates for the Diona Prospect. The ITSR evaluated each of the three reservoir targets at Diona using a probabilistic Monte Carlo simulation methodology and has an evaluation date of 4 April 2025. Refer to Schedule 3 for a full copy of the ITSR.

The gross and net Prospective Resources of the Diona Prospect, which includes three separate reservoir targets at Showgrounds, Tinowon and Wallabella Sandstone levels, are summarised in Table 2 below.

Table 2: Diona Prospect Prospective Resources

Hydrocarbon Type	Reservoir Objective	Gross Un-risked Prospective Resource				Net Un-risked Prospective Resource				Pg	Pd
		1U	2U	3U	Mean	1U	2U	3U	Mean		
Gas (Bscf)	Showgrounds	0.7	1.5	3.2	1.8	0.38	0.79	1.6	0.91	39%	85%
	Tinowon	0.2	2.5	12	4.8	0.12	1.3	6.2	2.4	20%	
	Wallabella	0.2	1.7	8.4	3.2	0.08	0.87	4.3	1.6	16%	
	<b>Entire Prospect</b>	<b>0.6</b>	<b>2.2</b>	<b>9.6</b>	<b>4.1</b>	<b>0.3</b>	<b>1.1</b>	<b>5.2</b>	<b>2.1</b>	<b>55%</b>	
Condensate (MMstb)	Showgrounds	0.02	0.06	0.15	0.08	0.01	0.03	0.08	0.04	39%	85%
	Tinowon	0.01	0.10	0.58	0.22	0.005	0.05	0.30	0.11	20%	
	Wallabella	0.01	0.06	0.38	0.15	0.003	0.03	0.19	0.07	16%	
	<b>Entire Prospect</b>	<b>0.02</b>	<b>0.09</b>	<b>0.44</b>	<b>0.18</b>	<b>0.01</b>	<b>0.05</b>	<b>0.23</b>	<b>0.09</b>	<b>55%</b>	
Gas Equivalent (Bscfe)	Showgrounds	0.9	1.9	4.1	2.3	0.45	1.0	2.1	1.2	39%	85%
	Tinowon	0.3	3.1	15.7	6.1	0.15	1.6	8.0	3.1	20%	
	Wallabella	0.2	2.1	10.6	4.1	0.09	1.1	5.4	2.1	16%	
	<b>Entire Prospect</b>	<b>0.7</b>	<b>2.7</b>	<b>13.0</b>	<b>5.1</b>	<b>0.4</b>	<b>1.4</b>	<b>6.5</b>	<b>2.6</b>	<b>55%</b>	

## Notes:

1. These estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery (Pg) and a risk of development (Pd). Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.
2. These Prospective Resources have been calculated probabilistically using a Monte Carlo simulation methodology for the three individual reservoir targets and have then been combined probabilistically (incorporating the impact of risk and risk dependencies) to determine the Prospective Resources for the entire prospect.
3. 1U, 2U and 3U refer to the low estimate, best estimate, and high estimate respectively and are respectively equal to the P90, P50 and P10 scenarios that are output from the probabilistic volumetric assessment.
4. Gas-equivalent Prospective Resources have been calculated in Billion standard cubic feet equivalent (**Bscfe**) using a conversion factor of 1 barrel condensate = 6000 cubic feet of gas.
5. These Prospective Resource only consider the most likely case hydrocarbon phase scenario (gas with condensate) and do not consider the possibility of oil.
6. Net Prospective Resources have been calculated based on XST's 51% working interest in the Diona sub-block of exploration permit ATP 2077.
7. The risk of development, Pd, has been assessed in relation to the probabilistic resource ranges for the entire prospect rather than for each individual reservoir target.
8. ATP is an Authority to Prospect, which allows a company to explore for hydrocarbons in Queensland.
9. The Prospective Resource estimates were based on a review of seismic, drilling, logging and test data. Specific work undertaken included review of previous exploration results, seismic interpretation, geological correlations, core analysis, wireline petrophysics, formation pressures, gas compositions and production test analysis.

In summary, the ITSR indicates:

- an un-risked arithmetic sum of the mean Prospective Resources estimate for the three reservoir targets of 12.5 Bscfe (gross) and 6.4 Bscfe (net to Xstate);
- an un-risked probabilistic mean Prospective Resources estimate of 2.6 Bscfe (net to Xstate); and
- on a risked basis, a 55% chance of making a 2.6 Bscfe discovery (net to XST) in the mean case and an 85% chance of development.

### 4.13 Strategy for Diona Project advancement

The Company is well advanced in its planning to commence drilling the first well, Diona-1, in the 3<sup>rd</sup> quarter of CY2025.

A well cost and budget have been prepared and the well is expected to cost approximately \$2.65m to drill (dry hole) as detailed in Table 3 below.

Table 3 Detailed Diona-1 well budget

Expenditure	\$	%
Mobilisation and demobilisation	300,000	11.3%
Team	141,969	5.4%
Geological planning & office ops	65,800	2.5%
Rig Costs	445,413	16.8%
QHSE & Native Title	13,000	0.5%
Evaluation	294,713	11.1%
Earthworks	162,000	6.1%
Communications	4,753	0.2%
Transport / Trucking	45,894	1.7%
Casing and Accessories	228,908	8.6%
Wellhead	48,500	1.8%
Cementing	225,006	8.5%
Mud	157,581	6.0%
Miscellaneous Equipment	33,681	1.3%
Drilling Tools & Equipment	108,391	4.1%
Insurance	50,000	1.9%
Field Professional Services	83,023	3.1%
<b>CONTINGENCY OF % 10</b>	<b>241,368</b>	<b>9.1%</b>
<b>TOTAL</b>	<b>2,650,000</b>	<b>100%</b>

Completion may cost up to an additional \$1m but this cost will be paid in proportion to Xstate's working interest, i.e. 51% by Xstate and 49% by Elixir.

If the well is successful, Xstate will aim to see the well put into production before the end of CY2025 (subject to raising sufficient additional funds) and will begin planning for a new well as soon as a full understanding is gained of potential revenues that may be generated from the Diona-1 well.

To date, 4 potential drill targets have been identified but there is always the possibility that we will learn something new from drilling and our geologists and geophysicists may identify even more prospective targets.

The Company has identified the following priorities:

- drill the Diona-1 well targeting the 3 known reservoirs being:
  - The Showgrounds Sandstone;
  - Tinowon Sandstone; and
  - Wallabella Sandstone; and



- if to the Diona-1 well is a discovery and can be successfully completed and brought into production, produce and sell gas (and non-gas liquids);
- undertake ongoing technical reviews of the existing data incorporating new data gleaned from Diona-1 in order to identify new prospects; and
- drill more wells on the Diona prospect.

The extent to which the Company will be fully able to commence, enact and complete each of these programs will be dependent upon the Company's continuing evaluation of the technical feasibility and merits of each program.

Indeed, in the ITSAR in Schedule 3, page 28, Calan McIntyre states that:

*"As well as the Diona Prospect, Elixir Energy has identified structures in the southern half of the permit that have potential at both the Showgrounds Sandstone and Permian play levels."*

## 5. FINANCIAL INFORMATION

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### 5.1 Independent Limited Assurance Report

The Independent Limited Assurance Report by BDO Corporate Finance in Schedule 1 includes:

- audited historical Consolidated Statement of Financial Position of the Company for the financial year (FY) ending 31 December 2024;
- reviewed Pro-Forma Consolidated Statement of Financial Position for the Company as at 31 December 2024 assuming completion of the Offer; and
- audited historical Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows of the Company for the financial years ending 31 December 2022, 2023 and 2024.

The Company's financial performance across this period includes net loss of \$3,414,981 for FY2022 and net profit after tax of \$1,426,696 for FY23 and \$1,205,122 for FY2024.

Investors are urged to read the Independent Limited Assurance Report in full and should note the scope and limitations of the report.

### 5.2 Financial Outlook and Forecasts

Post completion of the Offer, the Company's financial performance will be largely dependent on expenditures incurred on, and returns received from, its interests in its exploration projects, which (particularly in the case of returns) are inherently uncertain.

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe they do not have a reasonable basis to forecast future earnings. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

### 5.3 Dividend Policy

The Company does not expect to pay any dividends in the near future, as its focus will primarily be on using its cash reserves to progress the Diona Project.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

## 6. DETAILS OF THE OFFER

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### 6.1 The Offer

Pursuant to this Prospectus, the Company invites applications for a minimum of 100 million Shares at an issue price of \$0.02 per Share to raise a minimum of \$2.0 million and up to a maximum of 150 million shares to raise up to \$3.0 million before costs.

The Shares offered under the Offer will rank equally with the existing Shares on issue. Refer to Section 10.2 for a summary of the terms of the Shares.

#### Priority Offer

The Offer includes a Priority Offer to Eligible Xstate Shareholders of up to \$1.0 million worth of Shares under the Offer at an issue price of \$0.02 per Share. Any Shares not taken up under the Priority Offer will form part of the Offer.

#### Minimum Subscription

The Minimum Subscription for the Offer is \$2.0 million.

If the Minimum Subscription has not been raised within four months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

#### Not Underwritten

The Offer is not underwritten.

#### Minimum Application Amount

Applications under the Offer must be for a minimum of \$2,000 worth of Shares (100,000 Shares) and thereafter, in multiples of \$500 worth of Shares (25,000 Shares).

#### Quotation and Trading

Application for quotation of the Shares issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 6.9 for further details.

The Board does not expect that any Shares issued under the Offer will be subject to escrow under the ASX Listing Rules.

#### Offer Conditions

The Offer under this Prospectus is conditional upon the following events occurring (**Offer Conditions**):

- a) the Company's Shareholders approving the Re-compliance Resolutions;
- b) the Company raising the Minimum Subscription, being \$2.0 million, under the Offer;

- c) ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules subject to conditions acceptable to the Company (acting reasonably) which, when satisfied, will result in Reinstatement; and
- d) the Acquisition Agreement becoming unconditional, other than for completion of the Offer (see Section 9.1 for the Acquisition Conditions).

Each of the Re-compliance Resolutions are conditional upon the approval by shareholders of each of the other Re-compliance Resolutions. If any of the Re-compliance Resolutions are not approved by Shareholders, all of the Re-compliance Resolutions will fail, and completion of the Acquisition will not occur

If the Offer Conditions are not satisfied, then the Offer will not proceed and the Company will repay all application monies received under the Offer in accordance with the Corporations Act.

## Withdrawal of Offer

The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) in accordance with applicable laws.

## 6.2 What are the Company's Objectives?

The Company's objectives are to:

- a) in conjunction with Elixir Energy, undertake a seismic balancing and depth conversion project for the multiple vintages of 2D seismic at the Diona Project to address the miss-tie issues;
- b) drill the Diona-1 Well within 12 months post-Acquisition; and
- c) subject to the success of the Diona-1 Well, undertake completion and production testing and assess the potential for production and further drilling at the Diona Project.

## 6.3 Purpose of the Prospectus

The purpose of this Prospectus is to:

- a) make the Offer to raise sufficient funds to meet the Company's stated objectives as set out in Section 6.2;
- b) provide the Company with additional funding to progress exploration of the Diona Project;
- c) remove the need for a disclosure document to be issued upon the sale of any Shares that are to be issued under the Offer; and
- d) assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (see Section 6.15 for further details).

## 6.4 Capital Structure

The expected capital structure of the Company following completion of the Offer is tabled below.

Shares	\$2.0 million (Minimum Subscription)	%	\$3.0 million (Maximum Subscription)	%
Existing Shares (post Consolidation)	144,178,992	59%	144,178,992	49%
Shares to be issued under the Offer	100,000,000	41%	150,000,000	51%
<b>Total</b>	<b>244,178,992</b>	<b>100%</b>	<b>294,178,992</b>	<b>100%</b>

Options	\$2.0 million (Minimum Subscription)	%	\$3.0 million (Maximum Subscription)	%
Existing Options (post Consolidation) <sup>(1)</sup>	6,614,350	31%	6,614,350	21%
Proposed Lead Manager Options <sup>(2)</sup>	15,000,000	69%	25,000,000	79%
<b>Total</b>	<b>21,614,350</b>	<b>100%</b>	<b>31,614,350</b>	<b>100%</b>

- (1) Consisting of 6,614,350 unquoted Options with an exercise price of \$0.067 each on a post-Consolidation basis and an expiry date on 30 June 2026. Refer to Section 10.3 for details.
- (2) Unquoted Lead Manager Options (\$0.04 exercise price, expiring 18 months from issue) equal to 6.1% of the Shares on issue at completion of the Offer on a Minimum Subscription basis and 8.5% on a Maximum Subscription basis. Refer to Section 10.4 of this Prospectus for full terms.

## **6.5 Applications - Offer**

Applications for Shares under the Offer must only be made by investors using the electronic Application Form accessible via <https://apply.automic.com.au/Xstate> or the Application Form accompanying this Prospectus.

Eligible Xstate Shareholders should use the electronic Priority Offer Application Form as detailed in section 6.6 below.

The Offer is open to all investors in Australia. It is also open to certain types of institutional and professional investors in New Zealand pursuant to exemptions from local prospectus and registration requirements.

By completing an Application Form, you will be taken to have declared that you are eligible to apply for Shares under the Offer and all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Applications under the Offer must be accompanied by payment in full in Australian currency in accordance with the instructions set out in the Application Form. All application monies will be held on trust in a dedicated account.

Applicants wishing to provide application monies via BPAY or electronic funds transfer (ETF) should follow the instructions on the Application Form or contact the Company's Share Registry.

A unique reference number will be quoted upon completion of the online application. Your BPAY® reference number will process your payment to your application electronically and you will be deemed to have applied for such Shares for which you have paid.

Payments by cheque should be made payable to Automic Pty Ltd.

Completed Application Forms and accompanying application monies must be received by or on behalf of the Company by no later than 5.00pm (WST) on the Closing Date. Applicants using BPAY® or EFT should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the Closing Date of the Offer. You do not need to return any documents if you have made payment via BPAY® or EFT.

An original, completed and lodged Application Form together with confirmation of electronic funds transfer for any application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid.

The Company reserves the right to close the Offer early and to accept late applications.

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

If you require assistance in completing an Application Form, please contact the Share Registry, on 1300 288 664 or via email at [corporate.actions@automic.com.au](mailto:corporate.actions@automic.com.au).

## **6.6 Applications – Priority Offer**

Only Eligible Xstate Shareholders may apply to participate in the Priority Offer.

The Company will provide each Eligible Xstate Shareholder with further details of how to apply under the Priority Offer via letter or email, which will include a priority code to submit an electronic Priority Offer Application Form under the Priority Offer and details of how to download the electronic Prospectus.

Eligible Xstate Shareholders can make an online application under the Priority Offer at <https://apply.automic.com.au/XstatePriority> using their priority code to login, review the electronic Prospectus and submit a Priority Offer Application Form and pay their Application monies by BPAY® or EFT by 5:00pm (WST) on the Closing Date.

Alternatively, Eligible Xstate Shareholders can contact the Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia), or email at [corporate.actions@automicgroup.com.au](mailto:corporate.actions@automicgroup.com.au) and request that a personalised Priority Offer Application Form and a copy of the Prospectus be provided to them directly.

By completing a Priority Offer Application Form, you will be taken to have declared that you are eligible to apply for Shares under the Priority Offer and all details and statements made by you are complete and accurate and that you have personally received the Priority Offer Application Form together with a complete and unaltered copy of the Prospectus.

Applications under the Priority Offer must be accompanied by payment in full in Australian currency in accordance with the instructions set out in the Priority Offer Application Form. All application monies will be held on trust in a dedicated account.

Applicants who wish to provide application monies by BPAY® or EFT should follow the instructions on the Priority Offer Application Form.

A unique reference number will be quoted upon completion of the online application. Your BPAY® reference number will process your payment to your application electronically and you will be deemed to have applied for such Shares for which you have paid.

Payments by cheque should be made payable to Automic Pty Ltd.

Application monies must be received by or on behalf of the Company by no later than 5:00pm (WST) on the Closing Date. Applicants using BPAY® or EFT should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the Closing Date of the Offer. You do not need to return any documents if you have made payment via BPAY® or EFT.

An original, completed and lodged Priority Offer Application Form together with confirmation of electronic funds transfer for any application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Priority Offer Application Form. The Priority Offer Application Form does not need to be signed to be valid.

The Company reserves the right to close the Priority Offer early and to accept late applications.

If a Priority Offer Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Priority Offer Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

If you require assistance in completing a Priority Offer Application Form, please contact the Share Registry, on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia), or email at [corporate.actions@automicgroup.com.au](mailto:corporate.actions@automicgroup.com.au).

## **6.7 Issue of Shares**

Subject to the Minimum Subscription to the Offer being reached and ASX granting conditional approval for the Company to be re-admitted to the Official List on conditions the Directors are confident can be satisfied, issue of Shares under the Offer will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held in trust for Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

## **6.8 Offer Allocation Policy**

Subject to the priority given to Applications by Eligible Xstate Shareholders under the Priority Offer, the allocation of Shares under the Offer will be determined by the Board in its absolute discretion, in consultation with the Joint Lead Managers.

The allocation of Shares will be influenced by the following factors:

- a) the number of Shares applied for;
- b) the overall level of demand for the Offer;
- c) the desire for spread of investors, including institutional investors; and
- d) the desire for an informed and active market for trading Shares following completion of the Offer.

The Board reserves the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the Applicant as soon as practicable after the Closing Date.

The decision on the number of Shares to be allocated to an Applicant will be final. There is no guaranteed allocation of Shares under the Offer.

### **Priority Offer Allocation Policy**

Valid applications under the Priority Offer will be satisfied at the discretion of the Board. If valid applications under the Priority Offer are received in respect of Shares exceeding the number available, such Applications will be scaled back and the difference between the number of Shares applied for and the number resulting from such scale-back will be treated as an Application by the relevant Eligible Xstate Shareholder under the Offer and will be subject to the allocation policy applicable to the Offer.

## **6.9 ASX Official Quotation of Shares**

The Company will apply for Official Quotation of all Shares issued under this Prospectus within seven days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of three months after the date of this Prospectus, or such period as varied by the ASIC or ASIC Instrument, or if ASX otherwise rejects the Company's application for re-admission to the Official List, the Company will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

## **6.10 Restricted Securities and free float**

The Company does not expect that any current Shares or Options on issue or Shares issued under the Offer to be classified as restricted securities or required to be held in escrow under the ASX Listing Rules post Reinstatement.

The Company's 'free float', being the percentage of Shares not subject to escrow and held by non-affiliated Shareholders (i.e. are not related parties of the Company or their associates or someone whose relationship with the Company the ASX considers makes them an affiliate) at the time of Reinstatement is expected to be 99% (assuming no affiliated Shareholders participate in the Offer).

The Company is seeking Shareholder approval at the General Meeting for the Directors (or their nominees) to subscribe for up to an aggregate total of 7.5 million Shares under the Offer. If these Shares are approved and issued, the free float is expected to be between 96% (Minimum Subscription) and 97% (Maximum Subscription).

The Company expects any Lead Manager Options to be classified by ASX as restricted securities and required to be held in escrow for 24 months from the date of Re-instatement.

As at the date of this Prospectus, the ASX has not made a determination in respect of the escrow restrictions to be applied to the Company's Securities. The determination may be different from the assumptions set out in this Prospectus.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's Shares re-commencing trading on ASX.

## **6.11 Top 20 Shareholders**

The Company will announce to the ASX details of its top 20 Shareholders following the completion of the Offer and prior to the date of re-admission of the Company to the Official List.

## **6.12 Clearing House Electronic Sub-Register System and Issuer Sponsorship**

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**). ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHESS. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of Shares can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Shareholders may request a holding statement at any other time however, a charge may be made for such additional statements.

## **6.13 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Shares in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept the Offer.

If you are outside Australia, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form by a person outside Australia will be taken by the Company to constitute a representation and warranty by you (for the Company's benefit and for the benefit of the Company's officers, employees, agents and advisers) that there has been no breach of any such laws and all relevant approvals have been obtained (and, to the maximum extent permitted by law, you agree to indemnify the Company and its officers, employees, agents and advisers for any loss or damage caused if such representation or warranty proves to be inaccurate). Such Applicants outside Australia must consult with their professional advisors as to whether any formalities need to be observed (either by themselves or the Company) to enable them to subscribe for the securities being offered pursuant to this Prospectus.

The Offer does not and will not constitute an offer of Shares in the United States of America (**US**). Furthermore, no person ordinarily resident in the US is or will become permitted to submit an Application



Form. If the Company believes that any Applicant is ordinarily resident in the US, or is acting on behalf of a person or entity that is ordinarily a resident of the US, the Company will reject that Applicant's application.

#### **6.14 Foreign Offer Restrictions**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

This Prospectus does not constitute an offer of Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer.

#### **6.15 Suspension and Reinstatement on ASX**

The Company's Shares are currently suspended from trading on the ASX and will not be reinstated unless ASX is satisfied that the Company has met the requirements of Chapters 1 and 2 of the Listing Rules.

The Acquisition, if successfully completed, will represent a significant change in the scale of the Company's activities and therefore requires the approval of Shareholders and the Company to re-comply with the admission and quotation requirements set out in Chapters 1 and 2 of the Listing Rules. The Company has sought Shareholder approval for the change in scale (amongst other resolutions required to give effect to the Reinstatement) at the Company's General Meeting to be held on 28 June 2025.

Some of the key requirements of Chapters 1 and 2 of the ASX Listing Rules are:

- a) the Company must satisfy the shareholder spread requirements relating to the minimum number of shareholders and the minimum value of the shareholdings of those shareholders; and
- b) the Company must satisfy the "assets test" as set out in ASX Listing Rule 1.3.

The Company expects that the conduct of the Offer pursuant to this Prospectus will enable the Company to satisfy the above requirements.

#### **6.16 Taxation**

The disposal of Shares may have tax consequences, which may differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and/or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

#### **6.17 Brokerage**

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

## **7. BOARD, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE**

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### **7.1 Directors and Senior Management**

#### **Andrew Childs – Non-Executive Chairman**

Mr Childs is a petroleum geologist with over 35 years of experience in the oil and gas sector. He has worked in technical and commercial roles for small to mid-capped Companies listed on the ASX, AIM and TSX markets.

Mr Childs was previously the Non-executive Chairman of Australian Oil Company Limited (ASX:AOK) (formerly Sacgasco Limited) and a Non-Executive Director of ADX Energy Limited (ASX:ADX).

Mr Childs is currently the Chair of the Nominations and Remuneration Committee and a member of the Audit and Risk Management Committee.

The Board considers Mr Childs is an independent Director.

#### **Andrew Bald – Managing Director**

Mr Bald has over 35 years of experience in financial markets and has raised capital for, and listed a number of junior oil and gas, and mineral and exploration companies.

From 2013 to 2016, Mr Bald was the Managing Director of Burleson Energy, an oil and gas explorer with production in Texas, USA. Mr Bald has also been on the board and acted as company secretary for various ASX listed companies primarily in the hard rock (minerals) and energy sectors.

Mr Bald is the founder and Executive Director of Panthea Capital, a boutique corporate advisory company that specialises in raising capital for ASX listed companies, advising companies in relation to IPO process and providing strategic planning, risk management and financing advice.

The Board considers Mr Bald is not an independent Director.

#### **Greg Channon – Non-Executive Director**

Mr Channon is a geologist with 40 years of international experience in the oil and gas industry, holding diverse technical and leadership positions.

As a graduate of the Australian Institute of Company Directors, Mr Channon has extensive experience in corporate governance and financial reporting. Mr Channon has also participated in multiple Initial Public Offerings (IPOs) and served on the Board of Directors for companies listed on the ASX, NYSE, TSX and HKSE.

Mr Channon provides technical consultancy services to Elixir and Xstate. He also acts as the Chair of the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee for the Company.

The Board considers Mr Channon to be an independent Director.

#### **Jordan McArthur – Company Secretary**

Mr McArthur is a Chartered Accountant with over ten years of corporate and financial experience in Australia and the United Kingdom.

Mr McArthur currently acts as the Company Secretary for the Company, Australian Oil Company Limited (ASX:AOK), Lodestar Minerals Limited (ASX:LSR) and RemSense Technologies Limited (ASX:REM).

## 7.2 Disclosure of Fees, Benefits and Interests

The following table shows the total proposed total annual remuneration for the current financial year and the relevant interests of Directors in Securities as at the date of this Prospectus (on a post Consolidation basis).

Director	Annual Remuneration for current financial year <sup>(1)</sup>	Shares <sup>(2)</sup>	Options <sup>(3)</sup>
Andrew Childs <sup>(4)</sup>	\$60,000	1,121,077	1,793,722
Andrew Bald <sup>(5)</sup>	\$235,000	1,419,780	1,793,722
Greg Channon <sup>(6)</sup>	\$60,000	236,993	1,793,722
<b>Total</b>	<b>\$355,000</b>	<b>2,777,850</b>	<b>5,381,166</b>

(1) Includes compulsory superannuation (currently 11.5% per annum, increasing to 12.0% per annum from 1 July 2025) and reasonable expenses incurred.

(2) On a post Consolidation basis. Does not include any Shares that Directors may take up under the Offer. Each of the Directors (or their nominees) wishes to subscribe for up to 2,500,000 Shares at an issue price of \$0.02 each (being \$50,000 in subscription each) in the Offer, subject to Shareholder approval, pursuant to Resolutions 4 to 6 of the Notice of Meeting.

(3) On a post Consolidation basis. Exercisable at \$0.067 each, expiring 30 June 2026. Refer to Section 10.3 for full terms of the Options.

(4) Held by Brazell Pty Ltd, a related party to Mr Childs.

(5) Annual Salary is calculated assuming 60% FTE. Shares and Options held by Hera Investments Pty Ltd, a related part of Mr Bald.

(6) Held by Ruby Lloyd Pty Ltd, a related part of Mr Channon.

In accordance with the Constitution, the remuneration of non-executive Directors must be not more than \$400,000 per annum in aggregate, which may be varied by ordinary resolution of the Shareholders in general meeting.

Directors are entitled to be paid reasonable travel, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Directors (via their controlled entities) have received consultancy fees for additional services provided to the Company as disclosed in the Company's annual reports and as permitted by the Constitution. In addition, for the 6 month period from 1 January 2025 to 30 June 2025:

- Andrew Bald (via Panthea Capital Partners Pty Ltd) has been/will be paid consultancy fees totalling \$27,000 plus GST; and
- Greg Cannon (via Ruby Lloyd Pty Ltd) has been/will be paid consultancy fees totalling \$20,925 plus GST.

Director Andrew Childs (trading as Resources Recruitment) leases office space to the Company under a monthly tenancy and has received rent as disclosed in the Company's annual reports. In addition, for the 6 month period from 1 January 2025 to 30 June 2025, rent totalling \$18,000 plus GST has been/will be paid.

## 7.3 Agreements with Related Parties and Substantial Shareholders

The Company has entered into the following transactions with related parties and current (>5%) substantial shareholders, which are summarised in Section 9:

- consultancy services agreement with Andrew Bald to act as Managing Director of the Company;
- non-executive Director appointment letters with Mr Andrew Childs and Mr Greg Channon;
- deeds of indemnity, insurance and access with the Directors on standard terms; and
- office lease with Director Mr Andrew Childs.

## 7.4 ASX Corporate Governance

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, commensurate with the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details are in the Company's Corporate Governance Plan available on the Company's website at [www.xstateresources.com.au](http://www.xstateresources.com.au).

## Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- maintain and increase Shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory requirements.

Consistent with these goals, the Board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders; and
- identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

## Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- the Board is to comprise Directors with a blend of skills, experience, expertise and diversity appropriate for the Company and its business; and
- the principal criterion for the appointment of new Directors will be an assessment against a range of criteria including the candidate's background, experience, gender, professional skills, personal qualities and whether their skills and experience will complement the existing Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate skills and experience that will complement the existing Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next annual general meeting and is then eligible for re-election by the Shareholders.

## Independence of the Board

In accordance with the Board Charter, the Board comprises a majority of independent directors. The Board considers an independent Director to be a non-executive Director who is not a member of management and

who is free of any business or other relationship that could materially affect with or reasonably be perceived to interfere with the independent and unfettered exercise of their judgement, a definition of independence based on the definitions in the ASX Recommendations.

The Board considers that Messrs Andrew Childs and Greg Channon are independent directors and accordingly the Board currently consist of a majority of independent directors.

## Identification and Management of Risk

The Company has established an Audit and Risk Management Committee, chaired by Mr Greg Channon.

## Ethical Standards

The Board is committed to the Company acting legally and responsibly on all matters and that the highest ethical standards are maintained.

## Independent Professional Advice

Subject to the Chair's approval, the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

## Securities Trading Policy

The Board has adopted a Securities Trading Policy. A copy of the Securities Trading Policy is available in the Corporate Governance section on the Company's website.

The Policy sets out the guidelines on the sale and purchase of securities in the Company by its Directors, key management personnel, employees and contractors (Restricted Persons, who are required to refrain from trading in the Company's Shares during a 'blackout period' except for trading during exceptional circumstances.

## External Audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

## Audit Committee

The Company has established an Audit and Risk Management Committee, chaired by Mr Greg Channon.

## Departures from Recommendations

Under the ASX Listing Rules the Company will be required to report any departures from the recommendations in its annual financial report and/or on its website.

The Company's departures from the Recommendations as at the date of this Prospectus are detailed in the table below.

Recommendation	Explanation for departure
1.5 Diversity Policy	While the Company is committed to workforce diversity, the Board believes that with its scale of activities and relatively small number of employees, it is not appropriate in the Company's current circumstances that the Board set and disclose measurable objectives for achieving gender diversity; and annually assess objectives and the entity's progress in achieving them.
1.6 Performance Evaluation	The Board did not complete a performance evaluation of its Directors during the past financial year.

## **8. RISK FACTORS**

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The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, and to consult their professional advisers, before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **8.1 Company Specific Risks**

#### **8.1.1 Re-quotation of Shares on ASX**

As the acquisition of the working interest in the Diona project constitutes a significant change in the scale of the Company's activities, the Company is undertaking a re-compliance process to satisfy the requirements of Chapters 1 and 2 of the Listing Rules, in the same manner as if it were seeking admission to the Official List.

The ASX Listing Rules require the Company to satisfy specific criteria, including minimum financial thresholds, sufficient shareholder spreads, and adequate working capital for ongoing operational commitments. If the Company fails to meet these requirements, ASX may refuse to re-admit the Company to official quotation. Were this to occur, the Company's Shares would remain in suspension and not be able to be traded on the ASX until such a time as the requirements could be met, if at all.

#### **8.1.2 Exploration and Development**

Potential investors should understand that gas and oil exploration and development are high-risk undertakings. There can be no assurance that future exploration of the Company's interest in gas and oil projects, or any other working interest that may be acquired in the future, will result in the discovery of commercially viable oil or gas reserves or resources. Even if an apparently viable reserves or resources are identified, technical challenges or unfavourable subsurface conditions could render them uneconomic to develop. The future exploration activities of the Company may be affected by a range of factors including quality of geological data, the accuracy of resource modelling, the ability to effectively implement drilling and testing programs, geological conditions, limitations on activities due to seasonal weather patterns or adverse weather conditions, unanticipated operational and technical difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, industrial and environmental accidents, industrial disputes, unexpected shortages and increases in the costs of consumables, spare parts, plant, equipment and staff, native title process, changing government regulations and many other factors beyond the control of the Company. These uncertainties mean the Company may incur substantial exploration and appraisal costs without achieving a viable outcome.

#### **8.1.3 Reserves and Resource Estimates**

Calculation of estimates of recoverable oil and gas reserves and resources contain significant uncertainties which are inherent in the reservoir geology, well data, operating costs and oil prices and requirement management to make a series of assumptions for the purposes of preparing such reserve reports.

Although such assumptions may be reasonable at the time they are made and may be subject to review by independent reserves auditors, future drilling results and costs and oil prices may differ significantly from those assumptions. There is a risk that resource estimations will not convert into reserves or any actual production may significantly vary from estimates.

Xstate manages the risks associated with reserves estimates through by appropriate qualified Board representatives.

#### **8.1.4 Additional Funding**

The Company will generate losses for the foreseeable future. While the funds to be raised under the Offer are considered sufficient to meet the stated objectives of the Company, the Company will require additional funding for its activities.

In particular, if the Diona-1 well is successfully completed and production tested, the Company will need to raise additional funds to bring the Diona-1 well into production and to drill any further wells at the Diona Project.

There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company.

The Company's ability to effectively implement its business and operational plans in the future, to take advantage of opportunities for future acquisitions or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds.

The Company may seek to raise additional funds through equity or debt financing or other means.

There can be no assurance that additional funding will be available when needed or, if available, the terms of the funding may not be favourable to the Company and might involve substantial dilution to Shareholders.

Inability to obtain sufficient funding for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

Loan agreements and other financing arrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration.

#### **8.1.5 Key Personnel**

The Company is substantially reliant on the expertise and abilities of its key personnel in overseeing the day-to-day operations of its exploration Projects. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees or contractors cease their relationship with the Company. In such a circumstance it may be difficult to recruit a suitable replacement in the time required by the Company, especially given the current shortages in the New South Wales mining industry.

#### **8.1.6 Completion, Counterparty and Contractual risk**

The ability of the Company to achieve its stated objectives will depend in part on the performance by Elixir in delivering upon the agreed terms of the Acquisition Agreement and the JOA. If Elixir defaults in its performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

### **8.1.7 Operating Risk**

Sustained, unplanned interruption to production operations for either operator that the Company is currently involved with may impact Xstate's financial performance and its ability to fund its forward programs. The facilities in which Xstate currently has a non-operated working interest are subject to operating hazards associated with major accident events and weather events, which can result in a loss of hydrocarbon containment, diminished production, unbudgeted cost increases, environmental damage and harm to people or reputation. This risk extends to unexpected sub-surface outcomes.

As Xstate is not the operator of the projects it is currently involved with, the operating risks are extended to include the performance of the operators. These risks could include inadequate resourcing or systems, misalignment of interests, inadequate capture or provision of data and information, poor financial position or unfavourable or inadequate agreement with the operator. Consequences of poor performance by an operator could extend to operational incidents, financial loss, loss of opportunity, non-compliance, legal disputes or less than optimal financial returns from the field.

Xstate seeks to manage and mitigate the risks around performance of the operator by entering into ventures with operators who have a demonstrated history of competencies of operation and financial capacity. Through its due diligence, Xstate seeks to ensure that the operator's reputations are sound and that Xstate's interests are aligned before committing to participation. The Board of Directors is actively engaged with regular communication with each operator as to the status of operations and planned activities as part of the risk management process.

## **8.2 Industry Specific Risks**

### **8.2.1 Commodity Price**

Changes in the market price of a range of commodities but in particular, oil and gas, which in the past have been subject to material fluctuations, will affect the profitability of the Company's operations and its financial condition in the future, if the Company is able to develop and commences production, oil and gas prices are affected by numerous industry and market factors and events that are beyond the control of the Company including expectations with respect to the rate of inflation, interest rates, currency exchange rates (particularly the strength of the US dollar), the demand for products containing oil and gas, production levels, inventories, cost of substitutes, changes in global or regional investment or consumption patterns and sales by central banks and other holders of oil and gas in response to the above factors as well as general global economic conditions and political trends.

### **8.2.2 Foreign Exchange Rate**

Xstate has a portfolio of global operations, and as such, exposure to foreign exchange fluctuations presents a material financial risk. Revenue from non-operated production is denominated in foreign currencies and movements in exchange rates can impact financial performance by affecting cash flows, asset valuations and the costs of funding commitments.

A depreciation of the Australian dollar against foreign currencies may increase the cost of any activities performed in overseas jurisdictions or acquisition of any requisite equipment or services from overseas counterparties, whilst also increasing the return on any profitable production operations in overseas jurisdictions. An appreciation of the Australian dollar would cause a reversal in the abovementioned occurrences.

### **8.2.3 Hydrocarbon spills**

Oil and gas operations involve the production, storage and transport of the produced oil and gas as well as waste materials. Hydrocarbon spills may lead to damage to the environment, as well as



potential safety issues and damage to Xstate and their respective operators' reputation and fines. Hydrocarbon spills are managed by each operator through a system of rigorous internal procedural adherence in combination with technological inputs to rapidly identify and address any occurrences to reduce the environmental impact as best as possible.

#### **8.2.4 Pandemic**

The global COVID-19 (Novel Coronavirus) pandemic demonstrated that pandemics can have a significant impact on global capital markets, commodity prices and foreign exchange rates. Should a pandemic arise, and any Company personnel or contractors are infected, it could result in the Company's operations being suspended or otherwise disrupted for an unknown period of time, which may have an adverse impact on the Company's operations as well as an adverse impact on the financial condition of the Company. Supply chain disruptions resulting from a pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by a pandemic, continue to adversely impact the Company's operations, financial position and prospects.

#### **8.2.5 Tenure and Title**

The ability of the Company to carry out successful exploration and production activities will depend on the ability to maintain or obtain tenure to titles. The maintenance or issue of any such titles must be in accordance with the laws of the relevant jurisdiction and in particular, the relevant legislation. Conditions imposed by such legislation must also be complied with.

All of the Company's existing (and proposed) petroleum titles are subject to resources acts and regulations in the applicable country, pursuant to which production, and exploration titles are subject to periodic renewal. There is no guarantee that current or future titles or future applications for production titles will be approved. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the titles comprising the Company's Projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position or performance of the Company.

It is the Company's intention to satisfy the conditions that apply to the titles. However, no guarantee can be given that titles will be maintained or granted, or if they are maintained or granted, that the Company and any other holders will be in a position to comply with all conditions that are imposed or that they will not be plagued by third parties.

If the conditions that apply to a title are not satisfied, it may be subject to additional conditions, penalties, objections or forfeiture applications. Any of these events could have a materially adverse effect on the Company's prospects and the value of its assets.

The renewal of the term of granted titles is subject to compliance with the relevant legislation, conditions of title for the prior term, and the discretion of the relevant authority. Whilst the risk of title forfeiture may be considered relatively low, a number of the risks identified in this section of the Prospectus, both within and beyond the Company's control, have the ability to impact the Company's compliance.

Titles are subject to periodic renewal or extension of term. There is no guarantee that any renewal or extension applications will be approved, or that future applications for renewal or extension will be approved. The consequence of failure to renew or involuntary surrender of all or part of a granted titles could be significant.

Although the Company has investigated title to the Diona Project (as detailed in the Independent Solicitor's Report), the Company cannot give any assurance that such title will not be challenged or impugned. The title may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects or native title claims.

Titles may overlap third party interests, such as Crown land, reserves, pastoral leases, private land and native title, which can limit the Company's potential to conduct exploration and any future production activities on the land. The relevant holder's title relies on the formulation of access arrangements with landholders, made in accordance with the relevant legislation and regulations. The terms and conditions of such, including agreed terms regarding compensation for potential loss incurred, must be adhered to ensure that access is able to be retained. Failure to adhere to access arrangement conditions may result in an inability or delay in accessing the land, which can impact production capabilities.

Please refer to the Independent Solicitor's Report in Schedule 2 for further details.

### **8.2.6 Native Title and Aboriginal Heritage**

In relation to the Diona Project, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to the Diona Project (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and production phases of operations may be adversely affected. Considerable expense may be incurred in negotiating and resolving issues, including any compensation arrangements reached in settling Native Title claims lodged over any of the titles held or acquired by the Company.

The Directors will closely monitor the potential effect of native title claims involving the Diona Project.

The presence of Aboriginal sacred sites and cultural heritage artefacts on the Diona Project is protected by State and Commonwealth laws. Any destruction or harming of such sites and artefacts may result in the Company incurring significant fines and Court injunctions, which may adversely impact on exploration and production activities. The Company will review and, as required, conduct surveys before conducting work which could disturb the surface of the land. The title may contain, sites of cultural significance which will need to be avoided during field programs and resulting production operations. The existence of such sites may limit or preclude exploration or production activities on those sites and delays and expenses may be experienced in obtaining clearances.

Please refer to the Independent Solicitor's Report in Schedule 2 for further details.

### **8.2.7 Sovereign Risk**

Exploration for, and development and exploitation of, oil and gas in the USA and Australia is subject to numerous laws and regulations at both federal and or provincial levels. These include areas of taxation, environmental protection and operational regulatory compliance. Existing laws and regulations, as currently interpreted or reinterpreted in the future, or future laws and regulations could potentially adversely impact the Company. Compliance with such laws and regulations may significantly increase the Company's operating expenses and any failure to comply may result in material penalties and fines to the Company or the Operators. Whilst the USA, and Australia are considered to be politically stable, changes in governmental regulations and policies (whether through change in governments or change in policy from existing governments) may adversely affect the financial performance or the current and proposed operations of both the Company and the Operator of the working interests.

The ability to develop and produce oil and gas, as well as industry profitability generally, can be affected by such changes, which are beyond the control of the Company and the Operators of the working interests. As such, future financial performance and future operations may thereby be materially adversely affected

### **8.2.8 Environmental (including permitting)**

Exploration and development activities for oil and gas are subject to strict environmental regulations. These include requirements to manage emissions, mitigate ecological impacts and

rehabilitate disturbed areas. Breaches of environmental laws, accidental spills or other environmental incidents could result in significant financial penalties, reputational harm and operations delays. In addition, there is a growing emphasis on emissions reporting requirements, which may lead to further regulatory scrutiny and more stringent reporting requirements imposed upon the entity. As with most exploration project operations, the Company's activities are expected to impact the environment. As such, the Company's activities will be subject to the environmental laws inherent in the petroleum industry. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability. The occurrence of any such environmental incident could delay future production or increase production costs. Incidents also have the potential to affect the compliance record of the Company and may result in penalties of varying degrees, subject to the nature of the incident and extent of harm caused.

In addition, environmental approvals will be required from relevant government or regulatory authorities before certain activities may be undertaken which are likely to impact the environment, including for land clearing and ground disturbing activities. Failure or delay in obtaining such approvals will prevent the Company from undertaking its planned activities.

Oil and Gas operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Natural events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or noncompliance with environmental laws or regulations.

The disposal of oil and gas process waste and discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive. The Company is also liable for rehabilitation costs even after production has ceased. Rehabilitation liability is only absolved following confirmation from the relevant government department and any security deposit for same has been returned to the title holder.

The Company is unable to predict the impact of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

### **8.2.9 Community relations and landowners**

The Company's ability to undertake exploration on its titles will depend in part on its ability to maintain good relations with relevant local communities. Any failure to adequately manage community and social expectations with respect to compensation for land access, employment opportunities, impact on local business and other expectations may lead to local dissatisfaction with the Company, which in turn may lead to disruptions in the exploration and production (if relevant at the time) programs for the titles and potentially losses.

Generally, the holder of a title may not access land unless in accordance with a land access arrangement between the title holder and the landholder. In the case of changes to either party to a land access arrangement, there is a risk of significant delay, and increased costs, associated with amending or acquiring land access rights. This is subject to any terms contained within existing land access arrangements relating to transfer or assignment of rights.

The title holder is usually responsible for paying reasonable costs of landholders in connection with the making of access arrangements. Generally, as the level of disturbance caused by operations increases, so too do the consultation requirements with the greater community under the relevant

legislation. The costs associated with these requirements are dependent on the location of the project, level of disturbance, and any engagement as a result of notification of the community.

#### **8.2.10 Regulatory Risk**

Xstate operates in a highly regulated industry where compliance with applicable laws, regulations and governmental policies is instrumental in the success of its operations. Changes to, or non-compliance with, these regulatory requirements have the potential for a material adverse effect on the Company's capability to execute its exploration and development strategy. It is the intention of Xstate to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Company is required to obtain and maintain a range of permits and approvals in order to conduct exploration and development activities on its Project. The process of securing these approvals may be subject to delays, additional conditions, or in some cases, refusal by the relevant regulatory authorities. Such outcomes could materially delay or impair the Company's ability to progress its operations or require additional capital to meet regulatory requirements.

#### **8.2.11 Acquisition Risk**

The Company's objectives include the pursuit of new projects in the resources sector, by way of acquisition or investment. The Directors will use their expertise and experience in the resources sector to assess the value of potential projects that have characteristics that are likely to provide returns to Shareholders. There can be no guarantee that any new project acquisition or investment will eventuate from these pursuits, or that any acquisitions will result in a return for Shareholders.

#### **8.2.12 Exploration Costs**

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainty, and accordingly, the actual costs may materially differ from the estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely impact the Company's viability.

#### **8.2.13 Failure to Satisfy Expenditure Commitments**

Exploration and production titles are granted for a specific term and carry with them annual expenditure and reporting commitments, as well as other conditions requiring compliance. Failure to comply with an approved program in a given term may pose a security of tenure risk insofar as the relevant Department is not satisfied with the Company's performance, justification statement, or capacity to carry out future programs. There is a risk that failure to meet an expenditure commitment may result in future area reduction, term length reduction, or in certain circumstances, loss of tenure.

Given the Company has extended its portfolio into other non-Australian jurisdictions, the importance of the expenditure commitment differs. There is a risk the Company could lose title to or its interest in its permits if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

#### **8.2.14 Safety**

Safety is a fundamental risk for any exploration and production company with regard to personal injury, damage to property and equipment and other losses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage or destruction of property, regulatory investigation, and penalties or

suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

### **8.2.15 Equipment Availability**

The Company's ability to undertake exploration activities is dependent upon its ability to source appropriate contractors with access to relevant drilling and other exploration equipment. Equipment is not always available and the market for exploration equipment experiences fluctuations in supply and demand. If the Company is unable to source appropriate equipment economically or at all then this would have a material adverse effect on the Company's financial or trading position.

### **8.2.16 Climate Change Risk**

There are several climate-related factors that may affect the operations and proposed activities of the Company. One of the climate change risks particularly attributable to the Company is the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its potential future profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences.

Furthermore, climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

## **8.3 General Risks**

### **8.3.1 Currently No Market**

There is currently no public market for the Company's Shares. The price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.

The price at which the Company's Shares trade on ASX after completion of the Offer may be higher or lower than the \$0.02 issue price, and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in commodity prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that the Shareholder paid for their Shares.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **8.3.2 Share Market Risk**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. General share market conditions are affected by many factors such as:

- general economic and political outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of the Company's Shares may fluctuate significantly based on a number of factors including the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Company's Shares or the shares of other companies in the oil and gas exploration sector, changes in general economic conditions, the number of the Company's Shares publicly traded and the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's Shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Company's Shares, and the attractiveness of alternative investments.

### **8.3.3 Taxation**

The acquisition and disposal of Shares will have tax consequences which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

### **8.3.4 Agents and Contractors**

The Directors are unable to predict the risk of insolvency or managerial failure by any of the contractors used (or to be used in the future) by the Company in any of its activities or the insolvency or other managerial failures by any of the other service providers used (or to be used by the Company in the future) for any activity.

### **8.3.5 Force Majeure**

The Company and its exploration Projects, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

### **8.3.6 Unforeseen Expenditure Risk**

Expenditure may need to be incurred that has not been taken into account. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the financial performance of the Company.

### **8.3.7 Management of Growth**

There is a risk that the Company's management may not be able to implement the Company's growth strategy. The capacity of the Company's management to properly implement the strategic direction of the Company may affect the Company's financial and operating performance.

### **8.3.8 Litigation Risk**

The Company in the future may be exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. It may also in the ordinary course of business become involved in litigation and disputes with, for example, competing title holders or applicants, government departments affecting or overseeing the Company's activities or proposed activities, service providers and customers. Any such litigation or dispute could involve significant economic costs and adversely affect the Company's operations and cause damage to relationships with contractors, customers or other stakeholders. Such outcomes may have an adverse impact on the Company's business, reputation and financial performance.

### **8.3.9 Competition**

The Company intends to compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's exploration Projects and business. There can be no assurance that the Company can compete effectively with these companies.

### **8.3.10 Insurance**

The Company intends to maintain adequate insurance over its operations within the ranges that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, the Company may not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

### **8.3.11 Changes to Laws and Regulations and Policy**

The Company may be affected by changes to laws, regulations and policy (in Australia and other countries in which the Company operates) concerning exploration and production, property, the environment, superannuation, taxation trade practices and competition, government grants, incentive schemes, accounting standards and other matters. Such changes could have adverse impacts on the Company from a financial and operational perspective.

## **8.4 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's Shares.

Potential investors should consider that investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.



## 9. MATERIAL CONTRACTS

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### 9.1 Acquisition Agreement

On 4 April 2025, the Company entered into an 'Acquisition Agreement – ATP 2077' (**Acquisition Agreement**) with Elixir Energy Limited (**Elixir**) to acquire from Elixir a 51% working interest in the Diona Sub-Block within Queensland petroleum exploration permit ATP 2077 (**Diona Project**).

Under the Acquisition Agreement, in consideration for the acquisition of a 51% working interest in the Diona Project, Xstate has paid Elixir a \$250,000 non-refundable deposit (**Deposit**) and has agreed to sole fund and drill the Diona-1 well within 18 months of completion of the Acquisition.

Elixir must use the Deposit to complete the reprocessing and interpretation of existing seismic data at the Diona Project, which is anticipated to occur after completion of the Offer.

Completion of the Acquisition is subject to the following conditions precedent (**Acquisition Conditions**):

- a) ASX providing approval for Xstate's Shares to be re-admitted to quotation on the ASX on conditions acceptable to Xstate acting reasonably (Reinstatement Conditions) (Xstate intends to apply for this letter within 7 days of lodgement of the Prospectus with ASIC in accordance with the Corporations Act);
- b) Xstate completing a sufficient capital raising to comply with ASX's Reinstatement Conditions (completion of the Offer is intended to satisfy this condition);
- c) any Shareholder approvals required by Xstate in connection with the Acquisition or the Re-compliance are obtained (Xstate is seeking the required approvals, comprising the Re-compliance Resolutions, at the General Meeting);
- d) any required waivers or confirmations under the ASX Listing Rules that Xstate deems necessary in connection with the Acquisition, Re-compliance or the Offer are obtained and remain valid (Xstate has obtained the ASX waivers and confirmation as detailed in Section 10.5 which remain in effect as at the date of this Prospectus);
- e) Xstate and Elixir obtain any regulatory consents or approvals applicable to the Acquisition, Re-compliance or the Offer (including but not limited to the transfer of a 51% interest in ATP 2077 to Xstate) (Xstate has applied to the relevant Queensland Minister for consent to the transfer); and
- f) agreement of the terms of a \$2.0 million conditional performance bond (**CPB**) as security that Xstate will incur expenditure of at least \$2.0 million in drilling the Diona-1 well within 18 months of completion of the Acquisition (Xstate and Elixir have agreed the terms of the CPB in principle as detailed below).

Subject to satisfaction or due waiver of the Acquisition Conditions, on completion of the Acquisition:

- a) Elixir will transfer to Xstate a 51% legal interest in ATP 2077 and a 51% beneficial interest in the Diona Sub-Block in ATP 2077 comprising the Diona Project, with Elixir retaining a 100% beneficial interest in ATP 2077 Sub-Blocks A & B (which hold the Taroom Trough deep gas play known as the Grandis Project);
- b) the JOA will come into effect; and
- c) Xstate must carry out the drilling of one well in the Diona Project to a depth of 2,300 metres from the surface within 18 months after Completion at its sole cost (**Diona-1 Well**). If Xstate fails to complete the Diona-1 Well within 18 months after Completion, and it has incurred drilling works costs of less than \$2.0 million, Elixir is entitled to the shortfall through calling on the CPB.

The Company and Elixir have agreed in-principle that the terms of the CPB will be follows (with the parties currently negotiating a formal variation to the Acquisition Agreement to the extent necessary to reflect these terms):

- a) within 5 Business Days of completion of the Acquisition, the Company will deposit \$2.0 million into a trust account of HopgoodGanim (Elixir's lawyers) to be held in escrow in accordance with the terms of a to be executed escrow deed between Xstate, Elixir and the HopgoodGanim;
- b) during the drilling of the Diona-1 well, funds will be progressively released by HopgoodGanim to Xstate from the CPB to pay for drilling work costs (being costs incurred by Xstate in drilling the Diona-1 well including all planning, preliminary and preparation work required to carry out drilling works and all activities which are reasonably required to prepare for or otherwise support the drilling works, in accordance with Good Australian Oilfield Practice). To effect this, Xstate will notify Elixir of drilling costs incurred at the end of each 2 week period, with HopgoodGanim obliged to pay Xstate from escrow an amount equal to any undisputed drilling costs; and
- c) if the Diona-1 well is not completed within 18 months of completion of the Acquisition and Xstate has incurred less than \$2.0m in Diona 1 well costs, Elixir is entitled to any funds remaining in escrow.

The Acquisition Agreement is otherwise on standard terms for an agreement of this nature.

Director Mr Greg Channon provides technical consultancy services to Elixir and so was excluded from the Company's negotiation of the Acquisition Agreement. He has advised he has not received, and is not entitled to, any benefits, in respect of the Company's acquisition of a 51% interest in the Diona Prospect, other than in his capacity as a Shareholder of the Company.

## 9.2 Joint Operating Agreement

On completion of the Acquisition, the Company and Elixir will execute a Joint Operating Agreement (JOA) on terms annexed to the Acquisition Agreement that establishes an unincorporated joint venture (JV) over the Diona Project and governs joint venture activities. The material terms of the JOA are summarised below:

- a) **(Participating Interest):** The participating interests of Elixir and Xstate under the JOA will be:
  - i) Xstate – 51%; and
  - ii) Elixir – 49%.
- b) **(Operating Committee):**
  - i) An operating committee will be established on completion of the Diona-1 well with each party holding a participating interest (**Participant**) to appoint (and may remove) one representative to the operating committee (**Operating Committee**).
  - ii) Unless otherwise specified, all decisions of the Operating Committee must be determined by 65% of votes.
  - iii) **(Unanimous Matters):** Certain matters must be passed by unanimous vote including;
    - a. A decision to undertake activities that are not within the objects and scope of the JV;
    - b. A decision to exceed an approved program and budget or an approved authority for the operator to incur joint expenditure under an approved programme and budget or otherwise in accordance with the JOA in aggregate (whether cumulative or otherwise) by 10% or more;
    - c. The creation of any encumbrance or grant of security, other than a cross security, over the whole or any part of the participating interest of a Participant, unless such encumbrance arises by operation of law;
    - d. Third party use or toll processing of petroleum sources outside the JV area using joint venture property or facilities;
    - e. Variation of the operator overhead pursuant to the accounting procedure;

- f. Suspension of production, other than by reason of force majeure;
  - g. A decision to expand or reduce the JV area.
- c) (**Operator**): The operator will be the person or entity appointed by the Operating Committee from time to time with Xstate to be the initial operator. Elixir will be the operator of the JV following drilling of the Diona-1 well unless otherwise agreed by the Participants. The operator must report to, and is under the supervision and control, of the Operating Committee.
- d) (**Cash Calls**): Upon completion of the Drilling Works, each Participant must pay cash calls in proportion to their percentage share interest in the JV in relation to authority for the operator to incur joint expenditure under an approved programme and budget or otherwise in accordance with the JOA.
- e) (**Default Event**): a default event occurs if:
- i) (**Breach Default Event**): Is an insolvency event in relation to a Participant or the operator, or a Participant or the operator committing a material breach of any of its material obligations under the JOA (other than an Unpaid Monies Default Event), including where an encumbrance (other than an encumbrance approved by the Participants under the JOA) is created over or attached to the participating interest of a Participant. If compensation becomes payable for the Breach Default Event, that compensation becomes an unpaid monies; or
  - ii) (**Unpaid Monies Default Event**): Is the failure by a Participant to pay unpaid monies on or before the due date.
  - iii) (**Buy-Out Default Remedy**): If an Unpaid Monies Default Event is not remedied within 14 days from the due date, a non-defaulting Participant may (but is not obliged to) give notice to the other Participant (including the defaulting Participant) and the operator stating which one of the following actions it or they intend to pursue which actions includes, amongst others, acquisition of the whole (but not part) of the defaulting Participant's participating Interest by the non-defaulting Participant pursuant to the JOA.

The JOA otherwise contains terms and conditions considered standard for agreements of this nature.

### 9.3 Joint Lead Manager Mandate

The Company has appointed PAC Partners Securities Pty Ltd (**PAC Partners**) and BW Equities Pty Ltd (**BW Equities**) to act as Joint Lead Managers to the Offer by engagement dated 23 June 2025 (**JLM Mandate**). The Company has agreed to pay the Joint Lead Managers (in aggregate):

- a) a management fee totalling 3% (plus GST) of the gross proceeds raised under the Offer;
- b) a selling fee totalling 3% (plus GST) of the gross proceeds raised under the Offer;
- c) \$50,000 (plus GST) if the Offer raises at least \$2.5 million.

The Joint Lead Managers will be issued (in aggregate) 15 million Lead Manager Options if the Minimum Subscription is raised, with a further ten (10) Lead Manager Options issued for every additional one (1) dollar raised under the Public Offer above the Minimum Subscription, up to a maximum of an additional 10 million Lead Manager Options if the Maximum Subscription is raised (totalling 25 million Lead Options in aggregate).

The Joint Lead Managers will be issued 15 million Lead Manager Options if the Minimum Subscription is raised, with a further ten (10) Lead Manager Options issued for every additional one (1) dollar raised under the Public Offer above the Minimum Subscription, up to a maximum of an additional 10 million Lead Manager Options if the Maximum Subscription is raised (totalling 25 million Lead Options in aggregate).

The allocation of the fees and Lead Manager Options between the Joint Lead Managers will be determined between them by separate agreement

The Company has agreed to pay the Joint Lead Managers reasonable expenses incurred in relation to the Offer.

The Company provides a wide-ranging indemnity to the Joint Lead Managers (and their related parties and all officers, directors, employees, representatives or agents) covering loss from carrying out the engagement under the JLM Mandate.

The JLM Mandate otherwise contains terms and conditions considered standard for agreements of this nature.

#### **9.4 Consultancy Services Agreement for Managing Director**

The Company has a consultancy services agreement with Andrew Bald to act as Managing Director of the Company for no fixed term to be invoiced by Panthea Capital Partners Pty Ltd. Andrew Bald is entitled to a consultancy fee of \$235,000 (plus GST and inclusive of superannuation where applicable) per annum on a 60% FTE basis. The Company can terminate the agreement without cause with 3 months' written notice, while Mr Bald can terminate without cause with 2 months' written notice.

The agreement is otherwise on standard terms for agreements of this nature.

#### **9.5 Letters of Appointment for Non-Executive Directors**

The Company has entered into non-executive director appointment letters with Mr Andrew Childs and Mr Greg Channon under which they are Non-Executive Directors of the Company on the following terms:

- a) Fees: the Company will pay director fees of \$60,000 per annum inclusive of statutory superannuation (if applicable) to Mr Childs and Mr Channon;
- b) Term: appointments are subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Mr Childs or Mr Channon are not re-elected as Directors by Shareholders.
- c) The appointment letters otherwise contain terms and conditions that are considered standard for agreements of this nature.

#### **9.6 Deeds of Indemnity, Insurance and Access**

The Company has deeds of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

#### **9.7 Office lease**

The Company has leased part of an office in Subiaco from Director Andrew Childs (trading as Resource Recruitment) under a lease agreement dated 26 July 2024. Rent of \$3,000 (plus GST) a month is payable, with either party entitled to terminate with one month's notice.

#### **9.8 Broadway Management**

The Company has engaged Broadway Management (WA) Pty Ltd (**Broadway Management**) by agreement dated 11 January 2017 to provide management services (including administration and accounting assistance) to the Company. Broadway is paid \$10,000 (plus GST) a month for provision of these services together with reimbursement of reasonable expenses incurred. Either party can terminate without cause with 12 months written notice. The Company's Company Secretary, Jordan McArthur, is the principal consultant provided by Broadway Management to provide the management services to the Company.

## 10. ADDITIONAL INFORMATION

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### 10.1 Litigation

Neither the Company nor any of its respective subsidiaries are involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company or any of their respective subsidiaries.

### 10.2 Rights and Liabilities Attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be obtained at no cost from the Company's website [www.xstateresources.com.au](http://www.xstateresources.com.au) or its registered office during normal business hours.

#### 10.2.1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

#### 10.2.2 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote (even though he or she may represent more than one member); and
- c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### 10.2.3 Dividend Rights

Subject to the Corporations Act, Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

#### **10.2.4 Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as the liquidator considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

#### **10.2.5 Shareholder Liability**

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

#### **10.2.6 Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

#### **10.2.7 Future Increase in Capital**

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and other Securities as they shall, in their absolute discretion, determine.

#### **10.2.8 Variation of Rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

#### **10.2.9 Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting.

#### **10.2.10 Sale of Small Parcels of Shares**

The Company can, in accordance with the Corporations Act and the ASX Listing Rules, no more than once in any 12-month period, sell shareholdings which do not represent a Marketable Parcel of shares as at the relevant time.

#### **10.2.11 Proportional Takeover Provisions**

Pursuant to section 648G of the Corporations Act, the Constitution includes provisions that provide that a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act. These provisions will cease to have effect on the third anniversary of the adoption of the Constitution unless renewed with Shareholder approval in accordance with the Corporations Act.

### **10.3 Existing Options**

The Company has 14,750,000 unlisted Options on issue as at the date of this Prospectus (being 6,614,350 Options on a post-Consolidation basis), the full terms of which are set out below (**Existing Options**).

The Options entitle the holder (**Optionholder**) to subscribe for, and be issued, Shares on and subject to the following terms and conditions:

#### **10.3.1 Entitlement**

Each Option gives the Optionholder the right to subscribe for, and be issued, one Share.

#### **10.3.2 Exercise Price**

The amount payable upon exercise of each Option will be \$0.067 on a post Consolidation basis (**Exercise Price**).

#### **10.3.3 Expiry Date**

The Options will expire on 30 June 2026 (**Expiry Date**).

#### **10.3.4 Notice of Exercise**

An Optionholder may exercise any Options by lodging with the Company, before the Expiry Date:

- (a) the notice of exercise attached to the certificate for the Options specifying the number of Options being exercised (**Notice of Exercise**); and
- (b) payment for the aggregate Exercise Price for the number of Options being exercised.

#### **10.3.5 No Voting Rights**

The Options do not confer voting rights upon the holder. Voting rights are received upon conversion of the Options into Shares

#### **10.3.6 Shares issued on exercise**

All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other issued fully paid Shares.

#### **10.3.7 Timing of issue of Shares on exercise**

Shares issued pursuant to the exercise of Options will be issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options

#### **10.3.8 Participation in new issues**

The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been issued and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.

### 10.3.9 Bonus Issue

If the Company makes a bonus issue of Shares to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.

### 10.3.10 Change in exercise price

If the Company makes a pro-rata issue of Shares to existing shareholders (except a bonus issue), the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New Exercise Price} = \frac{O - E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option

E = the number of underlying Shares into which one option is exercisable

P = volume weighted average market price (as defined by ASX LRs) per share during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those issued under the pro rata issue.

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

### 10.3.11 Reorganisation

If at any time the capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules I at the time of the reconstruction.

## 10.4 Lead Manager Options

The Lead Manager Options will entitle the holder (**Optionholder**) to subscribe for, and be issued, Shares on and same terms and conditions as the Existing Options other than as follows:

### 10.4.1 Exercise Price

The amount payable upon exercise of each Option will be \$0.04 on a post Consolidation basis (**Exercise Price**).

### 10.4.2 Expiry Date

The Options will expire on the date 18 months after issue (**Expiry Date**).



### 10.4.3 ASX Listing Rules

The Optionholder agrees that, if the Company is re-admitted to the Official List of the ASX, the Options (and any Shares issued on exercise of the Options) may be subject to restriction in accordance the ASX Listing Rules, and authorises the Company to give effect to any such restriction, including putting a holding lock on any Shares issued on exercise of the Options, and agrees to execute on request by the Company (and procure that any controller if any, as defined in the ASX Listing Rules, also executes on request) any restriction agreement required by the ASX Listing Rules in respect of the Options (and any Shares issued on exercise of the Options).

### 10.5 ASX Waivers and Confirmations

The Company has obtained the following waivers and confirmations from the ASX in relation to the Offer, Acquisition and Reinstatement which remain in force as at the date of this Prospectus:

- a) a waiver of Listing Rule 1.1 condition 12 to allow the Company to grant 25 million Lead Manager Options exercisable at \$0.04 each expiring 18 months from the date of issue, subject to the following conditions;
  - (i) the exercise price of the Lead Manager Options is not less than A\$0.02 each;
  - (ii) the terms of the waiver and the terms and conditions of the Lead Manager Options are clearly disclosed in both the Notice of Meeting and the Prospectus to be issued in connection with the Company's Reinstatement; and
  - (iii) the Company's Shareholders approve the issue of the Lead Manager Options and the other resolutions proposed in connection with the Reinstatement (being the Re-compliance Resolutions as set out in the Notice of Meeting);
- b) confirmation that Listing Rule 1.1 (condition 11) does not apply to the \$250,000 Deposit to be paid to Elixir under the Acquisition Agreement (and which has been paid);
- c) a waiver of Listing Rule 2.1 condition 2 to allow the Company to issue Shares at an issue price of \$0.02 each under the Offer, subject to the following conditions:
  - (i) the issue price is not less than A\$0.02 per Share;
  - (ii) the terms of this waiver and the terms and conditions of the Shares are clearly disclosed in both the Notice of Meeting and the Prospectus to be issued with the Company's Reinstatement;
  - (iii) the Company's Shareholders approve the issue price of the Shares in conjunction with the other resolutions proposed in connection with its Reinstatement (being the Re-compliance Resolutions as set out in the Notice of Meeting); and
  - (iv) the Company completes a consolidation of its capital structure in connection with its Reinstatement such that its securities are consolidated at a ratio that will be sufficient, based on the lowest price at which the Company's securities traded over the 20 trading days preceding the date of the suspension of the Company's securities from official quotation, to achieve a market value for its securities of not less than the Offer price. The Company considers that the Consolidation, for which approval is being sought at the General Meeting as one of the Re-compliance Resolutions, is sufficient to meet this condition; and
- d) a waiver of Listing Rule 10.13.5 to allow the Company to issue Shares to the Company's Directors under the Offer, subject to receipt of Shareholder approval, later than one month after the date of the meeting but no later than date the other Shares are issued under the Offer on the following conditions:
  - (i) the terms of the waiver and the terms and conditions of the Shares to be issued to the Directors (**Related Party Securities**) are clearly disclosed in both the Notice of Meeting and the Prospectus to be issued in connection with its Reinstatement;

- (ii) the Company's Shareholders approve the issue of Related Party Securities in conjunction with the other resolutions in the Notice of Meeting proposed in connection with its Reinstatement (being the Re-compliance Resolutions). The Company is seeking Shareholder approval for the issue of the Related Party Securities in the Notice of Meeting;
- (iii) the Related Party Securities are issued by no later than the date on which the Shares are issued under the Offer which must be no later than three (3) months after the date of the General Meeting; and
- (iv) the circumstances of the Company, as determined by ASX, have not materially changed since the Company's Shareholders approved the issue of the Related Party Securities at the General Meeting.

## **10.6 Interests of Directors**

Other than as set out in this Prospectus, no Director holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - i) its formation or promotion; or
  - ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
  - iii) the formation or promotion of the Company; or
  - iv) the Offer.

## **10.7 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - v) its formation or promotion; or
  - vi) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(g) the formation or promotion of the Company; or

(h) the Offer.

PAC Partners and BW Equities are acting as Joint Lead Managers for the Company in relation to the Offer. The Company will pay the Joint Lead Managers fees in respect of the Offer as detailed in Section 9.3 of this Prospectus. During the 24 months preceding lodgement of this Prospectus with ASIC, the Joint Lead Managers have received no other fees from the Company for their other services.

BDO Corporate Finance Australia Pty Ltd has acted as Investigating Accountant for the Company and has prepared the Independent Limited Assurance Report which is included in Schedule 1 of this Prospectus. The Company estimates it has or will pay BDO Corporate Finance Australia Pty Ltd \$24,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, BDO Corporate Finance Australia Pty Ltd has received no other fees from the Company for its other services.

BDO Audit Pty Ltd has acted as auditor of the Company. The Company has paid BDO Audit Pty Ltd \$69,712 (excluding GST) for audit services in relation to the Company's financial reports for the financial half year ended 30 June 2024 and financial year ended 31 December 2024. During the 24 months preceding lodgement of this Prospectus with ASIC, BDO Audit Pty Ltd has received no other fees from the Company for its other services.

EMK Lawyers has acted as the solicitors to Company predominantly in relation to the Offer. The Company estimates it has or will pay EMK Lawyers \$54,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, EMK Lawyers has received fees totalling \$16,887 (including GST) from the Company for its other services.

McCullough Robertson prepared the Independent Solicitor's Report in Schedule 2 of this Prospectus. The Company has paid McCullough Robertson approximately \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, McCullough Robertson has received no other fees from the Company for its other services.

Calan McIntyre has acted as the Independent Technical Specialist for the Company and has prepared the Independent Technical Specialist Report in Schedule 3 of this Prospectus. The Company estimates it has or will pay Calan McIntyre \$21,937 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Calan McIntyre has received no other fees from the Company for his other services.

## **10.8 Consents**

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, the persons named in the Prospectus with their consent as Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 10.8:

- a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

PAC Partners has given its written consent to being named as a Joint Lead Manager to the Offer in this Prospectus. PAC Partners has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BW Equities has given its written consent to being named as a Joint Lead Manager to the Offer in this Prospectus. BW Equities has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BDO Corporate Finance Australia Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Independent Limited Assurance Report in Schedule 1 of this Prospectus in the form and context in which the information and report is included. BDO Corporate Finance Australia Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

BDO Audit Pty Ltd has given its written consent to being named as auditor of the Company in this Prospectus. BDO Audit Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

EMK Lawyers has given its written consent to being named as the solicitors to the Company in this Prospectus. EMK Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

McCullough Robertson has given its written consent to the inclusion of the Independent Solicitor's Report in Schedule 2 of this Prospectus in the form and context in which the information and report is included. McCullough Robertson has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Calan McIntyre has given his written consent to being named as the Independent Technical Specialist in this Prospectus, the inclusion of the ITSR in Schedule 3 of this Prospectus, and the inclusion of statements in the Prospectus said to be by Calan McIntyre, or based on statements by Calan McIntyre, in the form and context in which the information, statements and report are included. Calan McIntyre has not withdrawn his consent prior to the lodgement of this Prospectus with ASIC.

Elixir Energy Limited has given its written consent to the inclusion of statements in the Prospectus said to be by Elixir Energy Limited, or based on statements by Elixir Energy Limited, in the form and context in which the information, statements and report are included. Elixir Energy Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

## 10.9 Costs of the Offer

The total costs of the Offer if the Minimum Subscription is raised, and if the Maximum Subscription is raised, are estimated to be approximately \$319,206 and \$439,206, respectively, exclusive of GST. Expenses of the Offer are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$2.0 million)		Maximum Subscription (\$3.0 million)	
	Amount (A\$)	%	Amount (A\$)	%
ASIC Fees	3,206	1	3,206	1
ASX Listing Fees	59,000	18	69,000	16
Capital Raising Fees	120,000	38	230,000	52
Legal Fees	54,000	17	54,000	12
Independent Technical Specialist's Fees	22,000	7	22,000	5
Independent Solicitor's Report	10,000	3	10,000	2
Investigating Accountant's Fees	24,000	8	24,000	6
Share Registry	17,000	5	17,000	4
Printing, Distribution and Miscellaneous	10,000	3	10,000	2
<b>Total</b>	<b>319,206</b>	<b>100%</b>	<b>439,206</b>	<b>100%</b>

## 10.10 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the

Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts links to this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## **10.11 Privacy Statement**

By completing and returning an Application Form, you will be providing personal information directly or indirectly to the Company, the Share Registry, the Joint Lead Managers and other brokers involved in the Offer, and related bodies corporate, agents, contractors and third-party service providers of the foregoing (**Collecting Parties**). The Collecting Parties collect, hold and will use that information to assess your application, service your needs as a Security holder and to facilitate distribution payments and corporate communications to you as a Security holder.

By submitting an Application Form, you authorise the Company to disclose any personal information contained in your Application Form (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offer, including processing your acceptance of the Offer and complying with applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any public authority.

If you do not provide the information required in the Application Form, the Company may not be able to accept or process your acceptance of an Offer.

If an Offer is successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders, public authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the *Privacy Act 1988* (Cth) and all other legal requirements. If obliged to do so by law or any public authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified. As at the date of this Prospectus, the Company does not anticipate that Personal Information will be disclosed to any overseas recipient.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests, and any other queries regarding this privacy statement, must be made in writing to the Share Registry at the address set out in the Corporate Directory in this Prospectus. A fee may be charged for access.

## **10.12 Governing Law**

The Offer and the contracts formed on return of an Application Form are governed by the laws applicable in Western Australia, Australia. Each person who applies for Shares pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.

## 11. DIRECTORS' AUTHORISATION

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This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in dark ink, appearing to read 'A. Childs', with a long horizontal flourish extending to the right.

Andrew Childs

Chairman

For and on behalf of Xstate Resources Limited

## 12. GLOSSARY

Where the following terms are used in this Prospectus, they have the following meanings:

\$	means an Australian dollar.
Acquisition	means the acquisition of a 51% interest in the Diona Project in accordance with the Acquisition Agreement.
Acquisition Agreement	means the agreement dated 4 April 2025 between the Company and Elixir Energy Limited for the acquisition by the Company of a 51% interest in the Diona Project.
Acquisition Conditions	means the conditions precedent to the Acquisition Agreement as detailed in Section 9.1.
Applicant	means a party that completes an Application Form and submits it to the Company in accordance with this Prospectus relating to the Offer.
Application	means a valid application for Shares under the Offer made pursuant to an Application Form (accompanied by the payment of application monies where applicable) or made via the payment of application monies where applicable.
Application Form	means an electronic application or application form attached to or accompanying this Prospectus relating to the Offer (and where the context requires includes the Priority Offer Application Form).
ASIC	means Australian Securities and Investments Commission.
Associates	has the meaning set out in sections 11 to 17 of the Corporations Act, as applicable and in accordance with the note to Listing Rule 14.11.
ASX	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
ASX Listing Rules	means the Listing Rules of ASX.
ATF	means 'as trustee for'.
ATP 2077	means Authority to Prospect 2077 containing the Diona Project in the Surat-Bowen Basin, Queensland.
Board	means the board of Directors as constituted from time to time.
Bscfe	means billion standard cubic feet equivalent
Business Day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
BW Equities	means BW Equities Pty Ltd (ACN 146 642 462) (AFSL 389353).
CHESS	means the Clearing House Electronic Sub-register System.
Closing Date	means the closing date of the Offer as set out in the indicative timetable in the Key Offer Information of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).
Company or Xstate	means Xstate Resources Limited (ACN 009 217 154).
Company Group	means the Company and its wholly owned subsidiaries – XST Diona Pty Ltd, XST Diona Ops Pty Ltd, Xstate Energy Ltd (Canada domiciled), Xstate (USA) Corp. (USA domiciled), XGAS, LLC (USA domiciled) and CALX SELA, LLC (USA domiciled).
Completion	means completion of the Acquisition in accordance with the Acquisition Agreement.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Consolidation	means the consolidation of the Company's Securities on a 2.23:1 basis subject to Shareholder approval at the General Meeting.
Crest Jinn Royalty	means a 3% overriding royalty on the 25% interest in the Crest Jinn producing wells and 10,240 gross acres of the Crest Jinn project that Xstate sold in February 2025.



<b>Diona Project</b>	means the petroleum project comprising the Diona Sub-Block within ATP 2077.
<b>Diona Prospect</b>	means the Diona prospect identified at the Diona Project.
<b>Diona Sub-Block</b>	means the sub-block known as the Diona Sub-Block located within ATP 2077.
<b>Directors</b>	means the directors of the Company.
<b>Eligible Jurisdiction</b>	means Australia, New Zealand and any other jurisdiction in respect of which the Company reasonably believes that it is not prohibited and not unduly onerous or impracticable to offer Shares to an Xstate Shareholder with a registered address in such jurisdiction
<b>Eligible Xstate Shareholder</b>	means an Xstate Shareholder who: <ul style="list-style-type: none"> <li>• is the registered holder of a Marketable Parcel of Xstate Shares as at 5:00pm (WST) on the Priority Offer Record Date; and</li> <li>• has a registered address in Australia (and any other Eligible Jurisdiction where it is lawful to make the Priority Offer).</li> </ul>
<b>Elixir</b>	means Elixir Energy Limited (ACN 108 230 995).
<b>Existing Options</b>	means the Options on issue at the date of this Prospectus as detailed in Section 10.3 of this Prospectus.
<b>General Meeting</b>	means the general meeting convened by the Company to be held on 28 July 2025,
<b>Independent Limited Assurance Report or ILAR</b>	means the report enclosed in Schedule 1 of this Prospectus.
<b>Independent Technical Specialist Report or ITSr</b>	means the report enclosed in Schedule 3 of this Prospectus.
<b>Independent Solicitor's Report</b>	means the report in Schedule 2 of this Prospectus.
<b>Joint Operating Agreement or JOA</b>	means the joint operating agreement to be executed by Xstate and Elixir at Completion in the form annexed to the Acquisition Agreement.
<b>Joint Venture or JV</b>	Means the unincorporated joint venture between Elixir Energy Limited and Xstate to undertake drilling works and conduct exploration activities for petroleum at the Diona Project as governed by the JOA.
<b>km</b>	means kilometre(s).
<b>km<sup>2</sup></b>	means square kilometres.
<b>Joint Lead Managers</b>	means PAC Partners and BW Equities.
<b>Lead Manager Options</b>	means 25,000,000 unlisted Options on terms and conditions set out in Section 10.4 of this Prospectus.
<b>Marketable Parcel</b>	means Shares with a value of at least \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.
<b>Maximum Subscription</b>	means the maximum number of Shares under the Offer, being 150,000,000 Shares at an issue price of \$0.02 per Share, to raise up to \$3.0 million before costs.
<b>Minimum Subscription</b>	means the minimum subscription under the Offer, being 100,000,000 Shares at an issue price of \$0.02 per Share to raise \$2.0 million before costs.
<b>Notice of Meeting</b>	means the notice of meeting for the General Meeting published on the ASX on 26 June 2025, including the explanatory statement and the proxy form.
<b>Offer</b>	means the offer, pursuant to this Prospectus, as set out in Section 6.1, of a minimum of 100 million Shares at an issue price of \$0.02 per Share to raise a minimum of \$2.0 million (before costs), and up to 150 million Shares to raise up to a maximum of \$3.0 million (before costs), and includes the Priority Offer.
<b>Offer Conditions</b>	means the conditions to the Offer detailed in Section 6.1 of this Prospectus.
<b>Official List</b>	means the official list of ASX.
<b>Official Quotation</b>	means official quotation by ASX in accordance with the ASX Listing Rules.
<b>Option</b>	means an option to acquire a Share.

<b>Optionholder</b>	means a holder of an Option.
<b>PAC Partners</b>	means PAC Partners Securities Pty Ltd (ACN 623 653 912), a Corporate Authorised Representative of PAC Asset Management Pty Ltd, holder of AFSL No. 335 374.
<b>Priority Offer</b>	means the priority offer, pursuant to this Prospectus, as set out in Section 6.1, to Eligible Xstate Shareholders under this Prospectus of up to \$1.0 million worth of Shares to be issued under the Offer at an issue price of \$0.02 each.
<b>Priority Offer Application Form</b>	means an electronic application or application form attached to or accompanying this Prospectus relating to the Priority Offer that Eligible Xstate Shareholders may use to apply for Shares under the Priority Offer.
<b>Priority Offer Record Date</b>	means the date with that name as set out in the indicative timetable in Section 1.1 of this Prospectus.
<b>Prospectus</b>	means this prospectus, including as supplemented or replaced.
<b>Re-compliance</b>	means the Company re-compiling with the admission requirements in Chapters 1 and 2 of the ASX Listing Rules.
<b>Re-compliance Resolutions</b>	means Resolutions for change in scale of activities, Consolidation, issue of up to 150 million Offer Shares, and amendment of the Constitution as set out in the Notice of Meeting.
<b>Reinstatement</b>	means reinstatement of the Company's Shares to quotation on ASX.
<b>Reinstatement Conditions</b>	means the conditions imposed by ASX on any approval to reinstate the Company's Shares to quotation on ASX.
<b>Related Party</b>	has the meaning given in the Corporations Act.
<b>Section</b>	means a section of this Prospectus.
<b>Security</b>	means a security issued or to be issued in the capital of the Company, including a Share or an Option.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Share Registry or Automic Group</b>	means Automic Pty Ltd (ACN 152 260 814).
<b>Shareholder</b>	means a registered holder of a Share.
<b>WST</b>	means Western Standard Time in Perth, Western Australia.

**SCHEDULE 1**  
**INDEPENDENT LIMITED ASSURANCE REPORT**

# **Xstate Resources Limited**

## Independent Limited Assurance Report

25 June 2025

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25 June 2025

The Directors

Xstate Resources Limited

Level 1, 31 Cliff Street

Fremantle WA 6160

Dear Directors

## INDEPENDENT LIMITED ASSURANCE REPORT

### 1. Introduction

BDO Corporate Finance Australia Pty Ltd (**'BDO'**) has been engaged by Xstate Resources Limited (**'Xstate'** or **'the Company'**) to prepare this Independent Limited Assurance Report (**'Report'**) in relation to certain financial information of Xstate, for inclusion in the Prospectus. The Prospectus has been prepared in order to re-comply with Australian Securities Exchange (**'ASX'**) Listing Rules, specifically Chapters 1 and 2 in order to re-list on the ASX.

Broadly, the Prospectus will offer up to 150,000,000 Shares at an issue price of \$0.02 each to raise up to \$3,000,000 before costs (**'the Offer'**). The Offer is subject to a minimum subscription level of 100,000,000 Shares to raise \$2,00,000 before costs (**'Minimum Subscription'**).

Expressions defined in the Prospectus have the same meaning in this Report. BDO holds an Australian Financial Services Licence (AFS Licence Number 247420) and our Financial Services Guide (**'FSG'**) has been included in this Report in the event you are a retail investor. Our FSG provides you with information on how to contact us, our services, remuneration, associations, and relationships.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

### 2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the ‘**Historical Financial Information**’) of Xstate included in the Prospectus:

- the audited historical Statements of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows for the years ended 31 December 2022, 31 December 2023 and 31 December 2024; and
- the audited historical Statement of Financial Position as at 31 December 2024.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies. The Historical Financial Information has been extracted from the financial report of Xstate for the years ended 31 December 2022, 31 December 2023 and 31 December 2024, which was audited by BDO Audit Pty Ltd (‘**BDO Audit**’) in accordance with the Australian Auditing Standards. BDO Audit issued an unmodified audit opinion on the financial reports. For the years ended 31 December 2022 and 31 December 2023, BDO Audit issued an emphasis of matter relating to the material uncertainty relating to going concern. However, the audit opinions were not modified in respect of this matter.

#### *Pro Forma Historical Financial Information*

You have requested BDO to review the following pro forma historical financial information (the ‘**Pro Forma Historical Financial Information**’) of Xstate included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 31 December 2024.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of Xstate, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by Xstate to illustrate the impact of the events or transactions described in Section 6 and Section 7 of the Report on Xstate’s financial position as at 31 December 2024. As part of this process, information about Xstate’s financial position has been extracted by Xstate from Xstate’s financial statements for the year ended 31 December 2024.

### **3. Directors’ responsibility**

The directors of Xstate are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

### **4. Our responsibility**

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with

the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

## 5. Conclusion

### *Historical Financial Information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the audited historical Statements of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows for the years ended 31 December 2022, 31 December 2023 and 31 December 2024; and
- the audited historical Statement of Financial Position as at 31 December 2024,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

### *Pro Forma Historical Financial information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position as at 31 December 2024,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

## 6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to 31 December 2024:

- On 5 February 2025, the Company entered into a sale agreement (**‘Agreement’**) with Blue Sky Resources Ltd to dispose its 25% working interest in the Crest Jinn producing assets in Alberta, Canada (**‘Crest Jinn’**). The assets were sold for a 3% overriding royalty in the Crest Jinn operational area (**‘Royalty’**), which includes the producing assets that were sold. The agreement has an effective date of 1 January 2025, and the transaction was formally announced on 7 February 2025.

Although the transaction was entered into and finalised post year-end, the Company had committed to an active plan for the divestment of the Crest Jinn assets prior to year-end and the sale was expected to complete within twelve months from classification date. On this basis, the



assets and liabilities of Crest Jinn were disclosed as available for sale as at 31 December 2024 and written down to their respective recoverable amounts of \$61,691 and \$49,843 (resulting in a net asset position of \$11,848).

Under the terms of the Agreement, the Royalty represents the consideration for the Crest Jinn assets and liabilities acquired (which include any disclosed and undisclosed costs that may be identified in the future) and was determined to be CAD\$10,563 (AUD\$11,715). The disposal of the Crest Jinn assets has been reflected as a reduction in both the Non-current assets and Non-current liabilities held for sale, and a corresponding loss on disposal of \$133 reflecting the excess carrying value of the disposed Crest Jinn assets over and above the Royalty consideration;

- On 4 April 2025, the Company entered into an Acquisition Agreement - ATP 2077 (**'Acquisition Agreement'**) with Elixir Energy Limited (**'Elixir'**), under which the Company will acquire 51% interest in ATP 2077 in the Surat Bowen Basin, Southwest Queensland. ATP 2077 comprises 3 blocks, the Diona Block, which hosts the Diona Project (**'Acquisition Sub-blocks'**) and Block A and B. The registered interest in ATP 2077 will be transferred to Xstate with Elixir retaining a 49% beneficial interest in the Acquisition Sub-blocks (hosting the Diona Project) but Elixir will retain a 100% beneficial interest in Blocks A and B (the balance of ATP 2077).

Consideration comprises (i) preliminary project funding (**'Preliminary Project Funding'**) where Xstate is required to make an upfront contribution of \$250,000 to Elixir for project funding for reprocessing and interpretation of seismic data, and (ii) commitment to drilling a minimum of one well to a depth of not less than 2,300 metres within 18 months of Xstate's Shares being reinstated to quotation (**'Well'**) (with the cost of the activities associated with the Well estimated to be approximately \$2.6 million).

The upfront consideration of \$250,000 is non-refundable and has been reflected as a reduction in cash and cash equivalents and corresponding increase in capitalised oil and gas assets.

Under a traditional farm-in arrangement, the Company would earn the working interest via a commitment to drill the Well. However, in order to meet re-compliance, Xstate must own 51% of the working interest in the Acquisition Sub-blocks and this is to be achieved via a guarantee to Elixir that it will meet its drilling obligations in the form of a Conditional Performance Bond (**'CPB'**) equal to \$2 million. At the date of this Report, the Company and Elixir have agreed in principle, that the terms of the CPB are revised to reflect the following (with the parties negotiating a formal variation to the Acquisition Agreement to the extent necessary to reflect these revised terms):

- the Company within five business days of completion to the acquisition will deposit \$2 million into a third-party trust account (being lawyers instructed by Elixir) (**'Trustee'**) to be held on trust and in escrow in accordance with the terms of a to be executed escrow deed between Xstate, Elixir and the Trustee;
- during drilling of the Well, funds will be progressively released by the Trustee to Xstate from the CPB to pay for drilling work costs incurred by Xstate. To effect this, Xstate will notify Elixir of drilling costs incurred at the end of each two-week period, with the Trustee obliged to pay Xstate from escrow an amount equal to any undisputed drilling costs; and
- if the Well is not completed within 18 months and Xstate has incurred less than \$2 million in drilling costs in connection with the Well, Elixir is entitled to any funds remaining in escrow.

As the variation has yet to be formalised at the date of this Report, the CPB has been disclosed as a commitment and contingency in note 17 of this Report.

- In January 2025, the Company recognised an adjustment to its Q4 FY24 earnings associated with its 20% working interest in its Austrian Anshof Project (**'Anshof Project'**) which was provisionally accounted for as at 31 December 2024. The project is operated by ADX Energy Limited (**'ADX'**), and considered a joint arrangement for accounting purposes with both Xstate and ADX recognising their respective share of income, expenditure, assets and liabilities of the project. A net profit adjustment of EUR5,479 (approximately AUD\$9,174) pertaining to Xstate's share of the project has been recognised in accumulated losses, with a corresponding increase in trade other payables due to the project operator.
- On 7 February 2025, a total of EUR30,816 (approximately AUD\$51,437) was due by the Company relating to cash calls pertaining to its interest in the permanent production facility (**'PPF'**) of the Anshof Project. These liabilities are accrued in trade and other payables with a corresponding increase to capitalised oil and gas assets.
- On 31 March 2025, the Company recognised a net profit of EUR11,104 (approximately AUD\$18,622) relating to its 20% working interest of income and expenditure pertaining to the Anshof Project for Q1 FY25. The Company's share of profit has been recognised as an offset to accumulated losses, with a corresponding increase to trade and other receivables. A depreciation expense of EUR7,567 (approximately AUD\$13,086) was also recognised in accumulated losses, relating to the respective quarter's PPF charge calculated at 6.25% of the carrying value of the oil and gas assets (with a corresponding reduction to the value of capitalised oil and gas assets).
- On 31 March 2025 and pursuant to the Assignment Agreement (discussed in further detail below), the Company recognised liabilities pertaining to its share of Anshof-1 (**'Anshof-1'**) cash calls relating to the Anshof Project. These liabilities of EUR101,550 and EUR23,220 (together approximately AUD\$215,786) were agreed to as part of negotiations pursuant to the Assignment Agreements and were subsequently accrued and capitalised in prepaid exploration expenditure on 31 March 2025.
- On 31 March 2025, and pursuant to the Assignment Agreement (discussed in further detail below), the Company recognised accrued interest on the net outstanding balance of Xstate's share of cash calls and operational profit of the Anshof Project as at 31 March 2025 which totalled EUR517,815. Total interest accrued as at 31 March 2025 and agreed in the Assignment Agreement was EUR29,891 (approximately AUD\$51,692). The accrued interest has been recognised as an increase to accumulated losses and trade and other payables.
- On 3 June 2025, the Company entered into an Assignment Agreement and Accession Agreement (together the **'Assignment Agreements'**), whereby Xstate has agreed to dispose its 20% working interest in its Anshof Project by way of assignment of its working interest and obligations to Kathari Energy GmbH (**'Kathari'**).

Under the terms of the Assignment Agreements, the arrangement will see the Company assign its 20% working interest and production to Kathari in exchange for EUR547,075 (approximately AUD\$942,556), representing the net value of accrued and unpaid cash calls (including accrued interest) and operational profit due by the Company under the joint arrangement as at 31 March 2025 (**'Consideration'**). Under the terms of the Assignment Agreement, Kathari has agreed to assume all of Xstate's commitments and obligations of the Anshof Project, and the Company has agreed to transfer its 20% working interest in the Anshof Project.

Consideration under the Assignment Agreement (AUD\$942,556) represents an extinguishment of liabilities and receivables for nil cash consideration and has been accounted for as a gain on forgiveness of liabilities in accumulated losses with a corresponding reduction in trade and other payables (\$961,178) and trade and other receivables (\$18,622).

The remaining net assets comprising (i) capitalised oil and gas assets (\$819,759), (ii) prepaid exploration expenditure (\$215,786), and (iii) site restoration provisions (\$79,130) has been derecognised for nil cash consideration, resulting in a loss on disposal of \$956,414 recognised in accumulated losses, resulting in an overall net loss of \$13,858 on disposal of the Anshof Project.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of Xstate not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## 7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 3. This has been prepared based on the financial statements as at 31 December 2024, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- Subject to shareholder approval, the Company will undertake a consolidation of its Existing Share and Options on issue on a 2.23 to 1 basis ('the **Consolidation**'). The total number of Shares pre-Consolidation was 321,519,150 and post Consolidation is 144,178,992. The total number of Options pre-Consolidation was 14,750,000 and post Consolidation is 6,614,350.
- The issue of 100,000,000 Shares at an offer price of \$0.02 each to raise \$2,000,000 million before costs pursuant to the Prospectus, based on the minimum subscription. Oversubscriptions of up to 50,000,000 Shares at the offer price of \$0.02 per share is to be accepted, equal to a further \$1,000,000.
- Costs of the Offer are estimated to be between \$319,206 under the Minimum Subscription and \$439,206 under the Maximum Subscription, with the costs directly attributable to the capital raising of \$257,000 under the Minimum Subscription and \$367,000 under the Maximum Subscription respectively offset against contributed equity. The remaining costs of the Offer which are not directly attributable to the capital raising will be expensed through accumulated losses as a listing expense.
- The issue of 15,000,000 Lead Manager Options under the minimum subscription and 25,000,000 Lead Manager Options under the maximum subscriptions ('**Lead Manager Options**') with an exercise price of \$0.04 each that have an expiry of 18 months after the date of issue. The Lead Manager Options have been valued at \$60,000 under the minimum subscription and \$100,000 under the maximum subscription using the Black Scholes Option Pricing Model, and has been reflected as an increase to reserves with a corresponding offset to share capital on the basis these instruments were issued for services provided in relation to the capital raising. Further details are contained in note 12 below.

## 8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Offer other than in connection with the preparation of this Report and participation in due diligence

procedures, for which professional fees will be received. BDO Audit is the auditor of Xstate and from time to time, BDO also provides Xstate with certain other professional services for which normal professional fees are received.

## 9. Disclosures

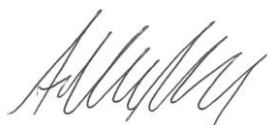
This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

**BDO Corporate Finance Australia Pty Ltd**

A handwritten signature in dark ink, appearing to read 'Adam Myers', is positioned above the printed name and title.

**Adam Myers**  
Director

**APPENDIX 1**  
**XSTATE RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Audited for the year ended 31-Dec-24 \$	Audited for the year ended 31-Dec-23 \$	Audited for the year ended 31-Dec-22 \$
<b>Revenue from continuing operations</b>			
Production income	587,893	691,199	19,411,200
Other income	30,489	118,009	630,810
Interest income	40,887	12,681	5,456
<b>Expenses</b>			
Cost of sales	(552,975)	(579,395)	(17,192,523)
Other operating expenses	-	-	(192,899)
Exploration expenditure	(185,576)	(253,156)	(900,681)
Personnel expenses	(212,592)	(281,829)	(468,860)
Professional fees	(408,774)	(265,625)	(397,481)
Administrative expenses	(89,159)	(102,945)	(86,016)
Business development	(260,040)	(3,394)	-
Depreciation and amortisation	(40,596)	-	(3,388,502)
Finance expenses	(2,055)	(2,525)	(736,849)
Other expenses	(60,853)	(9,445)	(30,013)
Foreign exchange loss	(82,614)	(3,449)	(5,305)
<b>Loss before income tax expense</b>	<b>(1,235,965)</b>	<b>(679,874)</b>	<b>(3,351,663)</b>
Income tax benefit / (expense)	19,532	(23,410)	(125,433)
<b>Loss for the year from continuing expenses</b>	<b>(1,216,433)</b>	<b>(703,284)</b>	<b>(3,477,096)</b>
<b>Discontinued Operations</b>			
Profit for the year from discontinued operations	2,400,518	2,104,050	-
<b>Profit for the year from operations</b>	<b>1,184,085</b>	<b>1,400,766</b>	<b>(3,477,096)</b>
<b>Other Comprehensive Income</b>			
Exchange differences on translation of foreign operations	21,037	25,930	62,115
<b>Total Comprehensive Profit / (Loss) for the year</b>	<b>1,205,122</b>	<b>1,426,696</b>	<b>(3,414,981)</b>

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4. Past performance is not a guide to future performance.

**APPENDIX 2**  
**XSTATE RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Audited for the year ended 31-Dec-24 \$	Audited for the year ended 31-Dec-23 \$	Audited for the year ended 31-Dec-22 \$
<b>Cash flows from operating activities</b>			
Receipts from customers	-	295,159	2,406,955
Payments to suppliers and employees	(1,157,885)	(554,587)	(722,597)
(Payments for) / refund on exploration and evaluation	(93,283)	34,331	(1,042,102)
Interest paid	(24)	(1,313)	(31)
Interest received	91,759	12,681	5,456
Income taxes (paid) / refunded	(427,914)	135,498	(546,740)
<b>Net cash (used in) / from operating activities</b>	<b>(1,587,347)</b>	<b>(78,231)</b>	<b>100,941</b>
<b>Cash flows from investing activities</b>			
Payments for production interest acquisition	-	(845,597)	-
Receipts from production interest divestment	4,117,292	1,124,930	-
<b>Net cash from investing activities</b>	<b>4,117,292</b>	<b>279,333</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(4,886)	(42,933)	(4,918)
<b>Net cash used in financing activities</b>	<b>(4,886)</b>	<b>(42,933)</b>	<b>(4,918)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,525,059</b>	<b>158,169</b>	<b>96,023</b>
Cash and cash equivalents at 1 January	995,260	814,463	724,391
Effect of exchange rate fluctuations on cash held	34,809	22,628	(5,951)
<b>Cash and cash equivalents at 31 December</b>	<b>3,555,128</b>	<b>995,260</b>	<b>814,463</b>

This consolidated Statement of Cash Flows shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4. Past performance is not a guide to future performance.

**APPENDIX 3**

**XSTATE RESOURCES LIMITED**

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>1</sup>**

		Audited as at 31-Dec-24	Subsequent Events	Pro-forma Adjustments Minimum	Pro-forma Adjustments Maximum	Pro-forma Balance Minimum	Pro-forma Balance Maximum
	Notes	\$	\$	\$	\$	\$	\$
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	2	3,555,128	(250,000)	1,680,794	2,560,794	4,985,922	5,865,922
Trade and other receivables	3	10,524	-	-	-	10,524	10,524
Prepayments		26,405	-	-	-	26,405	26,405
Non-current assets held for sale	4	61,691	(61,691)	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>3,653,748</b>	<b>(311,691)</b>	<b>1,680,794</b>	<b>2,560,794</b>	<b>5,022,851</b>	<b>5,902,851</b>
<b>NON CURRENT ASSETS</b>							
Oil & Gas assets	5	781,408	(531,408)	-	-	250,000	250,000
Prepaid exploration expense	6	-	-	-	-	-	-
Deferred tax asset		91,199	-	-	-	91,199	91,199
Other receivables	7	-	11,715	-	-	11,715	11,715
<b>TOTAL NON CURRENT ASSETS</b>		<b>872,607</b>	<b>(519,693)</b>	<b>-</b>	<b>-</b>	<b>352,914</b>	<b>352,914</b>
<b>TOTAL ASSETS</b>		<b>4,526,355</b>	<b>(831,384)</b>	<b>1,680,794</b>	<b>2,560,794</b>	<b>5,375,765</b>	<b>6,255,765</b>
<b>CURRENT LIABILITIES</b>							
Trade and other payables	8	(893,393)	633,090	-	-	(260,303)	(260,303)
Current tax liability		(34,719)	-	-	-	(34,719)	(34,719)
Employee benefits		(1,547)	-	-	-	(1,547)	(1,547)
Liabilities associated with non-current assets held for sale	9	(49,843)	49,843	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>(979,502)</b>	<b>682,933</b>	<b>-</b>	<b>-</b>	<b>(296,569)</b>	<b>(296,569)</b>
<b>NON CURRENT LIABILITIES</b>							
Site restoration provision	10	(144,801)	79,130	-	-	(65,671)	(65,671)
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>(144,801)</b>	<b>79,130</b>	<b>-</b>	<b>-</b>	<b>(65,671)</b>	<b>(65,671)</b>
<b>TOTAL LIABILITIES</b>		<b>(1,124,303)</b>	<b>762,063</b>	<b>-</b>	<b>-</b>	<b>(362,240)</b>	<b>(362,240)</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>3,402,052</b>	<b>(69,321)</b>	<b>1,680,794</b>	<b>2,560,794</b>	<b>5,013,525</b>	<b>5,893,525</b>
<b>EQUITY</b>							
Share capital	11	58,083,830	-	1,683,000	2,533,000	59,766,830	60,616,830
Reserves	12	365,900	-	60,000	100,000	425,900	465,900
Accumulated losses	13,14,15	(55,047,678)	(69,321)	(62,206)	(72,206)	(55,179,205)	(55,189,205)
<b>TOTAL EQUITY</b>		<b>3,402,052</b>	<b>(69,321)</b>	<b>1,680,794</b>	<b>2,560,794</b>	<b>5,013,525</b>	<b>5,893,525</b>

<sup>1</sup>The proforma statement of financial position does not take into account working capital movements over the period from 1 January 2025 until completion of the Offer. Management has advised that operating cash costs for the five-month period from 31 December 2024 to 31 May 2025 was \$517,407. As at 31 May 2025, the Company has a cash balance of \$2,740,467.

The pro-forma statement of financial position after the Offer is as per the Statement of Financial Position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 1 and Appendix 2.

**APPENDIX 4**  
**XSTATE RESOURCES LIMITED**  
**NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

**a) Basis of preparation of historical financial information**

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal Company's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

**b) Going Concern**

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result, the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

**c) Reporting Basis and Conventions**

The Report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**d) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.



#### **e) Foreign currency translation**

The financial report is presented in Australian dollars, which is Xstate's functional and presentation currency.

##### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

##### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

#### **f) Income Tax**

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Company has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

#### **g) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **h) Discontinued operations and non-current assets held for sale**

On 5 February 2025, Xstate Energy Limited (the Canadian subsidiary of Xstate Resources Limited) entered into a sale agreement with Blue Sky Resources Ltd. to dispose its 25% working interest in the Crest Jinn producing assets in Alberta, Canada. The assets were sold for a 3% overriding royalty in the Crest Jinn operational area, which includes the producing assets that were sold. The agreement has an effective date of 1 January 2025.

The determination to divest the producing assets was a strategic decision by the Company to alleviate exposure to liabilities in the form of near-term abandonment costs, in addition to fluctuating operational costs associated with aging assets, in exchange for a simplified revenue stream. The divestment is considered a disposal of a separate major line of business operations, being production operations in Canada.

#### **i) Oil and gas assets**

##### *Producing Assets*

All costs directly associated with the development and production of oil and natural gas interests are capitalised on an area-by-area basis as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets. Items of property, plant and equipment, which include oil and natural gas production assets, are measured at cost less accumulated depreciation/amortisation and any accumulated impairment losses. Development costs include expenditure for areas where technical feasibility and commercial viability has been determined. The capitalised value of producing assets includes acquisition costs, reactivation and development costs and initial estimates of decommissioning liabilities associated with their operation.

##### *Reserve estimates*

Estimation of reported recoverable quantities of 2P reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape depth and quality of reservoirs and their anticipated recoveries.

These factors used to estimate the reserves may change from period to period. Reserve estimates are used to calculate amortisation of producing assets.

##### *Depreciation and Amortisation*

Depletion charges are calculated to amortise the capitalised value of carried forward production assets over the life of the estimated Proved plus Probable ("2P") reserves for a hydrocarbon reserve, together with future costs necessary to develop the respective hydrocarbon reserve. The value of oil and natural gas interests is depleted using the units of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil and natural gas with geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proved component of proved and probable reserves are 90 percent and 10 percent, respectively.

#### **j) Site restoration provisions**

##### *Provisions*

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

##### *Site restoration*

In accordance with applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed. The site restoration provision represents the present value of decommissioning and site restoration costs relating to oil and gas properties.

At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and re-added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

Site restoration provisions have been disaggregated based upon geography due to differing jurisdictional requirements.

#### **California, United States**

The joint-venture operator, Australian Oil Company Limited (ASX:AOK), has lodged a blanket bond to the total of USD\$200,000 with the Californian Department of Conservation and Division of Oil, Gas and Geothermal Resources (DoGGR) in respect of the well licenses held in the Sacramento Basin onshore California area of interest. The blanket bond is for coverage of up to 50 idle wells, a number significantly higher than the amount of idle wells held by the joint-venture at current.

Xstate has taken up a provision balance in respect of its working interest percentage for each of the wells held by the JV, representing the maximum exposure to the Company for restoration and rehabilitation in respect of the well interests held.

#### **Alberta, Canada (Crest Jinn assets)**

The activities of the joint operation in Alberta, Canada (comprising the Company's working interests in the Crest Jinn assets) give rise to dismantling, decommissioning and site disturbance remediation activities which were identified as expected to continue through to approximately 2045.

These provisions have been recognised based upon region specific cost estimates provided by the Alberta Energy Regulator (AER). The assumptions are based on the current economic environment and are contained within Directive 011 as provide by AER. These estimates are reviewed regularly to take into account any material changes to the assumptions, however, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend upon when the fields cease to produce at an economically viable rate. This, in turn, will depend upon future oil and gas prices, which are considered inherently uncertain.

The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 3.17 percent (2023: 3.12 percent), a long-term inflation rate assumption of 2 percent (2023: 2 percent) and the assumed timing of cash outflows through to 2045.

Provisions are made for the estimated cost of asset retirement obligations associated with site restoration and are capitalised to Oil and Gas Assets and amortised over the useful life of the assets.

#### **Anshof, Austria**

The activities of the joint operation in Austria gives rise to dismantling, decommissioning and site disturbance remediation activities which are expected to be incurred at the conclusion of oil production activities, estimated by the operator presently as being a life cycle of approximately 17 years.

These provisions have been recognised based upon specific rehabilitation costing estimates prepared and submitted by the operator in accordance with Austrian government legislation with regard to rehabilitation of producing well sites.

The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 2.55 percent (2023: 2.42 percent), a long-term inflation rate assumption of 2 percent (2023: 2 percent) and the assumed timing of cash outflows through to 2039.

Provisions are made for the estimated cost of asset retirement obligations associated with site restoration and are capitalised to Oil and Gas Assets and amortised over the useful life of the assets.

#### **k) Revenue Recognition**

Revenue from sales of oil and natural gas is recognised at the amount that reflects the consideration to which the Company is expected to be entitled. Prices are based on market prices and is recognised based on the actual volumes sold to customers. Revenue is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer (often via connected pipelines). Where the Company is not the operator of a well, under the terms of the relevant production sharing arrangements, the Company is entitled to its participating share in the crude oil and natural gas, based on the Company's working interest.

#### **l) Trade and Other Payables**

Trade payables represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

#### **m) Impairment of assets**

At each reporting date, the Company reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

#### **n) Capital and reserves**

##### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### *Options reserve*

The options reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued or reversed through retained earnings if the options expire or are cancelled.

##### *Foreign currency translation reserve*

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation

reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

**o) Share-based payments**

The Company has the ability to implement an incentive share and option plan for employees and contractors to the Company, via shareholder approval, whereby employees and contractors may receive rights to acquire shares of the Company as remuneration or incentivisation. The grant date fair value of share-based payment awards granted to employees and contractors is recognised as a personnel expense, with a corresponding increase in equity, over the period that the employees and contractors become unconditionally entitled to the awards. The Company entered into such share-based payment transactions during the current financial year via options issued to directors and consultants as approved by shareholders at the 2023 Annual General Meeting.

The Company additionally has the capacity to issue equity securities to suppliers under the ASX Listing Rules as an alternate method of payment for goods or services provided. The grant date fair value of share-based payments awards granted to suppliers is recognised as a separate expense, share-based payments expense, with a corresponding increase in equity over the period that the supplier provides the service or becomes unconditionally entitled to the award. The Company did not enter into such share-based payment transactions during the current financial year.

The amounts recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for difference between expected and actual outcomes.

**p) Accounting estimates and judgements**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

*Oil and gas assets*

The Company assesses each asset or CGU in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use. The assessments require the use of estimates and assumptions, such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

*Reserve estimates*

The estimated quantities of proven and probable hydrocarbons reported by the Company are integral to the calculation of depletion expense, assessments for impairment of assets, provision for restoration and the recognition of deferred tax assets due to changes in expected future cash flows. Reserve estimates require interpretation of complex and judgement geological and geophysical models in order to make an assessment of the size, share, depth and quality of a reservoir, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

#### *Depletion of oil and gas assets*

The Company recognises depreciation on its Oil and Gas assets on a unit-of-production basis that is considered proportional to the depletion of proven and probable hydrocarbon reserves for the field. Oil and gas assets are depreciated by area of interest in the proportion of actual production for the financial period to the proven and probable hydrocarbon reserves of the field. As such, the estimate of reserve quantities directly impacts the calculation of depreciation recognised on the Company's Oil and Gas assets.

#### *Provisions for site restorations*

The Company estimates the future removal and restoration costs of petroleum production facilities, wells, pipelines and related assets at the time of installation of the assets, or at the time of acquisition of the assets, and reviews these assessments periodically. In most instances, the removal of these assets will occur well into the future. The estimate of future removal costs therefore requires management to make judgements around the timing of the required restoration, rehabilitation and decommissioning, as well as the discount rate. As the provision for restoration identifies the cost of decommissioning, this cost is recognised under AASB 116 as forming part of the asset value. As such, the estimation of provisions for restoration directly impact the value of oil and gas assets presented.

Following the significant volatility in yields and inflation rates seen throughout the course of the financial year, the Company revised the discount and inflation rate used in quantifying the restoration provisions from amounts recognised upon acquisition of the oil and gas working interests during the financial year.

#### *Share based payments*

Share-based payment transactions with Directors, employees and consultants are measured by reference to the fair value of the securities at the date they were granted. The fair value of the expense to be recognised in the statement of comprehensive income is ascertained using an appropriate pricing model, generally a Black-Scholes pricing mechanism, depending on the terms and conditions upon which the equity securities were granted. The Company also applies assumptions around the likelihood of such securities vesting which will have an impact on the expense recorded during the financial year.

#### *Options*

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

#### *Recoverability of deferred tax assets*

The recoverability of deferred tax assets (DTA) is based on the probability that future taxable amounts will be available to utilise those temporary differences and losses. The Company has not recognised deferred tax assets in respect of some tax losses as the future utilisation of these losses and temporary tax differences is not considered probable at this point in time.

The Company has recognised a deferred tax asset on temporary tax differences, specifically in relation to Canadian operations.

Assessing the future utilisation of tax losses and temporary tax differences requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and application of existing tax laws. To the extent that future utilisation of these tax losses and temporary tax differences becomes probable, this could result in significant changes to deferred tax assets recognised, which would in turn impact future financial results. The deferred tax asset associated with historical losses recorded in the Company's Australian parent entity continue not to be recognised on the basis that it is not expected that the Company's Australian-based operations would generate sufficient taxable profits to fully utilise those losses recorded.

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$	\$
Cash and cash equivalents	3,555,128	4,985,922	5,865,922
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		3,555,128	3,555,128
<i>Subsequent event:</i>			
Payment of Preliminary Project Funding deposit		(250,000)	(250,000)
		(250,000)	(250,000)
<i>Pro-forma adjustments:</i>			
Proceeds from Shares issued under this Prospectus		2,000,000	3,000,000
Capital raising costs		(257,000)	(367,000)
Listing expenses		(62,206)	(72,206)
		1,680,794	2,560,794
Pro-forma Balance		4,985,922	5,865,922

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 3. TRADE AND OTHER RECEIVABLES	\$	\$	\$
Trade and other receivables	10,524	10,524	10,524
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		10,524	10,524
<i>Subsequent events:</i>			
Anshof Project Q1 FY25 net earnings receivable		18,622	18,622
Extinguishment of Anshof Project assets and liabilities in connection with the Assignment Agreement		(18,622)	(18,622)
		-	-
Pro-forma Balance		10,524	10,524



	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 4. NON-CURRENT ASSETS HELD FOR SALE	\$	\$	\$
Non-current assets held for sale	61,691	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		61,691	61,691
<i>Subsequent events:</i>			
Disposal of 25% working interest in Crest Jinn		(61,691)	(61,691)
		(61,691)	(61,691)
Pro-forma Balance		-	-

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 5. OIL AND GAS ASSETS	\$	\$	\$
Oil & Gas assets	781,408	250,000	250,000
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		781,408	781,408
<i>Subsequent event</i>			
Preliminary Project Funding deposit		250,000	250,000
Capitalisation of Xstate's share of Anshof Project PPF expenditure relating to the cash call due 21 February 2025		51,437	51,437
Anshof Project Q1 FY25 depreciation on PPF facilities		(13,086)	(13,086)
Disposal of assets and liabilities of the Anshof Project pursuant to the Assignment Agreement		(819,759)	(819,759)
		(531,408)	(531,408)
Pro-forma Balance		250,000	250,000

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 6. PREPAID EXPLORATION EXPENDITURE	\$	\$	\$
Prepaid exploration expenditure	-	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		-	-
<i>Subsequent events:</i>			
Capitalisation of Xstate's share of Anshof-1 expenditure		215,786	215,786
Disposal of assets and liabilities of the Anshof Project pursuant to the Assignment Agreement		(215,786)	(215,786)
		-	-
Pro-forma Balance		-	-



	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 7. OTHER RECEIVABLES	\$	\$	\$
Other receivables	-	11,715	11,715
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		-	-
<i>Subsequent events:</i>			
Overriding royalty (3%) receivable in the Crest Jinn asset following Xstate's disposal of its 25% working interest in the asset		11,715	11,715
		11,715	11,715
Pro-forma Balance		11,715	11,715

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 8. TRADE AND OTHER PAYABLES	\$	\$	\$
Trade and other payables	(893,393)	(260,303)	(260,303)
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		(893,393)	(893,393)
<i>Subsequent events:</i>			
Anshof Project Q4 FY24 earnings adjustment		(9,174)	(9,174)
Recognition of Anshof Project PPF participating cash call due 21 February 2025		(51,437)	(51,437)
Recognition of Anshof-1 cash calls pursuant to the Assignment Agreement		(215,786)	(215,786)
Recognition of accrued interest to 31 March 2025 pertaining to Xstate's share of unpaid Anshof Project cash calls due to ADX pursuant to the Assignment Agreement		(51,692)	(51,692)
Extinguishment of Anshof Project assets and liabilities in connection with the Assignment Agreement		961,178	961,178
		633,090	633,090
Pro-forma Balance		(260,303)	(260,303)

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
NOTE 9. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	\$	\$	\$
Liabilities associated with non-current assets held for sale	(49,843)	-	-
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		(49,843)	(49,843)
<i>Subsequent events:</i>			
Disposal of 25% working interest in Crest Jinn		49,843	49,843
		49,843	49,843
Pro-forma Balance		-	-

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
<b>NOTE 10. SITE RESTORATION PROVISION</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Site restoration provision	(144,801)	(65,671)	(65,671)
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		(144,801)	(144,801)
<i>Subsequent events:</i>			
Disposal of assets and liabilities of the Anshof Project pursuant to the Assignment Agreement		79,130	79,130
		79,130	79,130
Pro-forma Balance		(65,671)	(65,671)

		Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
<b>NOTE 11. SHARE CAPITAL</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>
Share capital	58,083,830	58,083,830	59,766,830	60,616,830
	Number of shares (min)	Number of shares (max)	\$	\$
<i>Adjustments to arise at the pro-forma balance:</i>				
Audited balance of Xstate at 31 December 2024	321,519,150	321,519,150	58,083,830	58,083,830
<i>Pro-forma adjustments:</i>				
Consolidation of share capital (2.23:1 basis)	(177,340,158)	(177,340,158)	-	-
Proceeds from shares issued under this Prospectus	100,000,000	150,000,000	2,000,000	3,000,000
Capital raising costs	-	-	(257,000)	(367,000)
Issue of Lead Manager Options	-	-	(60,000)	(100,000)
	(77,340,158)	(27,340,158)	1,683,000	2,533,000
Pro-forma Balance	244,178,992	294,178,992	59,766,830	60,616,830

	Audited 31-Dec-24	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
<b>NOTE 12. RESERVE</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Reserve	365,900	425,900	465,900
<i>Adjustments to arise at the pro-forma balance:</i>			
Audited balance of Xstate at 31 December 2024		365,900	365,900
		365,900	365,900
<i>Pro-forma adjustments:</i>			
Issue of Lead Manager Options		60,000	100,000
		60,000	100,000
Pro-forma Balance		425,900	465,900

	Pro-forma after Offer Minimum	Pro-forma after Offer Maximum
<b>Lead Manager Options</b>		
Number of Options	15,000,000	25,000,000
Underlying share price	\$0.02	\$0.02
Exercise price	\$0.04	\$0.04
Expected volatility	80.0%	80.0%
Life of the Options (years)	1.50	1.50
Expected dividends	-	-
Risk free rate	3.6%	3.6%
Value per Option	\$0.0039	\$0.0039
<b>Total Fair Value</b>	<b>\$60,000</b>	<b>\$100,000</b>

	Audited 31-Dec-24 \$	Pro-forma after Offer Minimum \$	Pro-forma after Offer Maximum \$
<b>NOTE 13. ACCUMULATED LOSSES</b>			
Accumulated losses	(55,047,678)	(55,179,205)	(55,189,205)
Audited balance of Xstate at 31 December 2024		(55,047,678)	(55,047,678)
		(55,047,678)	(55,047,678)
<i>Subsequent events</i>			
Loss on disposal of Crest Jinn		(133)	(133)
Anshof Project Q4 FY24 earnings adjustment		(9,174)	(9,174)
Anshof Project Q1 FY25 net earnings		18,622	18,622
Accrued interest expense to 31 March 2025 pertaining to Xstate's share of unpaid Anshof Project cash calls due to ADX pursuant to the Assignment Agreement		(51,692)	(51,692)
Anshof Project Q1 FY25 depreciation on PPF facilities		(13,086)	(13,086)
Gain on forgiveness of net Anshof Project liabilities pursuant to the Assignment Agreement		942,556	942,556
Loss on the disposal of assets and liabilities of the Anshof Project pursuant to the Assignment Agreement		(956,414)	(956,414)
		(69,321)	(69,321)
<i>Pro-forma adjustments:</i>			
Costs of the Offer not directly attributable to the capital raising		(62,206)	(72,206)
		(62,206)	(72,206)
Pro-forma Balance		(55,179,205)	(55,189,205)

<b>NOTE 14. PROFIT OR LOSS ON DISPOSAL OF CREST JINN WORKING INTEREST</b>	\$
Assets held for sale disposed	61,691
Liabilities associated with non-current assets held for sale	(49,843)
<b>Net identifiable assets of disposed Crest Jinn asset</b>	<b>11,848</b>
<b>Purchase consideration comprises:</b>	
Royalty receivable	11,715
	11,715
<b>Loss on disposal of Crest Jinn</b>	<b>(133)</b>

NOTE 15. PROFIT OR LOSS ON DISPOSAL OF ANSHOF PROJECT WORKING INTEREST	Audited 31-Dec-24 \$
<b>Forgiveness of Anshof Project liabilities</b>	
Anshof Project trade and other payables as at 31 December 2024	(633,090)
<i>Subsequent events</i>	
Net liabilities accrued from 1 January 2025 to 31 March 2025	(328,088)
Anshof Project Q1 FY25 net earnings receivable	18,622
<b>Liabilities forgiven of disposed Anshof Project</b>	(942,556)
Cash consideration	-
<b>Gain on forgiveness of Anshof Project liabilities</b>	942,556
<b>Gain/(loss) on remaining Anshof Discovery Assets and liabilities</b>	
Anshof Project oil & gas assets as at 31 December 2024	781,408
Anshof Project site restoration provision as at 31 December 2024	(79,130)
<i>Subsequent events</i>	
Net capitalised costs from 1 January 2025 to 31 March 2025	254,136
<b>Net remaining identifiable assets of disposed Anshof Project</b>	956,414
Cash consideration	-
<b>Loss on disposal of Anshof Project</b>	(956,414)
<b>Net gain/(loss) on disposal of Anshof Project</b>	(13,858)

#### NOTE 16: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

#### NOTE 17: COMMITMENTS AND CONTINGENCIES

On 4 April 2025, the Company entered into an Acquisition Agreement - ATP 2077 ('**Acquisition Agreement**') with Elixir Energy Limited ('**Elixir**'), under which the Company will acquire 51% interest in ATP 2077 in the Surat Bowen Basin, Southwest Queensland. ATP 2077 comprises 3 blocks, the Diona Block, which hosts the Diona Project ('**Acquisition Sub-blocks**') and Block A and B. The registered interest in ATP 2077 will be transferred to Xstate with Elixir retaining a 49% beneficial interest in the Acquisition Sub-blocks (hosting the Diona Project) but Elixir will retain a 100% beneficial interest in Blocks A and B (the balance of ATP 2077).

Consideration comprises (i) preliminary project funding ('**Preliminary Project Funding**') where Xstate is required to make an upfront contribution of \$250,000 to Elixir for project funding for reprocessing and interpretation of seismic data, and (ii) commitment to drilling a minimum of one well to a depth of not less than 2,300 metres within 18 months of Xstate's Shares being reinstated to quotation ('**Well**') (with the cost of the activities associated with the Well estimated to be approximately \$2.6 million).

The upfront consideration of \$250,000 is non-refundable and has been reflected as a reduction in cash and cash equivalents and corresponding increase in capitalised oil and gas assets. Under a traditional farm-in arrangement, the Company would earn the working interest via a commitment to drill the Well. However, in order to meet re-compliance, Xstate must own 51% of the working interest in the Acquisition Sub-blocks and this is to be achieved via a guarantee to Elixir that it will meet its drilling obligations in the form of a Conditional Performance Bond ('**CPB**') equal to \$2 million.

Under a traditional farm-in arrangement, the Company would earn the working interest via a commitment to drill the Well. However, in order to meet re-compliance, Xstate must own 51% of the working interest

in the Acquisition Sub-blocks and this is to be achieved via a guarantee to Elixir that it will meet its drilling obligations in the form of a Conditional Performance Bond ('CPB') equal to \$2 million. At the date of this Report, the Company and Elixir have agreed in principle, that the terms of the CPB are revised to reflect the following (with the parties negotiating a formal variation to the Acquisition Agreement to the extent necessary to reflect these revised terms):

- the Company within five business days of completion to the acquisition will deposit \$2 million into a third-party trust account (being lawyers instructed by Elixir) ('Trustee') to be held on trust and in escrow in accordance with the terms of a to be executed escrow deed between Xstate, Elixir and the Trustee;
- during drilling of the Well, funds will be progressively released by the Trustee to Xstate from the CPB to pay for drilling work costs incurred by Xstate. To effect this, Xstate will notify Elixir of drilling costs incurred at the end of each two-week period, with the Trustee obliged to pay Xstate from escrow an amount equal to any undisputed drilling costs; and
- if the Well is not completed within 18 months and Xstate has incurred less than \$2 million in drilling costs in connection with the Well, Elixir is entitled to any funds remaining in escrow.

As the variation has yet to be formalised at the date of this Report, the CPB has been disclosed as a commitment and contingency within this Report.

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

## FINANCIAL SERVICES GUIDE

Dated: 25 June 2025

This Financial Services Guide (FSG) helps you decide whether to use any of the financial services offered by BDO Corporate Finance Australia Pty Ltd (BDO Corporate Finance, we, us, our).

The FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts, and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$24,000 for preparing the Report.

As noted in Section 8 of our Report, BDO Audit Pty Ltd are the auditors of Xstate and received professional fees relating to audit work performed.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees, or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

We are committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the [BDO Complaints Policy](#) available on our website.

BDO Corporate Finance is a member of AFCA (Member Number 11843). Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to the Australian Financial Complaints Authority (AFCA) using the below contact details:

Australian Financial Complaints Authority  
GPO Box 3, Melbourne VIC 3001  
Email: [info@afca.org.au](mailto:info@afca.org.au)  
Phone: 1800 931 678  
Fax: (03) 9613 6399  
Interpreter service: 131 450  
Website: <http://www.afca.org.au>

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au)

1300 138 991  
[www.bdo.com.au](http://www.bdo.com.au)

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**SCHEDULE 2**  
**INDEPENDENT SOLICITOR'S REPORT**



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9 May 2025

The Directors  
Xstate Resources Limited  
Level 1, 31 Cliff Street  
FREMANTLE WA 6160

Dear Directors

## **Independent solicitor's report – ATP 2077**

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### **1 Background**

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- 1.1 This independent solicitor's report (**Report**) is prepared for inclusion in a prospectus (**Prospectus**) for Xstate Resources Limited (**XST**).
- 1.2 XST entered into an Acquisition Agreement with Elixir Energy Ltd (**EXR**) to acquire a 51% interest in the Diona Sub-Block of authority to prospect (**ATP**) 2077 containing the Diona Prospect (the **Diona Gas Project**) in the Surat-Bowen Basin, Queensland (**Proposed Transaction**).
- 1.3 ASX is seeking re-admission to the Australian Securities Exchange on completion of the Diona Gas Project acquisition, subject to re-compliance with Listing Rules Chapters 1 & 2.
- 1.4 This Report relates to ATP 2077, being the tenement the subject of the Proposed Transaction.

### **2 Purpose of report**

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- 2.1 We have been engaged by XST to prepare this Report for inclusion in the Prospectus.
- 2.2 XST may rely on this Report for that purpose. This Report has not been prepared for the purpose of analysing particular issues or matters which may be relevant to any other interested parties. Except as otherwise imposed by law, we do not accept any liability in connection with this Report to anyone other than XST.

### **3 Searches and information received**

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- 3.1 For the purpose of this Report, we have reviewed publicly available information and searches obtained from the:
  - (a) National Native Title Tribunal (**NNTT**) on 17 April 2025;
  - (b) Queensland Department of Women, Aboriginal and Torres Strait Islander Partnerships and Multiculturalism (**DWATSIPM**) on 17 April 2025;

- (c) Queensland Treasury on 29 April 2025;
- (d) Queensland Department of Environment, Tourism, Science and Innovation (**DETSI**) on 17 April 2025; and
- (e) Queensland Department of Natural Resources and Mines, Manufacturing, and Regional and Rural Development (**DoR**) on 17 April 2025 and 29 April 2025.

3.2 We have not made any further enquiries in relation to ATP 2077.

3.3 There may be other material available to XST that has not been disclosed to us.

## **4 Scope of report**

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- 4.1 This Report relates only to matters raised in the material identified at paragraph 3 above, and is divided into the following sections:
- (a) general tenement information and standing;
  - (b) land access and compensation;
  - (c) native title;
  - (d) Aboriginal cultural heritage; and
  - (e) environmental issues, including under State and Commonwealth legislation.
- 4.2 Our investigations did not extend to conducting enquiries in relation to real property underlying ATP 2077.

## **5 Assumption and qualifications**

---

- 5.1 We have not considered any matters other than those raised in this Report identified at paragraph 4.1.
- 5.2 In preparing this Report:
- (a) we have made no independent enquiries into the accuracy or completeness of any of the material provided to us;
  - (b) we have assumed and relied on the accuracy and completeness of all public searches and other information obtained from public searches and other publicly available sources;
  - (c) where compliance with the requirements necessary to maintain a tenement in good standing is not disclosed in the searches obtained, we express no opinion on such compliance;
  - (d) references to any area of land are taken from information we have received and the accuracy of any land area has not been verified by survey;
  - (e) we comment only on the laws of the State of Queensland and of the Commonwealth of Australia as at the date of this document, and have assumed that the Report will be construed in accordance with those laws; and

(f) the opinions and information are strictly limited to the matters stated in the Report and do not apply by implication to any other matters.

5.3 This Report has been limited to the results of searches and other information which could be obtained in the relevant time frame. We note that records disclosed by publicly available searches may not be complete or up to date and we have not, in each instance, made independent investigations or enquiries in relation to such searches.

5.4 We cannot comment on whether any changes have occurred in respect of ATP 2077 between the date on which the searches were conducted or the information obtained and the date of this Report.

5.5 Where we have made an assumption in this Report, this does not imply that we have made any enquiry to verify that assumption, or are aware of any circumstance that would affect the correctness of that assumption.

## **6 Tenements**

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6.1 In Queensland, a comprehensive tenement regime governs the rights to explore for and produce petroleum. The regime is administered by DoR under the *Petroleum and Gas (Production and Safety) Act 2004* (Qld) (**P&G Act**) and *Mineral and Energy Resources (Common Provisions) Act 2014* (Qld) (**MERCP Act**).

6.2 The P&G Act and the MERCP Act together establish and regulate the tenement administration framework, including matters in relation to obtaining and dealing with tenements, reporting and financial obligations and landowner and occupier rights.

6.3 Exploration for petroleum is generally carried out under an ATP, which entitles the holder to explore for petroleum subject to the requirements of the P&G Act. An ATP does not permit the holder to conduct petroleum production activities.

### **Term**

6.4 On 17 April 2025 we obtained a Resource Authority Public Report for ATP 2077 that confirms that EXR is the holder of ATP 2077.

6.5 ATP 2077 was granted on 15 August 2024 for an initial term of 6 years. The current expiry date is 14 August 2030.

6.6 An ATP is capable of renewal. A renewal application cannot be made more than 60 business days before the end of the term of the ATP or after the ATP has ended.

6.7 The total term for an ATP must end no later than 12 years after the ATP takes effect.

### **Rent**

6.8 The holder of an ATP is required to pay annual rent for the tenement.

6.9 For an ATP, the amount of rent payable for each year is calculated by multiplying the number of sub-blocks the subject of the ATP by the amount prescribed under the *Petroleum and Gas (General Provisions) Regulation 2017* (Qld) (**P&G Regulation**).

6.10 The Resource Authority Public Report states that currently ATP 2077 consists of 173 sub-blocks and the rent rate is \$3.18. The rent payable is therefore \$550.14.

- 6.11 The DoR search results received on 29 April 2025 indicates that EXR is compliant in terms of the rental requirements for ATP 2077.

### **Conditions**

- 6.12 In Queensland, an ATP holder must comply with general conditions of the tenement, including statutory conditions imposed under the P&G Act, P&G Regulation, *Petroleum and Gas (Royalty) Regulation 2021* (Qld), *Petroleum and Gas (Safety) Regulation 2018* (Qld) and the MERC Act, together with any special conditions of grant related to the ATP.
- 6.13 Importantly, an ATP may be subject to an Australian market supply condition in respect of all or part of the area of an authority. An Australian market supply condition for land, is a condition under which the gas produced from the land must not be supplied other than to the Australian market and any contract or other arrangement for the supply of the gas must include a condition that the gas must not be further supplied other than to the Australian market. No such condition exists in respect of ATP 2077.

### **Relinquishment**

- 6.14 It is a condition of each ATP that the holder must relinquish part of its area on or before the sixth anniversary of the day the authority took effect. Generally, an ATP holder is required to relinquish 50% of the original notional sub-blocks of the ATP.

### **Work programs**

- 6.15 An ATP holder must comply with a work program in place for an ATP. Failure to comply may be a breach of the conditions of the ATP and can directly impact a future renewal application.

### **Overlapping tenements**

- 6.16 The rights and interests of tenement holders may be affected by overlapping coal, minerals and petroleum exploration and production tenements.
- 6.17 The overlapping tenement framework is primarily governed by the MERC Act which commenced on 27 September 2016.
- 6.18 A search of GeoResGlobe online mapping tool on 17 April 2025 indicates that ATP 2077 is overlapped by:
- (a) Petroleum pipeline licence (**PPL**) 93 held by AGL Gas Storage Pty Ltd (pending transfer to OGT Energy Pty Ltd);
  - (b) PPL 124 held by Hunter Gas Pipeline Pty Ltd; and
  - (c) Data acquisition authority 2034 held by BNG (Surat) Pty Ltd.
- 6.19 Other than the relevant relinquishment requirements, the Resource Authority Public Report for ATP 2077 does not record any other dealings or notations.

### **Dealings and other notations**

- 6.20 Other than the relevant relinquishment requirements, the Resource Authority Public Report for ATP 2077 does not record any other dealings or notations.

## 7 Environmental matters

---

- 7.1 The *Environmental Protection Act 1994* (Qld) (**EP Act**) is the primary piece of environmental legislation in Queensland. It regulates activities that are likely to have impacts on the environment, categorised as 'environmentally relevant activities' (**ERAs**). Carrying out exploration or mining activities involves an ERA regulated under the EP Act for which an environmental authority (**EA**) is required.
- 7.2 Our searches of the DETSI public register and the online EA register indicates that P-EA-100697827 (**ATP 2077 EA**) is in place in respect of ATP 2077. The effective date of the Project EA is 16 August 2024. This is a standard EA incorporating the *Eligibility criteria and standard conditions. Petroleum exploration activities – Version 2*.

### Compliance

- 7.3 DETSI also maintains an online enforcement register which includes the following statutory information regarding an entity's environmental compliance:
- (a) accepted enforceable undertakings;
  - (b) transitional environmental programs;
  - (c) environmental protection orders;
  - (d) environmental enforcement orders;
  - (e) environmental evaluations;
  - (f) direction notices;
  - (g) clean-up notices; and
  - (h) cost recovery notices.
- 7.4 We reviewed the online DETSI enforcement register on 17 April 2025. We did not identify any records in relation to compliance or enforcement matters for ATP 2077.
- 7.5 The following enforcement information is not included in the online enforcement register:
- (a) warning notices and letters;
  - (b) penalty infringement notices; and
  - (c) prosecution outcomes.

### Rehabilitation security

- 7.6 Queensland EA holders can be required to provide a form of financial security for compliance with the EA and EP Act, including in particular for rehabilitation required to be carried out after the ERA is completed.
- 7.7 The *Mineral and Energy Resources (Financial Provisioning) Act 2018* (Qld) (**FP Act**) commenced in 2019 and governs the provision of financial security in relation to resource authorities. Existing sites are currently being transitioned into the FP Act regime, which is administered by the Scheme Manager, over a 3 year period.

- 7.8 Under the EP Act, it is a condition of an EA for a resource activity that the holder must not carry out activities under the EA unless:
- (a) an estimated rehabilitation cost (**ERC**) decision is in effect;
  - (b) the holder has paid a contribution to the scheme fund or given a surety under the FP Act; and
  - (c) the holder has complied with the requirements under the FP Act for paying a contribution to the scheme fund or giving a surety,
- for the EA.

- 7.9 For the ATP 2077 EA no ERC decision is currently in effect. Queensland Treasury's response to our enquiries received on 29 April 2025 indicate that as there is no valid ERC decision, there is currently no non-compliance with respect to the holders' financial provisioning obligations under the EP Act.

#### **Regional Planning Interests Act 2014 (Qld)**

- 7.10 The *Regional Planning Interests Act 2014* (Qld) regulates activities in areas of regional interest, including strategic cropping areas (**SCAs**).
- 7.11 Unless an exemption applies, resource activities that have an impact on an area of regional interest (such as an SCA) may trigger a requirement to hold a Regional Interests Development Approval (**RIDA**) before the activity may be carried out.
- 7.12 A number of exemptions apply to the requirement for a RIDA, including where:
- (a) the activities are for a duration of less than 12 months; or
  - (b) there is a voluntary agreement in place with the underlying landowner (who is not the tenement holder) and the activities are not likely to have a significant impact on SCA.
- 7.13 We reviewed public mapping on 17 April 2025, which indicates that SCAs overlap ATP 2077.

#### **Environmentally Sensitive Areas**

- 7.14 Environmentally sensitive areas (**ESAs**) are prescribed areas that are protected under the EP Act by limiting particular activities from being carried out in those areas. Some prescribed ESAs include national parks, fish habitat areas, endangered regional ecosystems, registered heritage areas, and nature refuges.
- 7.15 We have reviewed ESA maps obtained on 17 April 2025 in respect of ATP 2077. These searches indicate that ATP 2077 overlaps:
- (a) Category B ESAs, namely a Queensland Heritage Place and Endangered Regional Ecosystems; and
  - (b) Category C ESA, namely Essential Habitat and Of Concern Regional Ecosystems.
- 7.16 Only low impact petroleum activities can be undertaken within Category B ESAs or Category C ESAs other than state forests or timber reserves. Low impact petroleum activities are petroleum activities which do not result in the clearing of native vegetation, cause disruption to soil profiles through earthworks or excavation or result in significant disturbance to land which cannot be rehabilitated immediately using hand tools after the activity is completed.

7.17 Only essential petroleum activities can be undertaken within:

- (a) the 200 metre zone from the boundary of any Category C ESA (other than state forest or timber reserve); and
- (b) the 300 metre zone from the boundary of any Category B ESA.

Essential petroleum activities are those activities specified in the EA that are essential to bringing the resource to the surface.

7.18 Further any essential petroleum activities within the 200 metre zone from the boundary of any Category B ESA must be located in areas of pre-existing disturbance and not negatively impact the ESA.

### **Water Rights**

7.19 The holder of an ATP may take or interfere with underground water in the area of the tenure if the taking or interference happens during the course of or results from the carrying out another authorised activity for the tenure. These rights are subject to the tenure holder complying with the holder's underground water obligations.

7.20 We have not obtained any publicly available information in relation to water rights associated with the Tenements.

### **Commonwealth - EPBC Act approval**

7.21 Commonwealth government approval under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (**EPBC Act**) is required where proposed activities constitute a 'controlled action'. This turns on whether or not the activities are likely to have a significant impact on Matters of National Environmental Significance.

7.22 On 17 April 2025, we conducted a search of the EPBC Act referral portal available on the Australian Government's Department of Climate Change, Energy and Environment and Water website and did not identify any relevant referrals.

## **8 Land access and compensation**

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8.1 Under the MERC Act, in order to access private land (i.e. freehold land or an interest in land less than fee simple held from the State under another Act) underlying an ATP, the ATP holder is required to:

- (a) provide a notice of intention to enter the land (**Entry Notice**); and
- (b) where it is proposing to undertake 'advanced activities', first enter into a conduct and compensation agreement (**CCA**), 'deferral agreement' or 'opt out agreement', or become a party to a relevant arbitration or Land Court application under the MERC Act with,

each owner and occupier of the land.

8.2 The Land Access Code 2016, made under the MERC Act, also imposes certain mandatory conditions concerning the conduct of authorised activities permitted under an ATP on private land.

8.3 The fact of the existence of any CCA entered into for a tenement and private land is generally required to be recorded on the title for the land.

- 8.4 Under the MERCP Act, in order to access public land (i.e. land other than a private road such as public roads) underlying an ATP, the ATP holder is required to provide a notice about the entry, or series of entries, to public land to carry out the authorised activity (**Periodic Entry Notice**). The Periodic Entry Notice must state the period of entry, comply with prescribed requirements and be given to the public land authority no less than the prescribed period.
- 8.5 Upon receipt of a valid Periodic Entry Notice, the public land authority may choose to impose reasonable and relevant conditions. The public land authority for the land may choose to waive the requirement of a Periodic Entry Notice.
- 8.6 Undertaking title searches to identify underlying land parcels for ATP 2077 was beyond the scope of the Report.
- 8.7 We have not been provided with copies of any CCAs or other land access agreements.

### **Restricted land**

- 8.8 In carrying out authorised activities under an ATP, the holder must not enter restricted land without the written consent of each owner and occupier of that land. Restricted land includes land within 200 metres of a residence and land within 50 metres of a principal stockyard, artesian well, bore, dam or water facility.
- 8.9 There is no publicly available information in relation to the extent of restricted land within the area of ATP 2077.

## **9 Native title**

---

### **Legislative regime**

- 9.1 The *Native Title Act 1993* (Cth) (**NT Act**) recognises the traditional rights and interests of the Aboriginal and Torres Strait Islander peoples of Australia. The NT Act provides:
- (a) for the determination of the nature and extent of native title rights and interests of the native title holders;
  - (b) for the extinguishment of native title by particular acts, and compensation in respect of any valid extinguishment;
  - (c) for the validation of certain historical acts which would otherwise be invalid because of their effect on native title;
  - (d) that acts that may affect native title rights (such as the grant of an exploration tenement) carried out after certain key dates (mostly 23 December 1996, but in some cases 1 January 1994) must comply with certain requirements of the NT Act to be valid (**Future Act Requirements**); and
  - (e) compensation for extinguishment or impairment of native title rights and interests.
- 9.2 Native title processes will not be required for the grant of a tenement where native title has been 'extinguished' over the subject land (for example, by an earlier vesting of freehold title in the land).



- 9.3 ATP 2077 was granted exclusive of the areas of native title, meaning that less than 10% of the tenement contains land the subject of native title (**Native Title Land**). The ATP holder does not have any rights in respect of the Native Title Land.
- 9.4 Should an application for a petroleum lease (**PL**) be made within the area of ATP 2077 including Native Title Land:
- (a) if Native Title Land comprises 10% or less of the area of the tenement, then the PL may proceed under the "Predominantly Exclusive Land" process and the area of native title will be excluded from the area of the PL; or
  - (b) if Native Title Land comprises more than 10% of the area of the tenement, or activities are proposed within the area of Native Title Land then the proposed grant of a tenement will trigger the need for compliance with the Future Act Requirements such as the right to negotiate procedure.

#### **Native title and ATP 2077**

- 9.5 We have considered the NNTT register search results obtained on 17 April 2025 in relation to ATP 2077.
- 9.6 The results from NNTT register searches, which identify any overlapping native title parties, are summarised in the table below.

<b>Tenement</b>	<b>Native title claims and determinations</b>	<b>Extent of overlap</b>
ATP 2077	Bigambul People #4 (application) QC2022/005	15.82%
	Bigambul People Part A (determination) QCD2016/012	0.24%
	Mandandanji People (determination) QCD2018/001 <b><i>Note: In this matter it was determined that native title does NOT exist.</i></b>	76.34%

## **10 Aboriginal cultural heritage**

- 10.1 The *Aboriginal Cultural Heritage Act 2003* (Qld) (**ACHA**) recognises, protects, and conserves Aboriginal cultural heritage. In part, it achieves this protection by providing that any person who undertakes an activity has a 'Duty of Care' to take all reasonable and practicable measures to ensure that the activity does not harm Aboriginal cultural heritage.
- 10.2 Under the ACHA, the Duty of Care can be discharged in a number of ways, including:
- (a) at a minimum, adhering to the Duty of Care Guidelines (which form part of the ACHA);
  - (b) entering into an agreement with an 'Aboriginal Party' for the given area (section 23(3)(a)(iii) ACHA) (which are often referred to as cultural heritage management agreements); or
  - (c) entering into a Cultural Heritage Management Plan pursuant to Part 7 of the ACHA.
- 10.3 Significant penalties can apply where a corporation fails to comply with its Duty of Care pursuant to the ACHA.

- 10.4 Activities undertaken pursuant to ATP 2077 will require compliance with the Duty of Care.
- 10.5 The search results from DWATSIPM's public register obtained on 17 April 2025 confirm the Aboriginal parties and the number of recorded cultural heritage sites for ATP 2077:

Tenement	Number of recorded cultural heritage sites	Cultural heritage Aboriginal party
ATP 2077	Nil	Bigambul People Part B
		Bigambul People Part A
		Mandandanji People

- 10.6 Where the DWATSIPM search results indicate that there are no recorded sites located within a tenement, this does not necessarily mean that none exist. It may be an indication that there have been limited cultural heritage surveys carried out in that area, or that the survey results have not been registered with DWATSIPM. Equally, where recorded sites exist on the register, the searches do not necessarily provide the full extent of sites that might exist.
- 10.7 Importantly, the cultural heritage Duty of Care is owed with respect to all activities, not just those activities that occur near sites recorded on the DWATSIPM register.
- 10.8 Particular care should be taken when carrying out activities within the vicinity of recorded or known cultural heritage sites to avoid any harm to the cultural heritage sites and ensure compliance with the Duty of Care and any agreements in place with the Aboriginal Party for the area.
- 10.9 We have not been provided with any agreements relating to Aboriginal cultural heritage for ATP 2077.

Yours faithfully



**McCullough Robertson Lawyers**

**SCHEDULE 3**  
**INDEPENDENT TECHNICAL SPECIALIST REPORT**

# **Exploration Permit ATP 2077 (Diona Sub-Block)**

## **Diona Prospect**

### **Independent Technical Specialist's Report**

**21 May 2025**

Prepared by:

Calan McIntyre, Consulting Geologist

ABN 34 183 109 247

Rev Final

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# 1 EXECUTIVE SUMMARY

On 4 April 2025, XState Resources Limited ("XST") entered into a conditional agreement to acquire a 51% working interest in the Diona sub-block of exploration permit ATP 2077 ("the Permit"), located in the Taroom Trough, onshore Queensland. Under the terms of the agreement with Elixir Energy Limited, XST has paid a \$250,000 non-refundable deposit and, subject to satisfaction of conditions precedent, is required to fully fund the cost of the Diona-1 exploration well, which is planned to be drilled during 2025.

This Independent Technical Specialist's report (ITSR) has been prepared for inclusion in a Prospectus to be lodged with the Australian Securities and Investment Commission (**ASIC**) on or about 12 June 2025 as part of XST seeking re-admission to quotation to the Australian Securities Exchange ("ASX"). The ITSR has been prepared in accordance with the ASX's Listing Rules (in particular, Guidance Note 32 – Reporting on Oil and Gas Activities) and the Society of Petroleum Engineers' 2018 Petroleum Resources Management Summary ("PRMS").

The ITSR evaluates the Prospective Resources of the Diona Prospect and was completed by Mr Calan McIntyre, an independent consulting geologist who was contracted by XST to undertake the work. The Evaluation Date is 4 April 2025. Mr McIntyre consents to the inclusion of this ITSR in its entirety in the Prospectus in the form and context in which it is provided, and to the inclusion of references to this ITSR, as part of any documentation related to the re-admission XST to the ASX.

The gross and net Prospective Resources of the Diona Prospect, which includes three separate reservoir targets at Showgrounds, Tinowon and Wallabella Sandstone levels, are summarised in Table 1 below.

Hydrocarbon Type	Reservoir Objective	Gross Unrisked Prospective Resource				Net Unrisked Prospective Resource				Pg	Pd
		1U	2U	3U	Mean	1U	2U	3U	Mean		
<b>Gas (Bscf)</b>	Showgrounds	0.7	1.5	3.2	1.8	0.38	0.79	1.6	0.91	39%	
	Tinowon	0.2	2.5	12	4.8	0.12	1.3	6.2	2.4	20%	
	Wallabella	0.2	1.7	8.4	3.2	0.08	0.87	4.3	1.6	16%	
	<b>Entire Prospect</b>	<b>0.6</b>	<b>2.2</b>	<b>9.6</b>	<b>4.1</b>	<b>0.3</b>	<b>1.1</b>	<b>5.2</b>	<b>2.1</b>	<b>55%</b>	
<b>Condensate (MMstb)</b>	Showgrounds	0.02	0.06	0.15	0.08	0.01	0.03	0.08	0.04	39%	
	Tinowon	0.01	0.10	0.58	0.22	0.005	0.05	0.30	0.11	20%	
	Wallabella	0.01	0.06	0.38	0.15	0.003	0.03	0.19	0.07	16%	
	<b>Entire Prospect</b>	<b>0.02</b>	<b>0.09</b>	<b>0.44</b>	<b>0.18</b>	<b>0.01</b>	<b>0.05</b>	<b>0.23</b>	<b>0.09</b>	<b>55%</b>	
<b>Gas Equivalent (Bscfe)</b>	Showgrounds	0.9	1.9	4.1	2.3	0.45	1.0	2.1	1.2	39%	
	Tinowon	0.3	3.1	15.7	6.1	0.15	1.6	8.0	3.1	20%	
	Wallabella	0.2	2.1	10.6	4.1	0.09	1.1	5.4	2.1	16%	
	<b>Entire Prospect*</b>	<b>0.7</b>	<b>2.7</b>	<b>13.0</b>	<b>5.1</b>	<b>0.4</b>	<b>1.4</b>	<b>6.5</b>	<b>2.6</b>	<b>55%</b>	

Notes:

1. These estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery (Pg) and a risk of development (Pd). Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.
2. These Prospective Resources have been calculated probabilistically using a Monte Carlo simulation methodology for the three individual reservoir targets and have then been combined

probabilistically (incorporating the impact of risk and risk dependencies) to determine the Prospective Resources for the entire prospect.

3. 1U, 2U and 3U refer to the low estimate, best estimate, and high estimate respectively and are respectively equal to the P90, P50 and P10 scenarios that are output from the probabilistic volumetric assessment.
4. Gas-equivalent Prospective Resources have been calculated in Billion standard cubic feet equivalent (Bscfe) using a conversion factor of 1 barrel condensate = 6000 cubic feet of gas.
5. These Prospective Resource only consider the most likely case hydrocarbon phase scenario (gas with condensate) and do not consider the possibility of oil.
6. The risk of development, Pd, has been assessed in relation to the probabilistic resource ranges for the entire prospect rather than for each individual reservoir target.
7. The Prospective Resource estimates were based on a review of seismic, drilling, logging and test data. Specific work undertaken included review of previous exploration results, seismic interpretation, geological correlations, core analysis, wireline petrophysics, formation pressures, gas compositions and production test results
8. The net Prospective Resources have been calculated based on XST holding a 51% working interest in the Diona sub-block of exploration permit ATP 2077. ATP is an Authority To Prospect, which allows a company to explore for hydrocarbons in Queensland.

\* The net unrisks probabilistic resource estimate for the entire prospect is 1.4Bscfe (2U) and ranges from 0.4 Bscfe (1U) to 6.5Bscfe (3U) with a mean case of 2.6Bscfe. This resource range includes scenarios where either one, two or all three of the reservoir targets discover hydrocarbons. In the event of exploration success at all three reservoir targets, the net unrisks mean prospective resource estimate would be 6.4Bscfe (using the arithmetic sum of the net unrisks mean estimate for each target).

## **2 INTRODUCTION**

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### **2.1 DATA UTILISED**

The preparation of this Independent Technical Specialist's report (ITSR) relies primarily on data and information provided by the permit Operator, Elixir Energy, on behalf of XState Resources. These data include details on the exploration permit, seismic data, exploration and engineering data (including well logs, core data and test data), interpreted data (including well correlations and seismic interpretations), and technical reports. A comprehensive literature search was also undertaken to ensure that learnings from previous operators' activities in the area are incorporated into the ITSR.

### **2.2 WORK COMPLETED**

The independent technical evaluation has been undertaken using standard petroleum exploration evaluation techniques, which combine geological and geophysical knowledge and interpretations with predictions of trapping geometries, distribution and quality of seals, hydrocarbon charge, and reservoir and fluid parameters. The estimate of Prospective Resources was undertaken in accordance with the Society of Petroleum Engineers' Petroleum Resources Management System 2018 ('PRMS').

### **2.3 PROFESSIONAL QUALIFICATIONS**

Mr Calan McIntyre is a petroleum geologist with 30 years of experience in the oil and gas industry, primarily in relation to exploration and development activities in Australia. Mr McIntyre has previously held a range senior roles with major operators in Australia, including Australia Exploration Manager for BHP Billiton Petroleum, General Manager Geoscience for TOTAL E&P Australia, and most recently, General Manager Offshore Exploration for Santos Limited. Mr McIntyre holds a BSc (Hons) in Geology from Otago University in New Zealand and is a member of the American Association of Petroleum Geologists and the Petroleum Exploration Society of Australia. Mr McIntyre has adhered to the ASX Listing Rules Guidance Note 32 and his qualifications and experience meet the requirements to act as a Qualified Evaluator to report Prospective Reserves under PRMS.

### **2.4 INDEPENDENCE**

This Report has been prepared in accordance with the rules and guidelines issued by such bodies as the ASIC and ASX which pertain to Independent Expert Reports. Calan McIntyre, the author of this Report, does not have any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as being capable of affecting his independence. He has no prior association with XST in regard to the petroleum title that is the subject of this Report. He has no beneficial interest in the outcome of the technical assessment being capable of affecting his independence. The relationship with XST is solely one of professional association between client and independent consultant. The review work and this Report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report. Mr McIntyre is not, nor intends to be, a Director, officer or direct employee of XST.



## **2.5 QUALIFIED EVALUATOR STATEMENT**

The petroleum resource estimates contained in this Report are based on, and fairly represent, information and supporting documentation prepared by Mr Calan McIntyre. Mr McIntyre is a self-employed independent contractor engaged by XST to provide this Report. He is a member of the American Association of Petroleum Geologists and the Petroleum Exploration Society of Australia. Mr McIntyre consents to the inclusion in this Report and in the Prospectus of the estimated petroleum prospective and the supporting information in the form and context in which they appear.

## **2.6 THIRD-PARTY CONSENTS**

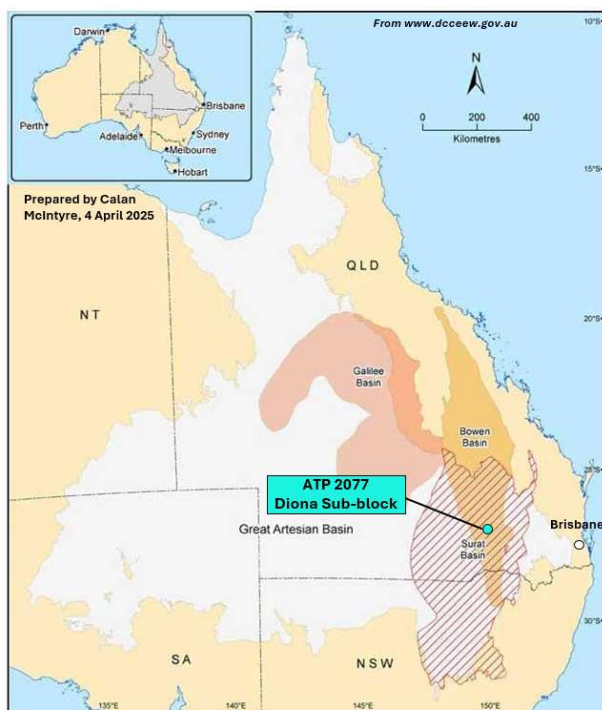
This Report contains statements attributable to third parties. These statements are made or based upon statements made in previous technical reports that are publicly available from government sources, the ASX, published books or technical journals (see Section 6).

The authors of these 'reports' have not consented to their statements being used in this Report, and these statements are included in accordance with ASIC Corporation (Consent and Statements) Instrument 2016/72 and RG55; noting that the persons who prepared those historical geological reports have not consented to the use of their historical geological reports in this Report.

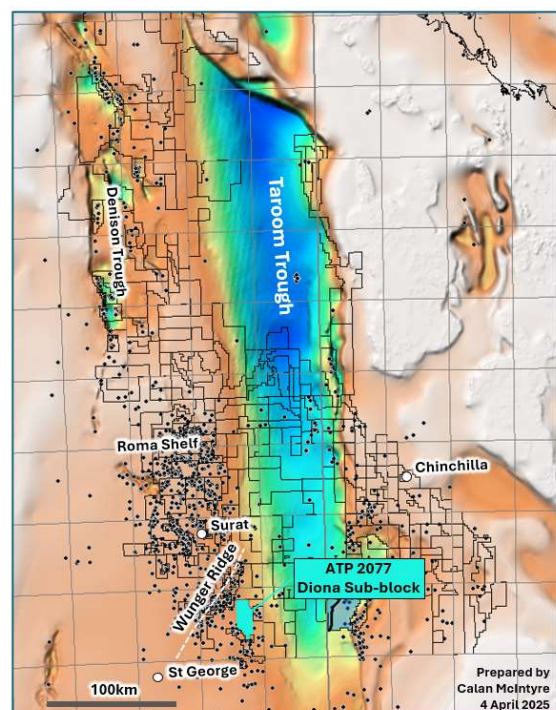
### 3 BOWEN-SURAT BASIN EXPLORATION HISTORY

The Bowen-Surat Basin (Figure 1) is a long-established hydrocarbon province in eastern Australia. Exploration in the area began in 1900 when a deep water bore at Hospital Hill on the Roma Shelf flowed gas from Early Jurassic sandstones. Sporadic exploration activity with minor success continued until the early 1960s, when the introduction of seismic surveying led to the first significant commercial success with the discovery of the Moonie oil field, which remains the largest oil accumulation discovered in the basin. Several waves of conventional exploration and development have since occurred, but around the turn of the century, the focus of activity switched to Coal Seam Gas. Ultimately, this led to the discovery and development of the reserves that underpinned the establishment of an LNG export industry, with three separate projects commencing export from Curtis Island near Gladstone between 2015 and 2016. More recently, unconventional tight gas plays in the Permian succession have emerged as a key exploration focus, with high levels of recent and planned exploration activity.

**Figure 1:** Bowen-Surat Basin location map



**Figure 2:** SEEBASE depth to basement map showing main structural elements of the Bowen Basin and non-CSG petroleum wells



The Bowen-Surat Basin comprises two superimposed basins: The Permo-Triassic Bowen Basin, and the Jurassic to Cretaceous Surat Basin, each of which contains around 50% of the conventional petroleum reserves in the area (Willinck, 2009a). The Bowen Basin is a north-south trending back arc to foreland basin that was terminated by a major period of compression, uplift and erosion at the end of the Triassic. It is unconformably overlain by the more regionally extensive and less deformed Surat intracratonic sag basin succession. Basin fill is overwhelmingly clastic and includes fluvial deposits, coal measures, marine shales, and frequent tuffs reflecting contemporaneous volcanism. The Surat Basin succession is not

prospective in ATP 2077 (Diona sub-block) and accordingly is not discussed in further detail in this document.

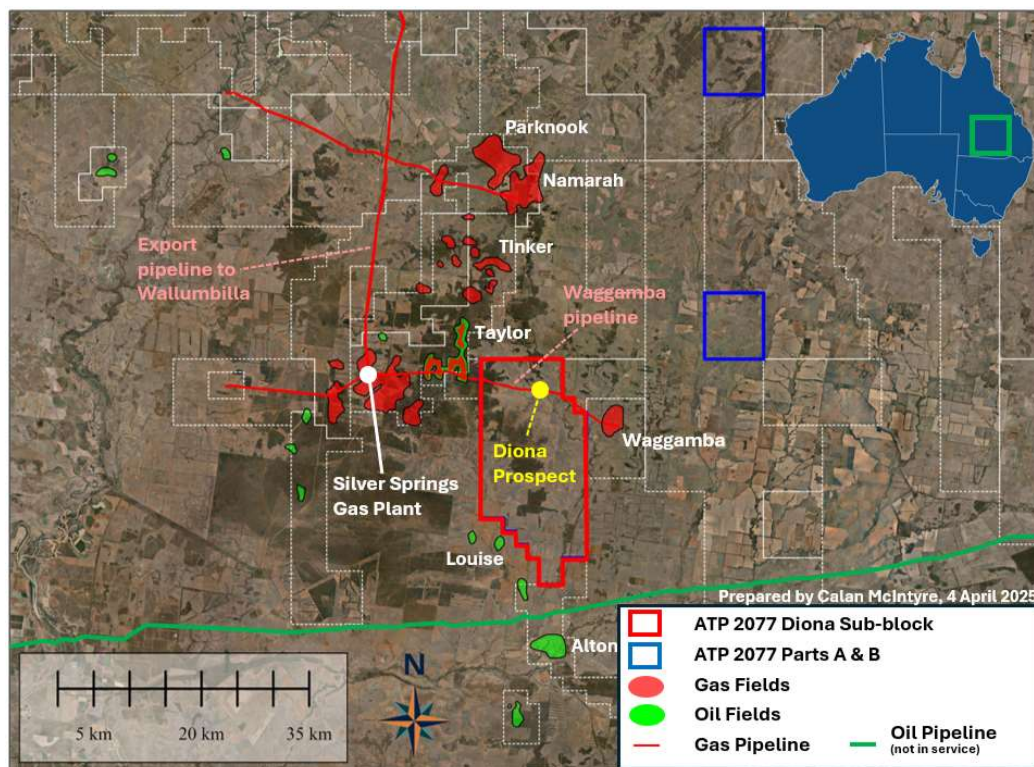
Cumulative conventional production from the Bowen-Surat Basin until 2022 was 0.95Tcf of gas, 9MMstb of condensate, 12MMstb of LPGs and 34MMstb of oil (Geoscience Australia, 2024). Most of the oil production occurred in the 1980s and 1990s, but conventional gas production has persisted – albeit with a steady decline – until the present point in time. Most discoveries in the basin were made by exploration drilling undertaken between 1960 and 1990 and by the end of the 20<sup>th</sup> Century, over 1,400 exploration wells and 850 development or appraisal wells had been drilled (Shaw et al, 1999).

Most of the conventional gas production has come from numerous, comparatively small, liquid-rich fields located on the Wunger Ridge and Roma Shelf on the western flank of the Taroom Trough (Figure 2).

The dominant trapping mechanism is structural, although some of the Permian discoveries (e.g., Myall Creek and Waggamba) have a significant stratigraphic component. The largest gas field, Silver Springs (Figure 3), ultimately produced approximately 100Bcf but the average gas field size is only around 5 Bcf (Willinck, 2009a). Some 50% of gas produced has come from the Jurassic Evergreen Formation, 45% from the mid Triassic Showgrounds Sandstone, and 5% from sandstones of the Permian Tinowon Formation (Willinck, 2009a).

Almost all the oil produced from conventional reservoirs comes from the Jurassic Moonie field on the eastern side of the Taroom Trough (Willinck, 2009a). Several small oil fields have also been discovered in the Triassic Showgrounds Sandstone on the western flank of the Taroom Trough (Figure 3), close to ATP 2077 (Diona sub-block).

**Figure 3:** ATP 2077 location map showing conventional fields and production infrastructure



Production levels from the conventional fields of the Bowen-Surat Basin have been in decline since their peak in mid 1990s. By 2022, annual production was recorded at only 10Bcf with 0.3MMstb condensate and nil oil. Remaining 2P+2C reserves at this time were reported at 0.54Tcf of gas, 3MMstb condensate, 7MMstb of LPGs and 3MMstb of oil (Geoscience Australia, 2024). Much of the existing production infrastructure is now shut-in and has either been converted to gas storage or slated for decommissioning.

Coal seam gas exploration commenced in the late 1980s, and commercial production was established in 1996. The level of exploration and development activity grew substantially during the early part of the 21<sup>st</sup> century, with annual drilling activity reaching around 1000 wells per year by the time of the commencement of LNG exports from Gladstone in 2015. By 2022, annual CSG production had reached 1.39Tcf and remaining 2P reserves totalled 30.8Tcf (Geoscience Australia, 2024). The coal seam gas fields are all located to the north of the Permit, but the presence of the three LNG projects at Gladstone and a declining coal seam gas reserves base ensures a strong demand for gas discoveries in the region.

## **4 BOWEN BASIN REGIONAL GEOLOGY AND EXPLORATION PLAYS**

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The Bowen Basin began as an extensive north–south trending back-arc basin. It comprises several discrete depocentres, of which the Taroom Trough is the most significant. ATP 2077 (Diona sub-block) is located on the southwestern flank of the Taroom Trough (Figure 2), which hosts most of the Bowen Basin's hydrocarbon resources.

The Taroom Trough was initiated in the Late Carboniferous to Early Permian by a phase of extension that resulted in the emplacement of the Camboon and Combargno Volcanics, which mark economic basement over much of the basin (Figure 4). Deposition of the Late Permian Back Creek Group and Kianga Formation then occurred into the gradually subsiding Trough, with a range of fluvial to shallow marine sediments deposited, including significant thicknesses of sandstone, siltstone, coals, shales and volcanic tuffs.

Sediment supply largely kept up with subsidence and significant lateral shifts in the shoreline and depositional facies were therefore driven by relatively minor changes in accommodation space. Notwithstanding these higher frequency shifts in the shoreline, the overall Permian succession gradually onlaps the western flank of the basin, with younger units progressively preserved towards the west. The Permian succession is thin to absent over the Wunger Ridge immediately to the west of the Permit, and also to the south of the permit, but thickens progressively to around 200m in thickness in the Waggamba area immediately east of the Permit. Reservoir quality in the Kianga to Back Creek Group is generally poor in the vicinity of the Permit, except for the Upper Tinowon Sandstone, which provides the reservoir to the producing Waggamba Field immediately to the east of the permit. The Upper Tinowon Sandstone is one of the main exploration plays in the permit and is detailed in Section 4.2 below.

Permian coaly source rocks of the Back Creek Group and Kianga Formation are the source of hydrocarbons to all the conventional fields in the Bowen and Surat Basins (Boreham, 1994). Good source rock development is expected both within the Permit and in the deeper basin to the east of the permit. Regional maturation modelling by Al Alouri, 1998 (Figure 5) suggests that

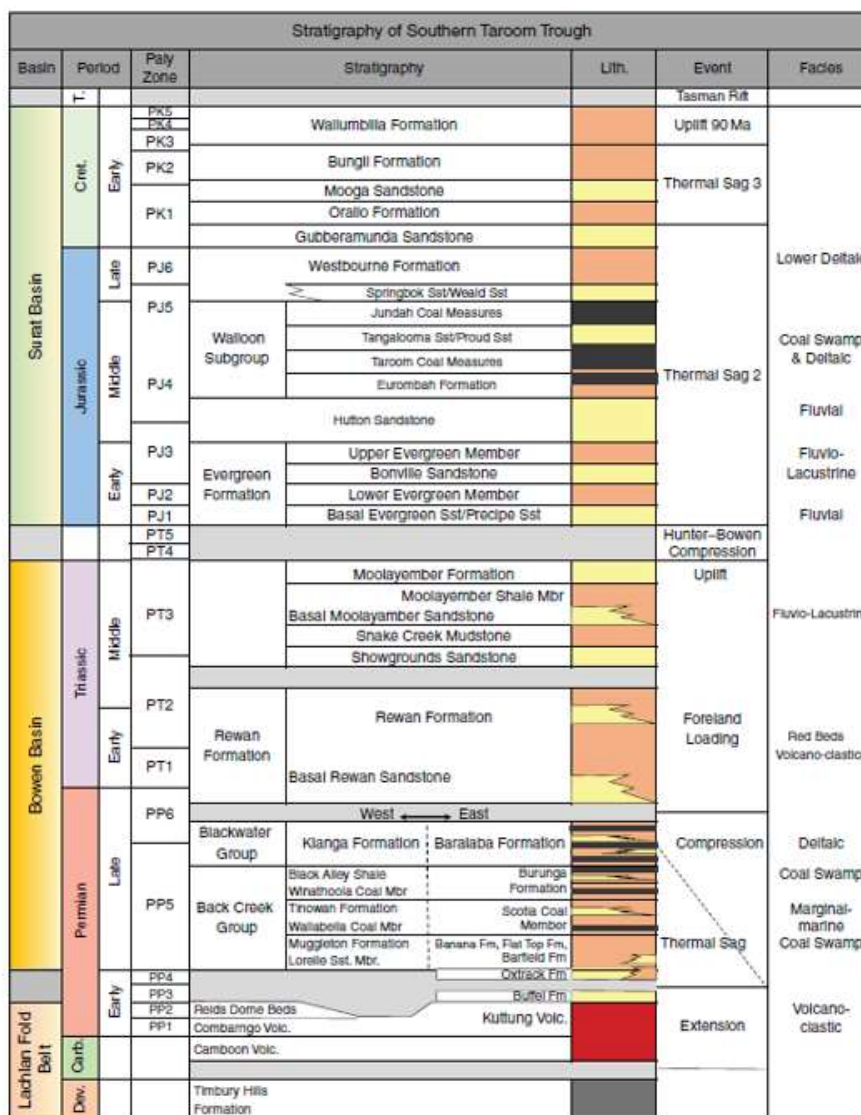


over much of the Permit, these source rocks are likely to be in the oil window (Vitrinite Reflectance Equivalent 0.7 to 1.0). Based on the work of Al Alouri, gas mature source rocks (Vitrinite Reflectance Equivalent > 1.0) are interpreted to be mainly located to the east of the permit, although the deeper parts of the Back Creek Group in the northeastern corner of the permit are likely to be in the wet gas window.

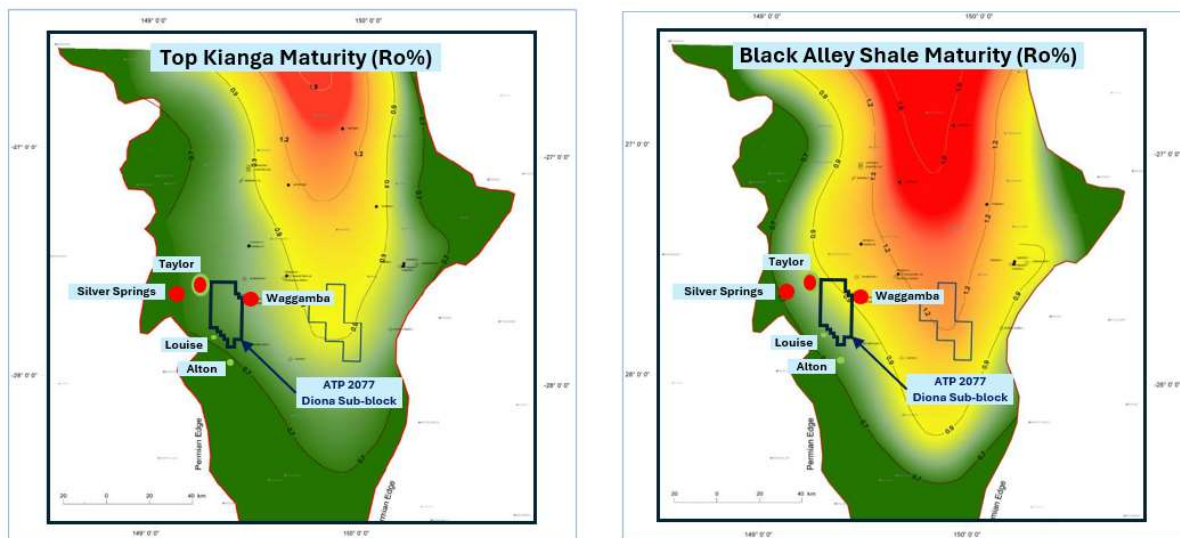
The presence of the significant gas fields (with some oil) on the Wunger Ridge to the west of the Permit confirms that migration of gas from the deep basin has occurred and in part, some of this migration is likely to have occurred via the Permit.

At the end of the Permian, foreland loading to the east of the Basin resulted in rapid subsidence of the Taroom Trough and the deposition of fluvial shale, silt and lithic sandstones of the Rewan Group. Reservoir quality of the Rewan Formation is generally poor, although minor production has occurred from some fields northwest of the Permit (e.g., Namarah, Parknook, Tinker).

**Figure 4:** Regional Stratigraphy of the Southern Taroom Trough



From Cooper et al, 2023

**Figure 5:** Top Kianga and Upper Back Creek (Black Alley Shale) maturity maps

Maps from Petrel-Robertson 2015, after Al Arouri et al 1998

Deposition of the Rewan Formation was terminated at the end of the Triassic by a tectonically driven unconformity, onto which the Showgrounds Sandstone was deposited. The Showgrounds Sandstone hosts most of the conventional oil and gas reserves in the vicinity of the Permit (Cadman et al, 1998) and its prospectivity is detailed in Section 4.1 below. Deposition of the Showgrounds Sandstone was terminated by a regional transgression that resulted in the deposition of the Snake Creek Mudstone Member of the Moolayember Formation, which provides an effective top seal to the play. The Moolayember Formation transitions upwards into a succession of poorly sorted, fluvial to lacustrine sandstones, siltstones and mudstones that host some minor hydrocarbon accumulations (most notably Kincora, located around 50km northwest of the Permit).

Deposition of the Moolayember Formation was terminated by the major phase of uplift and erosion that occurred at the end of the Triassic, and which defines the base of the overlying Surat Basin.

#### 4.1 SHOWGROUNDS SANDSTONE PLAY

In the Roma Shelf area, at the end of the Early Triassic, uplift, erosion and a period of non-deposition followed the deposition of the Rewan Formation. The sheet-like blanketing, fluvial sands of the Showgrounds Sandstone were then laid down on this erosional surface. The Showgrounds Sandstone was deposited in a fluvial system with sediment probably supplied from areas of high relief to the south and west of the Roma Shelf and to a lesser extent, from localised highs.

Butcher (1984), in a detailed study of the Showgrounds Sandstone recognised two distinct facies in the vicinity of ATP 2077 (Diona sub-block):

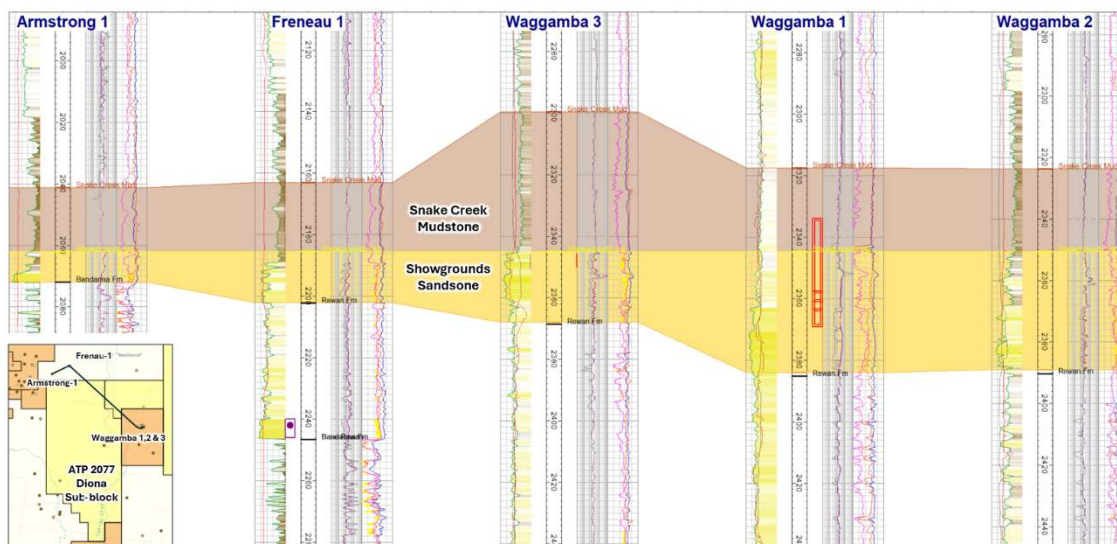
- **Facies 1:** A high energy braided to meandering unit characterised by coarse, clean sandstones and blocky gamma log response with very good to excellent porosity (12-20%) and permeability (500mD to 10D). This facies provides the reservoir to most of the commercial oil and gas discoveries located immediately to the west of the Permit, such

as Silver Springs, Sirrah and Taylor, and is the dominant facies in the Armstrong-1 and Frenau-1 wells as shown on Figure 5 below.

- Facies 2: A more distal and lower energy floodplain environment where more matrix supported coarse to medium sands fine upwards to become increasingly interbedded and ultimately interlaminated with siltstone and shale. This facies dominates in wells immediately to the east of the Permit, where good hydrocarbons shows were observed but with poor results from testing due to poor permeability. This facies is dominant at the Waggamba Field (Figure 5) and other nearby wells, but better quality facies are still occasionally observed in this area.

A west to east transition between Facies 1 dominating and Facies 2 dominating is expected to occur within the eastern half of the Permit, although the exact location of this change is uncertain given the sparsity of drilling within the permit. The reduction in reservoir quality in Facies 2 relative to Facies 1 is attributed to the generally finer grain size, higher levels of compaction and widespread pore choking by feldspar-derived secondary kaolinite, which markedly degrades permeabilities (Butcher, 1984)

**Figure 6:** Well correlation across ATP 2077 (Diona sub-block) datumed on Top Showgrounds Sandstone



Deposition of the Showgrounds Sandstone was terminated by a basin-wide transgression that established a marginal marine, tidal flat or lacustrine environment, within which shales and mudstones of the Snake Creek Mudstone Member were laid down. This unit provides a regional seal, typically 15-20m in thickness, for the underlying Showgrounds Sandstone (Figure 5)

As of 1998 (after which only limited exploration of the play occurred), 51 hydrocarbon accumulations had been discovered in the Showgrounds Sandstone (Cadman et al, 1998). Of these, 23 were commercial gas discoveries, 9 were commercial oil discoveries, 3 were commercial oil and gas discoveries, and 16 were non-commercial hydrocarbon discoveries.

The Silver Springs/Renlim accumulation is by far the most significant of the Showgrounds Sandstone discoveries, with 100Bcf of initial gas reserves. Silver Springs/Renlim was also the first field to commence production from the Showgrounds Sandstone in 1978. Other

accumulations with significant Showgrounds Sandstone gas are Pleasant Hills (27Bcf), Boxleigh (14Bcf), Taylor (14Bcf), Sirrah (12Bcf), Pickanjinie (9Bcf) and Beechwood (8Bcf) (Cadman et al, 1998).

As described above, multiple oil discoveries have also been made in the Showgrounds Formation close to ATP 2077 (Figure 3). The most significant of these is Taylor, where an oil rim beneath the gas cap had initial reserves of around 1.5MMstb (Cadman et al, 1988). Other small oilfields immediately to the south of the Permit include Fairymont, Waratah, Yellowbank Creek, Louise and Alton.

All the Showgrounds Formation discoveries in the vicinity of the Permit are hosted in structural closures sealed by the Snake Creek Mudstone, although local erosion and/or non-deposition of the reservoir can result in compartmentalisation of the reservoir.

As described above, the Showgrounds Formation is reliant on hydrocarbon charge from Permian aged coals. Migration is expected to occur laterally within the Permian where carrier beds exist, and then vertically through the overlying Rewan Formation. The requirement for vertical migration through the Rewan adds some risk to Showgrounds Sandstone prospects in the Permit. However, good hydrocarbon shows in the Showgrounds Sandstone at Waggamba to the east of the permit, as well as proven discoveries in analogue Showgrounds closures with underlying Rewan Formation (e.g., Glen Fosslyn-1 and Warroon-1 as described in Butcher 1988) suggest that this risk is probably not significant.

## **4.2 PERMIAN BACK CREEK GROUP PLAY**

Up until the mid-1990s, exploration in the Taroom Trough was focussed on Triassic and Jurassic objectives. None-the-less, during this period numerous wells were either drilled targeting specific Permian objectives or deepened in pursuit of secondary targets or stratigraphic information. These wells confirmed the presence of thick successions of fluviodeltaic sediments with high quality source rocks that are gas or oil mature over large portions of the basin, with excellent hydrocarbon shows almost all wells within sandstones at depths greater than around 2200mGL.

Numerous – albeit mostly small – hydrocarbon discoveries were made in the Permian succession throughout the basin during this period and many were developed, mostly on the Roma Shelf and in the Denison Trough. Exploration in the vicinity of ATP 2077 (Diona sub-block) was less successful, yielding only what were perceived to be minor discoveries in challenging reservoirs such as Noorindoo and Myall Creek to the north, and at Waggamba to the east. Wells targeting the Showgrounds Sandstone on the Wunger Ridge to the west of the Permit also occasionally intersected thin Permian reservoirs (e.g., North Sirrah) but none were volumetrically significant.

In the late 1990s, operators including Mosaic Oil, Origin Energy, and Samson International recognised that the challenging reservoirs in the Tinowon Sandstone such as Myall Creek-Churchie and Waggamba might be better exploited by applying modern drilling and production techniques such as underbalanced nitrogen drilling and horizontal wells. Results from the application of these new technologies were mixed. In the case of Origin's Myall Creek program, 3D seismic and appraisal drilling did unlock significant gas reserves, but mainly in reservoirs with conventional quality, and the impact of underbalanced nitrogen drilling on well



performance was not clear (Willinck et al, 2004). Mosaic's horizontal drilling program at Waggamba delivered stabilised rates of around 1.4MMscf/d reported from individual horizontal wells (Nguyen, 2008), in contrast to rates averaging only 0.1MMscf/d from almost ten years of production from the Waggamba-1 well (Smith, 2003). Since bringing the horizontal wells onstream in 2009, production has continued until the present day and has totalled approximately 3.1Bcf equivalent (Offshore-technology.com, 2024). Production rates have been very low since 2025 and abandonment is forecast in 2025 (Offshore-technology.com, 2024). Follow-up exploration to the north and south of Waggamba by Mosaic and Origin Energy yielded disappointing results, with gas discovered in the primary target Tinowon Sandstone, but these discoveries lacked conventional reservoir potential. Samson International followed up Origin's success at Myall Creek by stepping down into the basin to drill Overston-1 in 2003, which encountered good gas shows throughout the Permian, and flowed 0.25MMscf/d gas with condensate and no water from the Tinowon Sandstone after a nitrogen mini-frac was undertaken (Sunshine Gas, 2003). Overston-2 also encountered good gas shows throughout the Permian and after stimulation flowed at a stabilised rate of 0.5MMscf/d from the Lorelle, Overston and Tinowon Sandstones (Rigzone, 2005).

At this point, exploration for conventional gas almost came to a halt as the main operators in the basin focussed on their major coal seam gas development projects. This situation changed in 2011 when QGC (now Shell) undertook a major program exploring for tight gas in the Taroom Trough. The program commenced with the Daydream-1, Fantome-1 and Tasmania-1 wells in the deeper parts of the basin. These wells confirmed the presence of thick successions of over-pressured gas charged sands in the Kianga Formation and Back Creek Group and suggest the possible presence of a Basin Centred Gas Play. However, production rates from the hydraulically stimulated vertical wells were relatively low, and in 2014 QCG shifted their focus to shallower tight gas reservoirs on the flank of the Trough, following-up on the earlier Overston discovery. The Dunk-1 vertical well was a successful appraisal, flowing at an average rate of 0.57MMscf/d over a 30-day test from six co-mingled zones across the Permian succession, with most of the flow coming from the Lower Tinowon Sandstone. The nearby Magnetic-1 well was less successful but helped to define the lateral extent of the Dunk Sandstone.

Based on the results of these wells, Shell considered the Back Creek Play around Dunk-1 to have the greatest potential (QGC, 2016). Shell returned in 2024 to undertake a major program of horizontal drilling around the Dunk discovery. Few details of the program are publicly available, but it is understood that three horizontal wells have been drilled into the Lower Tinowon Sandstone and subsequently stimulated and flow tested.

Other operators are also undertaking significant appraisal programs in the deeper parts of the Taroom Trough. Elixir Energy has recently completed operations at Daydream-2, which confirmed a very thick gas saturated Permian succession, with flows from multiple tight sands and coals achieving a comingled stabilised rate of 2.8MMscf/d (Elixir Energy, 2024). Further to the southeast, Omega Energy has drilled two vertical wells and one horizontal well at their Canyon project and are currently preparing to test the horizontal well in early 2025.

The main potential in the Permian play in the Permit is a possible westward extension of the Waggamba play fairway into the permit. As at Waggamba, the primary Permian target is the Upper Tinowon Sandstone, with additional potential present in the underlying Wallabella Sandstone.

## 5 ATP 2077 (DIONA SUB-BLOCK) PROSPECTIVITY ASSESSMENT

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ATP 2077 (Diona sub-block) is favourably located with respect to the Triassic Showgrounds Sandstone play, the Permian Upper Tinowon Sandstone play, and the Permian Wallabella Sandstone play. Interpretation of these plays has been undertaken by Elixir Energy across the permit area and has led to the identification of the Diona Prospect as the most prospective prospect within the permit. Diona is located immediately beneath the Waggamba gas export pipeline, approximately 12km west of Waggamba and 11 kilometres east of the Taylor gas and oil field (Figures 3 and 7). The prospect targets stacked reservoir objectives at Showgrounds, Upper Tinowon and Wallabella Sandstone levels.

### 5.1 DIONA PROSPECT DEFINITION

#### 5.1.1 Structural Mapping

The Diona structure is a four-way dip closed anticline developed along an east-southeast directed plunging nose (Figure 7). It is covered by a variably spaced grid of generally good quality 2D seismic data of varying vintages, most of which was reprocessed in 2011 by the previous operator of the acreage, AGL Energy.

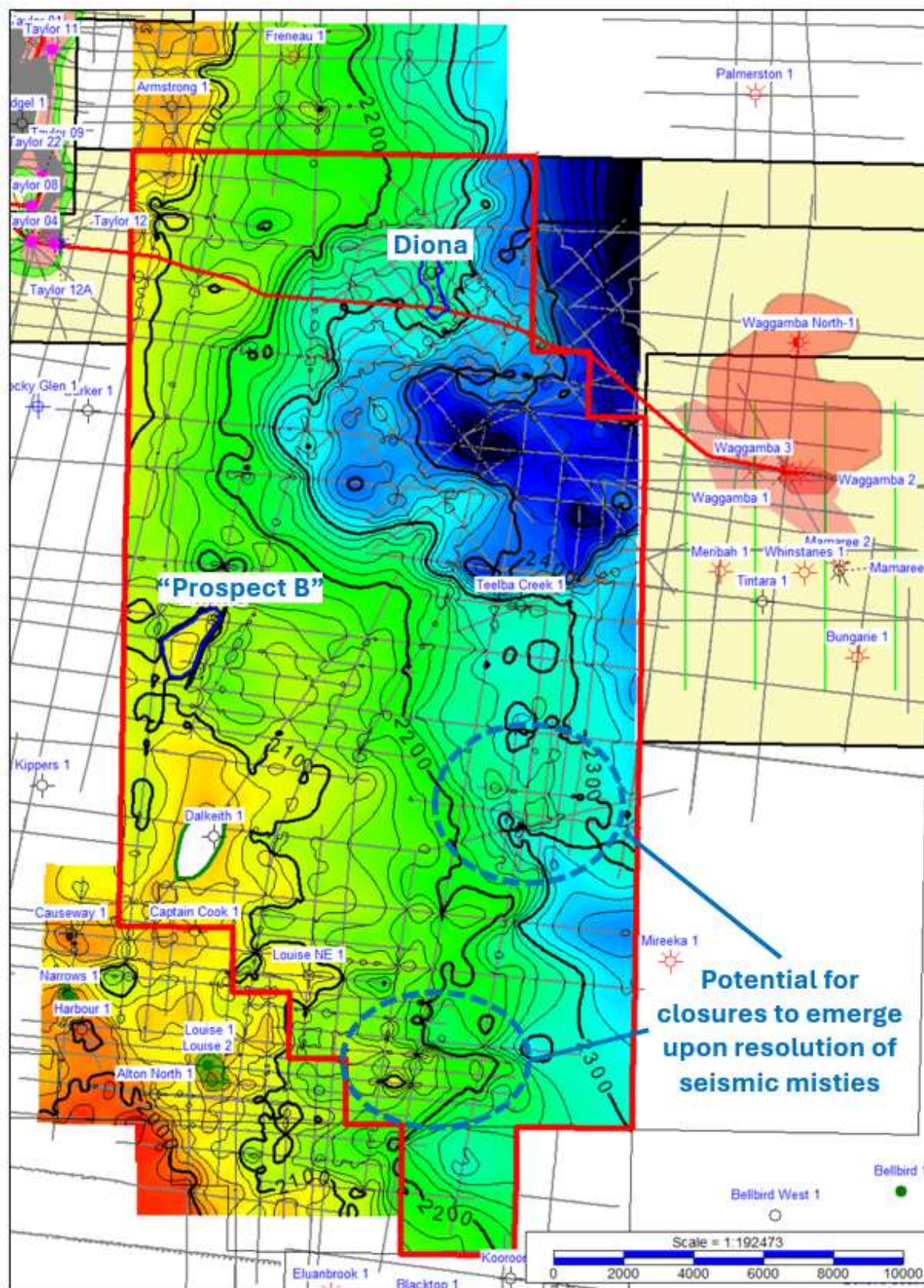
Diona is covered by a regular and well oriented 2D seismic grid at a spacing of between 0.5-1km in both the dip and strike directions (Figure 8, LHS). The main seismic mapping horizon at Diona is the top of the Bandana (Kiangga) Formation, which is a clearly imaged and continuous trough associated with the widespread development of coals at that level (Figure 8, RHS). At Diona, the Showgrounds Sandstone is expected to be present around 50m above the Bandana Formation. While the Showgrounds Sandstone has been picked on seismic, it has not been used for the definition of the structural closure, as the seismic pick is considerably less reliable. However, because the interval between the Top Showgrounds and the Top Bandana is likely to thicken gradually to the east, it is likely that the Top Bandana Map presents a slightly conservative view on the size of the closure at Top Showgrounds level.

The Top Bandana TWT map has been depth converted using a single velocity function based on the closest of the modern offset wells that have a well velocity survey (Armstrong-1). While simplistic, this depth conversion method is considered appropriate given the relatively simple overburden geology. The Top Bandana depth map has a crest at 2246 meters subsea (mSS), an area of 1.03 square kilometres, and a vertical relief of 18m.

The mapping undertaken independently by operator Elixir Energy is very similar to historical work undertaken by AGL (AGL, 2011), which provides confidence in the reliability of the structural interpretation.

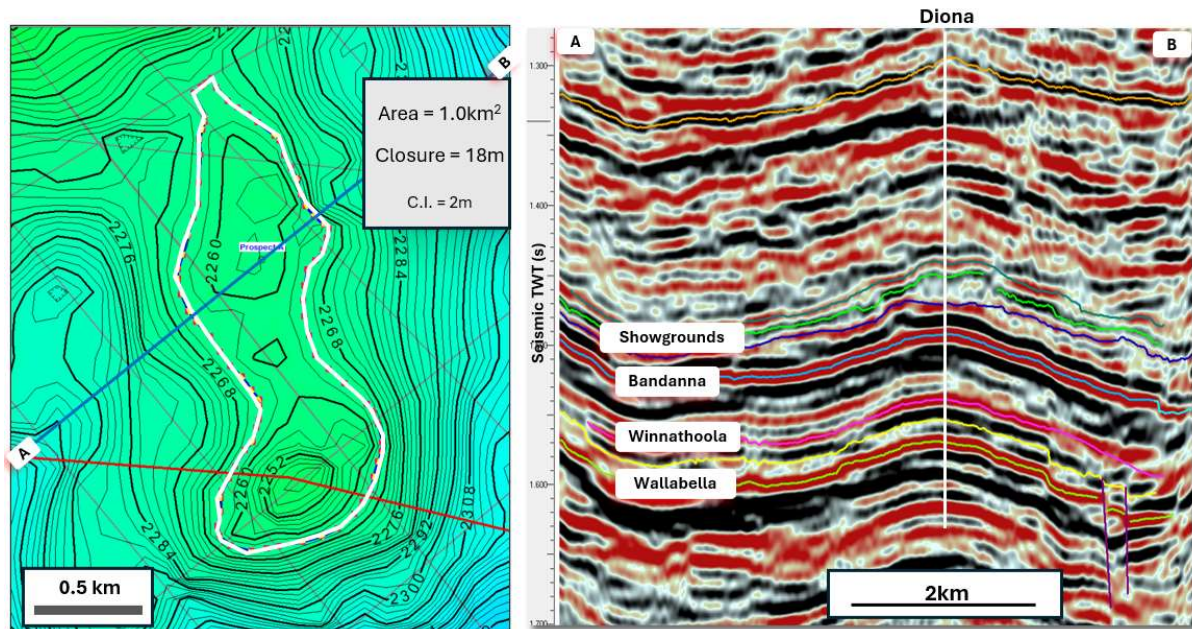
The Top Bandana depth map also provides a reasonable proxy for the definition of structural closure at the Permian Tinowon Sandstone and Wallabella Sandstone play levels. These two targets have additional stratigraphic potential associated with pinch out of the reservoirs against the eastern flank of the Wunger Ridge, as detailed below.

**Figure 7:** ATP 2077 (Diona sub-block) Top Permian (Top Bandana Formation) depth below ground level, also showing historic wells and 2D seismic data





**Figure 8:** Diona Prospect Top Bandana Formation Depth Map (metres below ground level) and dip-oriented seismic line



### 5.1.2 Hydrocarbon charge

Diona is well located for hydrocarbon charge due to its position on a prominent east-southeast nose that plunges down into the prognosed Permian source kitchen (Figure 5). This structural nose likely acts as a focus for migration from a ~40 square kilometre hydrocarbon fetch area, which based on the work of Al Alouri et al (1998), is likely to vary in maturity from the oil window to the gas-condensate window (Figure 5). As detailed above, thick coals of the Kianga Formation and Back Creek Group are the proven source rocks for all the hydrocarbons in the Taroom Trough and are certain to be present within the fetch area.

It is considered likely that the Diona fetch area has generated and expelled hydrocarbons, but there is considerable uncertainty regarding its exact level of maturity and whether gas or oil is the dominant hydrocarbon phase. Delivery of hydrocarbons into the Permian reservoir targets at Diona is straightforward, requiring only short-term lateral migration. Migration into the Showgrounds Sandstone requires a vertical migration pathway through sands (mostly tight), silts and shales of the Rewan Formation. However, the nearly ubiquitous presence of hydrocarbon shows in the Showgrounds Sandstone in wells surrounding Diona, even when a thicker Rewan Formation is present, suggests that vertical migration is a not a significant risk.

Based on the observation that the Waggamba Permian reservoirs are sourced from an area of likely similar maturity to the Diona fetch cell, gas with high condensate yields and low inert content like Waggamba is considered the most likely hydrocarbon type. None-the-less, an oil scenario is plausible, particularly for the shallower Showgrounds Sandstone targets, for which both gas and oil case prospective resources have been assessed.

### 5.1.3 Reservoir

#### **Showgrounds Sandstone:**

The Showgrounds Sandstone provides the laterally extensive and high-quality reservoir to the Wunger Ridge Fields immediately to the west of Diona. Reservoir quality to the east of Diona at Waggamba is significantly degraded, such that a Waggamba-like reservoir outcome would be unlikely to be economically developable. However, based on seismic isopach mapping, at the time of Showgrounds deposition, Diona was situated in a relatively low accommodation space setting more akin to the Wunger Ridge Fields, and as such a Waggamba-like outcome is considered unlikely.

Reservoir parameters for the Showgrounds Sandstone at Diona have been determined primarily based on the numerous nearby penetrations on the Wunger Ridge to the west. An upside scenario exists, where a thicker Showgrounds Sandstone is developed in a slightly higher accommodation setting at Diona, but with similar reservoir characteristics to the nearby Wunger Ridge penetrations, and this has been incorporated into the assessed reservoir parameter ranges.

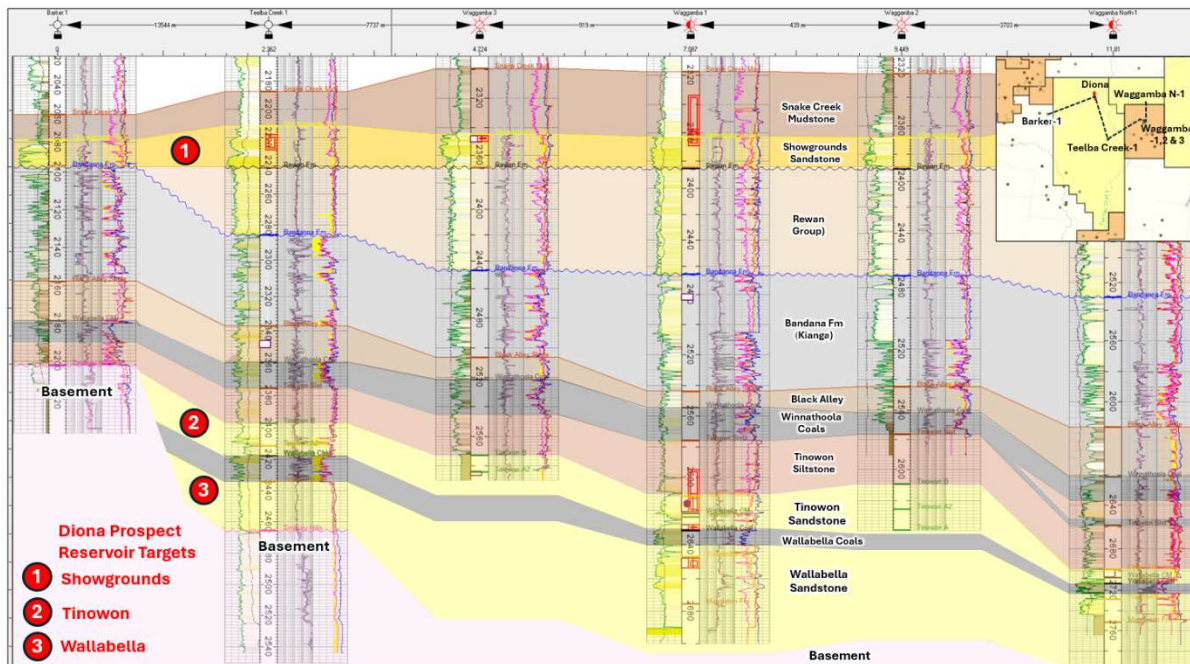
#### **Tinowon and Wallabella Sandstones:**

The reservoir quality of the Permian succession is materially poorer than the Showgrounds Sandstone, reflecting less favourable depositional environments and a complex mineralogy and diagenetic history. In general, the Permian succession lacks conventional potential at the depths envisaged at Diona. However, reservoir 'sweet-spots' with potential for economic flow rates are present sporadically along the western flank of the Taroom Trough. Of most relevance to Diona is the nearby Waggamba Field (Figure 8), where the Upper Tinowon Sandstone has conventional reservoir quality. Waggamba was developed between 2004 and 2008 using horizontal wells and underbalanced drilling techniques – but with no reservoir stimulation - with production continuing until the present day.

Waggamba provides the success case analogue for the Diona Permian reservoir targets. As such, reservoir parameters for the Tinowon and Wallabella Sandstone at Diona are based on best estimates for the Waggamba Field. However, given the proximity of the Diona prospect to the pinchout edge for these reservoirs, when assessing the prospective resources, gross reservoir thicknesses have been reduced by 50% relative to Waggamba.

The extent of the Waggamba Permian sweet-spot is poorly constrained due to a sparsity of exploration drilling in the area. While its southern and northern limits are defined by poor reservoir quality in wells like Whinstaines-1 and Waggamba North-1, there are no wells between Diona and Waggamba. As such, it is plausible, but far from certain, that the Waggamba sweet spot extends westwards to the pinch out edge of the Tinowon sands near the Diona Prospect.

**Figure 9:** Well correlation datumed on Base Showgrounds Sandstone illustrating the Showgrounds, Tinowon and Wallabella Sandstone plays at Diona



#### 5.1.4 Seal

Top seal to the Showgrounds Formation play at Diona is provided by the Snake Creek mudstone, a highly consistent shale and mudstone seal that is almost certain to be present and to have excellent sealing characteristics (Figure 6). The Tinowon siltstone provides a likely good quality top seal to the Upper Tinowon Sandstone, while the coals of the Wallabella coal measures are also likely to provide top seal to the Wallabella Sandstone target (Figure 9). The Wallabella coal measures also provide the primary base seal to any Upper Tinowon sandstone stratigraphic trap, while base seal to any Wallabella Sandstone stratigraphic trap would be reliant on basement (Figure 9)

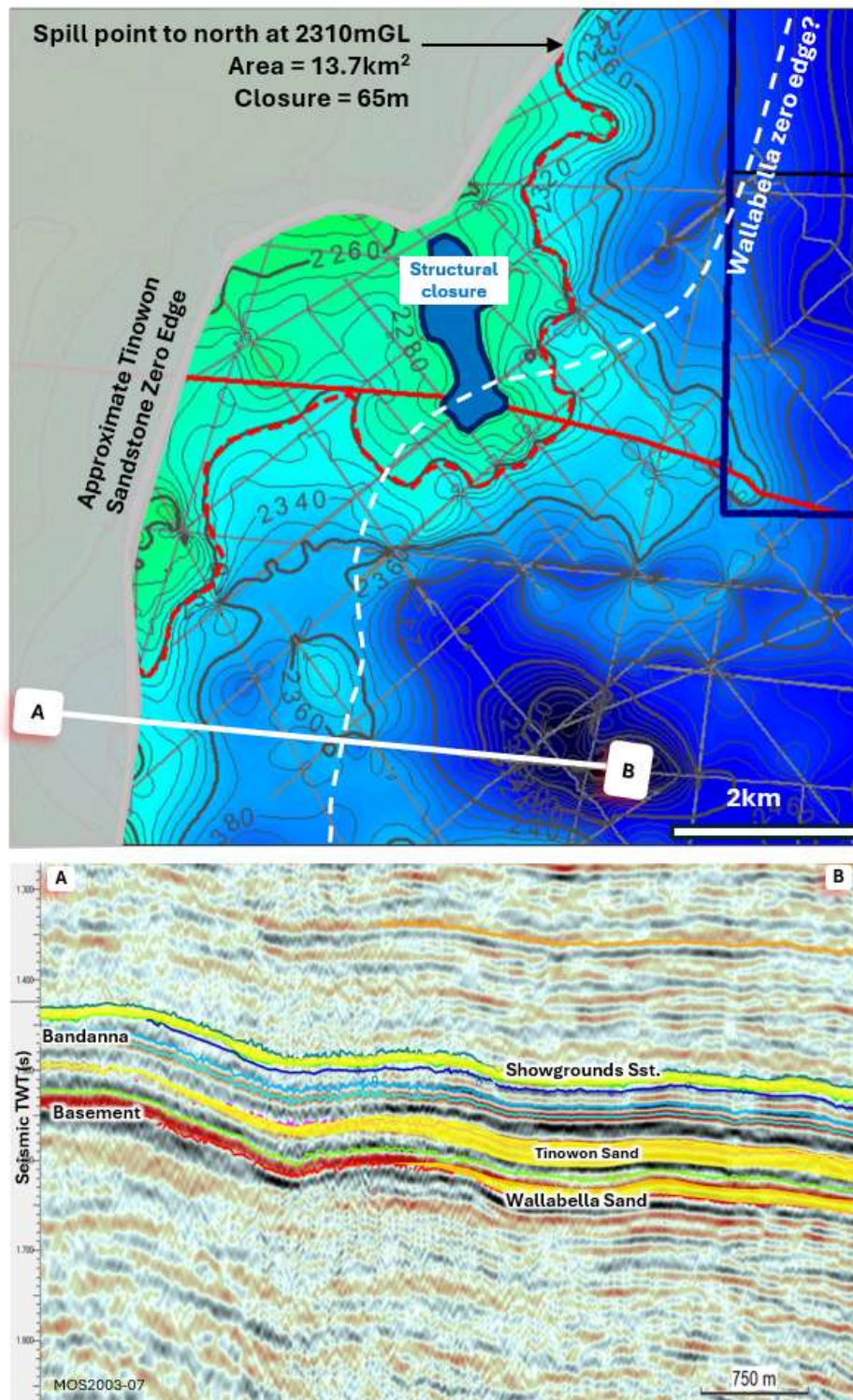
The key seal risk at Diona relates to the upside scenarios for the Tinowon and Wallabella targets, where hydrocarbons below the spill-point of the four-way dip closure are reliant on stratigraphic trapping. Seismic mapping at Diona suggests that the sands terminate up-dip against a broadly north-northeast trending edge that is located to the north and west of the Diona structure (Figure 10). The exact location of this reservoir termination is uncertain, but it is constrained by the Barker-1 well, drilled just outside the Permit, around 11km west-southwest of Diona. In Barker-1, the Tinowon Sandstone to Wallabella sandstone interval is entirely absent, which validates the play concept proposed for Diona (Figure 9).

To the northwest of Diona at Frenau-1, a very thin (2m) sandstone was encountered beneath the Tinowon siltstone, immediately overlying the Wallabella Coal Measures. Despite the well being drilled well off structure, the sandstone was hydrocarbon bearing, and a DST flowed gas to surface at rates too small to measure and recovered oil via reverse circulation of the drill string. It is unclear whether this sand is a correlative of the Upper Tinowon Sandstone at Waggamba, or a younger unit (as interpreted by the operator of the well, Mosaic Oil & Gas). While the first scenario would indicate that the Upper Tinowon Sandstone pinches out further



west than interpreted at Diona, this does not necessarily invalidate the Diona Upper Tinowon play concept, as the sand is gas bearing at Frenau-1. In any case, given the very thin nature of the sand, it is considered more likely that it is disconnected from Diona and not relevant to the assessment of seal risk for the prospect.

**Figure 10:** Tinowon and Wallabella Sandstone Stratigraphic Upside



In the assessment of the Diona prospective resources for the Tinowon and Wallabella Sandstones, the four-way dip closed structural play is assumed to have a high probability of a working top seal (chance of adequacy = 80%). The stratigraphic play is assumed to be considerably riskier, with seal only present in 40% of the scenarios where the top seal is present.

## **5.2 ESTIMATION OF DIONA PROSPECTIVE RESOURCES**

### **5.2.1 Introduction**

The Prospective Resources have been evaluated using a probabilistic Monte Carlo simulation methodology. Each of the three reservoir targets has been evaluated independently, after which a combined Prospective Resource for all three targets has been determined via probabilistic addition, including consideration of risking dependencies. Gas case scenarios have been evaluated for all three reservoir targets, and an oil case has also been assessed for the Showgrounds Sandstone target.

Elixir Energy's seismic mapping has been reviewed and is considered to provide a fair representation of the prospect. As such, independent mapping of the prospect has not been undertaken.

For all three target reservoirs, Gross Rock Volume (GRV) has been estimated using Elixir Energy's Top Bandana Formation Depth Map (bulk shifted to account for the differences in depth relative to the target reservoirs). Volumes have been calculated using an area-depth pair relationship, which allows key parameters such as fluid contacts, mapping uncertainty, and the thickness of the gross reservoir to be varied probabilistically within the resource model.

Reservoir parameter ranges (gross thickness, net-to-gross, porosity and water saturation) have been determined based on the compilation and interpretation of data from relevant industry well completion reports. Fluid parameters have been determined via the assessment of available data from offset discoveries, with adjustments made in some cases for the specific pressure and temperature conditions prognosed at Diona. Gas volumes are presented as raw gas, with no reductions for inert content accounted for. However, based on the Taylor Field, which is considered the best analogue, inert contents are expected to be low (N<sub>2</sub>=3.8%, CO<sub>2</sub>=0.28%, as per Bridge Oil, 1988). Recovery factors have been determined based on typical ranges for global analogue fields, with consideration of analogue data from local fields when available.

Unless otherwise stated, ranges in input parameters described below refer to the P90 to P10 scenarios.

### **5.2.2 Showgrounds Formation Gas Case**

The Showgrounds prospective resource assessment considers that the 18m of mapped structural closure is filled to spill (modelled with a +/- 5m uncertainty). Additional uncertainty in the area-depth relationship of +/-20% is also accounted for within the model.

Estimation of the gross sand thickness and net-to-gross for Diona is complicated by significant changes in geology between the Wunger Ridge gas fields to the west and the Waggamba area to



the east. The most relevant wells on the eastern flank of the Taylor Field average 10m of gross sand with a N:G of 67%, while in the Waggamba area, the reservoir is much thicker (~30m) but with a very low N:G due to unfavourable depositional facies and diagenesis. Waggamba-like net-to-gross outcomes are considered as failure case scenario at Diona and are therefore dealt with in the risking rather than in the resource ranges. The most likely case at Diona assumes a Taylor analogue net-to-gross (P50=66%) and a modest thickening in gross thickness (P50=13m) reflecting the regionally observed eastward thickening of the Showgrounds Sandstone. Porosity is also anchored to the Wunger Ridge wells, but with a reduction in the most likely case from 14% to 13%, again relating to the west-to-east transition in geology of the Showgrounds Formation. Gas saturation is anchored at the top end by the figure of 80% from Silver Springs – Renlim (Bridge Oil, 1988), with the P50 case of 74% reflecting somewhat lower permeability expected at Diona.

The gas expansion factor ( $1/B_g$ ) is based on data from the Silver Springs – Renlim and Taylor Fields (Bridge Oil 1988), with adjustments made for the expected reservoir pressure and temperature at Diona. Production from the Wunger Ridge gas fields commenced in the mid-1970s and formation pressure data from subsequently drilled exploration wells indicates the Showgrounds aquifer has been progressively depleted since this time. For example, the 1986 Taylor-1 discovery shows depletion relative to the regional water gradient of around 300psi, and the 2009 Freneau-1 exploration well (one of the closest offsets to Diona) was depleted by around 700psi. Most production in the basin occurred prior to 2009, such that the worst case for depletion is unlikely to be materially worse than the Freneau-1 outcome. For the Showgrounds Sandstone at Diona, aquifer depletion has been modelled to range between 200psi and 800psi, with a most likely case of 500psi. The resulting gas expansion factors range from 169 to 192, with a most likely case of 180.

The most likely case CGR of 40bbl/MMscf has been determined based on the Silver Springs and Taylor analogues (Bridge Oil, 1988). At Waggamba, a CGR of approximately 90bbl/MMscf has been reported based on cumulative field production up until 2013 of 3.6Bcf gas + 323kbbbl of condensate. However, it is likely that some of the 'condensate' production from Waggamba is in fact free oil (as reported by Mosaic Energy in the Waggamba-1H well completion report), and accordingly Waggamba is considered to represent an upside scenario. CGR has been modelled as a log normal distribution with a P90 to P10 range of 30 to 90bbl/MMscf.

The drive mechanism for the Showgrounds Sandstone at Diona is assumed to be dominantly depletion, with the possibility of minor edge aquifer support. Given the expected good quality reservoir, gas recovery factors in such a scenario are expected to be on the order of 70%, which is consistent with Bridge Oil's estimate for Silver Springs – Renlim of 73% (Bridge Oil, 1988). Condensate recovery factors have been discounted by between 10 and 20 percentage points relative to the gas case, reflecting the potential for condensate drop out in the reservoir.

The gross unrisked Prospective Resources for the Diona Prospect Showgrounds Sandstone (gas case) are presented in Table 2 below:

**Table 2: Showgrounds Sandstone Gross Unrisked Prospective Resources (gas case)**

Parameter	Units	P90	P50	P10	Mean
Gross sand	m	8	13	19	13
Hydrocarbon column height	m	15	19	23	19
Free water level	mGL	2201	2205	2209	2205
Area	km <sup>2</sup>	0.66	1.12	1.63	1.13
GRV	x10 <sup>6</sup> m <sup>3</sup>	2.8	5.5	10.7	6.2
Net-to-Gross		0.54	0.66	0.79	0.66
Porosity		0.11	0.13	0.15	0.13
Gas saturation		0.66	0.74	0.80	0.73
1/Bg	scf/rcf	169	180	192	180
CGR	bbl/MMscf	30	52	90	57
<b>Gross unrisked gas in place</b>	<b>Bscf</b>	1.09	2.24	4.55	2.57
<b>Gross unrisked condensate in place</b>	<b>MMstb</b>	0.05	0.12	0.28	0.15
Gas recovery factor		0.63	0.69	0.75	0.69
Condensate recovery factor		0.45	0.54	0.63	0.54
<b>Prospective Resources</b>	<b>Units</b>	<b>1U</b>	<b>2U</b>	<b>3U</b>	<b>Mean</b>
<b>Gross unrisked Prospective Gas Resource</b>	<b>Bscf</b>	0.74	1.54	3.15	1.78
<b>Gross unrisked Prospective Condensate Resource</b>	<b>MMstb</b>	0.02	0.06	0.15	0.08
<b>Chance of Geologic Success (Pg)</b>	39%				

**Notes:**

1. These estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery (Pg) and a risk of development (Pd). Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.
2. The estimate of risk only considers Pg. Pd has only been evaluated for the combined prospect (probabilistic addition of the Showgrounds, Tinowon and Wallabella Sandstone targets) and is described in Section 5.2.7 below.
3. These Prospective Resources have been calculated probabilistically using a Monte Carlo simulation methodology
4. 1U, 2U and 3U refer to the low estimate, best estimate, and high estimate respectively and are respectively equal to the P90, P50 and P10 scenarios that are output from the probabilistic volumetric assessment
5. These Prospective Resources are presented on a gross basis and do not account for XState Resources' 51% working interest in ATP 2077 (Diona sub-block). The net Prospective Resources are included in section 5.2.8 below.
6. These Prospective Resources only consider the most likely case hydrocarbon phase scenario (gas with condensate)

### 5.2.3 Showgrounds Formation Oil Case

Prospective Resources for the Showgrounds Formation oil case have been determined using the same gross rock volume and reservoir parameters as for the gas case.

Fluid properties have been based primarily on the oil rim at the nearby Taylor Field (Bridge Oil, 1988), with a best estimate oil shrinkage factor (1/Bo) of 0.68 and a GOR of 870 scf/bbl. The Taylor Field oil saturation of 0.64 has also been adopted in the most likely case.

The drive mechanism for the Showgrounds Formation oil case is assumed to be solution drive, with possible weak edge aquifer support. Solution drive recovery factors globally range from 5% to 30% with an average of 15% (Schlumberger, 2024). Very little data on recovery factors of analogue oil fields on the Wunger Ridge was identified from a literature search. Bridge Oil based their assumed Taylor oil recovery factor of 30% on modelling of the Yellowbank Creek analogue (located around 35km to the west-southwest of Diona). However, in 2004, after 18 years of production, the estimated recovery factor from the Yellowbank Creek development was only 12% (with 0.42MMbbl produced), with production being maintained via pumping (Enterprise Energy, 2005). It is unclear how much longer Yellowbank Creek remained onstream.

Given the good quality reservoirs expected at Diona, together with the potential for minor aquifer support, it is expected that in the most likely case, recovery factors would be on the order of 20%, somewhat higher than the global average. A range of recoveries from 10% to 30% (minimum to maximum) and 15% to 25% (P90 to P10) has been assumed.

The gross unrisks Prospective Resources for the Diona Prospect Showgrounds Sandstone (oil case) are presented in Table 3 below:

**Table 3: Showgrounds Sandstone Gross Unrisks Prospective Resources (oil case)**

Parameter	Units	P90	P50	P10	Mean
Gross sand	m	8	13	19	13
Hydrocarbon column height	m	15	19	23	19
Free water level	mGL	2201	2205	2209	2205
Area	km <sup>2</sup>	0.66	1.12	1.63	1.13
GRV	x10 <sup>6</sup> m <sup>3</sup>	2.8	5.5	10.7	6.2
Net-to-Gross		0.54	0.66	0.79	0.66
Porosity		0.11	0.13	0.15	0.133
Oil saturation		0.57	0.64	0.70	0.63
1/Bo	scf/rcf	0.62	0.68	0.74	0.68
GOR	scf/bbl	685	865	1039	863
<b>Gross unrisks oil in place</b>	<b>Bscf</b>	0.63	1.30	2.66	1.50
<b>Gross unrisks gas in place</b>	<b>MMstb</b>	0.52	1.12	2.31	1.29
Recovery Factor		0.15	0.20	0.25	0.20
<b>Prospective Resources</b>	<b>Units</b>	<b>1U</b>	<b>2U</b>	<b>3U</b>	<b>Mean</b>
<b>Gross unrisks Prospective Oil Resource</b>	<b>Bscf</b>	0.12	0.26	0.54	0.30

Gross unrisked Prospective Gas Resource	MMstb	0.10	0.22	0.47	0.26
Chance of Geologic Success (Pg)	39%				

Notes:

1. Notes 1-5 of Table 2 in section 5.2.2 apply to this estimate of Prospective Resources.
2. This Prospective Resource estimate only considers the alternative phase scenario (oil). Gas is considered the most likely case (70% of discovery scenarios) and is reported separately in Section 5.2.2

#### 5.2.4 Tinowon Sandstone

The Tinowon Sandstone is modelled as a four-way dip closed structural trap with stratigraphic upside associated with pinch-out of the Tinowon sand against the flank of the Wunger Ridge. In 60% of success-case scenarios, the GRV is restricted to the structural closure (in the exact same way as the Showgrounds Sandstone is modelled). In the remaining 40% of scenarios, the stratigraphic trap is assumed to work, with a wide range of potential column height from a minimum case at the base of the structural closure (18m column) down to a maximum case at the spill-point of the stratigraphic trap (85m column, 20m more than the mapped closure of 65m to account for mapping uncertainty). This approach results in an overall P90 to P10 column height range of 18 to 65m. Additional uncertainty in the area-depth relationship of +/-40% is also accounted for within the model.

Reservoir parameters for the Tinowon Sandstone are based on the petrophysical evaluation of the Waggamba-5H production well (Mosaic Oil, 2008), which contains the best wireline log data from the Waggamba Field. Porosity, net-to-gross and gas saturations distributions for Diona area are centred on the Waggamba-5H values. The gross sand thickness at Diona has been modelled to be 50% of the Waggamba-5H penetration, reflecting the expected thinning of the Tinowon Sandstone near its zero edge along the western flank of the Diona prospect. No core data is available at Waggamba, but based on regional analogues, success case permeabilities at Diona are expected to be in the range of 1-100mD.

Gas composition assumptions are as for the Showgrounds Sandstone, while the Gas Expansion Factor range has been adjusted to reflect the deeper burial and the assumption that the Tinowon Sandstone will not have suffered depletion from production from the Wunger Ridge Showgrounds Formation gas fields.

The drive mechanism for the Tinowon Sandstone at Diona is assumed to be depletion. Given the poorer reservoir quality relative to the Showgrounds Formation, a lower gas recovery factor range has been assumed, with a most likely case of 50%. Condensate recovery factors are also discounted, with a most likely case of 40%.

The gross unrisked Prospective Resources for the Diona Prospect Tinowon Sandstone are presented in Table 4 below:

**Table 4: Tinowon Sandstone Gross Unrisked Prospective Resources**

Parameter	Units	P90	P50	P10	Mean
Gross sand	m	16	25	36	26
Hydrocarbon column height	m	18	41	65	40
Free water level	mGL	2363	2386	2410	2385
Area	km <sup>2</sup>	0.88	3.63	13.00	5.39
GRV	x10 <sup>6</sup> m <sup>3</sup>	4	42	178	70
Net-to-Gross		0.18	0.27	0.38	0.27
Porosity		0.11	0.12	0.13	0.12
Gas saturation		0.45	0.52	0.61	0.52
1/Bg	scf/rcf	205	217	230	217
CGR	bbbl/MMscf	30	52	90	57
<b>Gross unrisked gas in place</b>	<b>Bscf</b>	0.48	5.14	24.20	9.31
<b>Gross unrisked condensate in place</b>	<b>MMstb</b>	0.02	0.25	1.41	0.53
Gas recovery factor		0.40	0.50	0.60	0.50
Condensate recovery factor		0.30	0.40	0.50	0.40
<b>Prospective Resources</b>	<b>Units</b>	<b>1U</b>	<b>2U</b>	<b>3U</b>	<b>Mean</b>
<b>Gross unrisked Prospective Gas Resource</b>	<b>Bscf</b>	0.24	2.54	12.13	4.67
<b>Gross unrisked Prospective Condensate Resource</b>	<b>MMstb</b>	0.01	0.10	0.58	0.22
<b>Chance of Geologic Success (Pg)</b>	20%				

Note: Notes 1-6 of Table 2 in section 5.2.2 apply to this estimate of Prospective Resources.

### 5.2.5 Wallabella Sandstone

No mapping of the Wallabella Sandstone pinch-out edge was available for input into the resource assessment and accordingly, the Tinowon Sandstone map was used for the derivation of the gross rock volume. Given the quality and sparsity of the available seismic data, this is a reasonable approximation, but it is expected that the true position of the Wallabella pinch-out edge will be located somewhere to the east of the Tinowon pinch-out edge. The same range of column heights has been modelled as for the Tinowon Sandstone assessment.

Reservoir parameters are based on Waggamba-1, which is the only well in the Waggamba Field that drilled most of the Wallabella Sandstone interval. As for the Tinowon Sandstone, the most likely gross reservoir thickness at Diona is assumed to be half of the thickness seen in Waggamba-1. Porosity, net-to-gross and gas saturation most likely case estimates are based on the data reported in the Waggamba-1 well completion report. Gas compositions are again assumed to be the same as for the Showgrounds Formation, and the modelled gas expansion factor is very similar to the Tinowon Sandstone estimate (with a minor adjustment for marginally higher formation pressure). Recovery factor assumptions are the same as for the Tinowon Sandstone.

The gross unrisked Prospective Resources for the Diona Prospect Wallabella Sandstone are presented in Table 5 below:

**Table 5: Wallabella Sandstone Gross Unrisked Prospective Resources**

Parameter	Units	P90	P50	P10	Mean
Gross sand	m	18	29	40	29
Hydrocarbon column height	m	18	41	65	40
Free water level	mGL	2403	2426	2450	2425
Area	km <sup>2</sup>	0.88	3.63	13.00	5.39
GRV	x10 <sup>6</sup> m <sup>3</sup>	4	44	191	73
Net-to-Gross		0.18	0.27	0.38	0.27
Porosity		0.08	0.09	0.11	0.09
Gas saturation		0.38	0.43	0.50	0.44
1/Bg	scf/rcf	207	219	232	220
CGR	bbL/MMscf	30	52	90	57
<b>Gross unrisked gas in place</b>	<b>Bscf</b>	0.31	3.41	16.51	6.34
<b>Gross unrisked condensate in place</b>	<b>MMstb</b>	0.01	0.16	0.93	0.36
Gas recovery factor		0.40	0.50	0.60	0.50
Condensate recovery factor		0.30	0.40	0.50	0.40
<b>Prospective Resources</b>	<b>Units</b>	<b>1U</b>	<b>2U</b>	<b>3U</b>	<b>Mean</b>
<b>Gross unrisked Prospective Gas Resource</b>	<b>Bscf</b>	0.15	1.66	8.36	3.16
<b>Gross unrisked Prospective Condensate Resource</b>	<b>MMstb</b>	0.01	0.06	0.38	0.15
<b>Chance of Geologic Success (Pg)</b>	<b>16%</b>				

Note: Notes 1-6 of Table 2 in section 5.2.2 apply to this estimate of Prospective Resources.

### 5.2.6 Assessment of Risk of Discovery (Pg)

The estimates of the risk of discovery Pg (also known as the chance of geologic success) for each of the three reservoir objectives are summarised in Table 6 below:

**Table 6: Pg (chance of geologic success) estimates for the Showgrounds, Tinowon and Wallabella Sandstone targets**

Risk Element	Showgrounds	Tinowon	Wallabella
Trap Geometry	80%	80%	80%
Seal	100%	80%	80%
Charge	70%	80%	80%
Reservoir Presence	100%	80%	80%
Reservoir Quality	70%	50%	40%
<b>Pg</b>	<b>39%</b>	<b>20%</b>	<b>16%</b>

If the geologic risks for all three reservoir objectives were independent the chance of geologic success would be 60%<sup>1</sup>. However, a degree of dependency exists for certain risk elements, as follows:

- If mature source rocks are proven for one objective, they are proven for the other objectives, as all objectives share the same source kitchen (migration risks will however not share the same level of dependency).
- If the trap geometry is proven at one level, it is almost certain to be present at the other levels.

These dependencies have been modelled by splitting the Pg estimates for each target into a shared risk and an independent segment risk. This assessment is detailed in Table 7 below; where the shared risk = 100%, there are no dependencies between the three reservoir objectives in relation to that particular risk element.

**Table 7: Geologic risking dependencies for the Showgrounds, Tinowon and Wallabella Sandstones**

Risk Element	Shared Risk	Independent Segment Risk		
		Showgrounds	Tinowon	Wallabella
Trap Geometry	85%	94%	94%	94%
Seal	100%	100%	80%	80%
Charge	90%	78%	89%	89%
Reservoir Presence	100%	100%	80%	80%
Reservoir Quality	100%	70%	50%	40%
<b>Pg</b>	<b>77%</b>	<b>51%</b>	<b>27%</b>	<b>21%</b>

The resource estimates for the three targets have been probabilistically combined incorporating these dependencies, which results in an overall prospect geologic risk (i.e., the chance of one or more of the individual targets containing hydrocarbons) of 55%.

### 5.2.7 Assessment of Risk of Development (Pd)

The Risk of Development (Pd) is the estimated probability that a known accumulation, once discovered, will be commercially developed. For the Diona Prospect, the Risk of Development has not been estimated for each of the three individual reservoir targets, as the Risk of Development of any one reservoir will be significantly impacted by the presence or absence of hydrocarbons in the other two reservoirs. Instead, the Risk of Development has been considered in relation to the probabilistic addition of the three reservoir targets.

The Risk of Development has been estimated with reference to a screening level development concept and economic model provided by XST. In this model, the development of any discovery at Diona is assumed to occur by completing the Diona-1 exploration well and tying it into the directly adjacent Waggamba gas export pipeline. It is assumed that there would be dehydration and separation at the wellsite, and that gas would be sold at the wellhead to the pipeline operator, with reasonable allowances made for connection and transport costs and the pipeline operator's margin. Condensate would be trucked to either Brisbane or the Inland

<sup>1</sup> Calculated as  $1 - ((1 - 0.39) \times (1 - 0.20) \times (1 - 0.16))$

Oil refinery at Eromanga, with reasonable allowances made for transport costs. Production has been assumed to commence within 12mo of the initial discovery, with a field life of approximately 14 years in the 2U scenario.

Assuming a 10% nominal discount rate and long-term gas and oil prices in line with publicly available third-party estimates, this development scenario implies a chance of development on the order of 95%. However, a Risk of Development of 85% has been adopted to account for uncertainties regarding the long-term cost structure of the third-party export pipeline and processing infrastructure, which in downside scenarios could result in higher development and operating costs than those considered within the economic model.

### 5.2.8 Assessment of overall Prospective Resources

The Prospective Resources for the Diona Prospect have been evaluated by probabilistically combining the resource estimates for the three reservoir targets using a Monte Carlo simulation methodology that incorporates the risk dependencies described in Section 5.2.6 above. The resulting estimate of Prospective Resources is summarised in Table 8 below:

**Table 8: Diona Prospect Prospective Resources**

Hydrocarbon Type	Reservoir Objective	Gross Unrisked Prospective Resource				Net Unrisked Prospective Resource				Pg	Pd
		1U	2U	3U	Mean	1U	2U	3U	Mean		
<b>Gas (Bscf)</b>	Showgrounds	0.7	1.5	3.2	1.8	0.38	0.79	1.6	0.91	39%	
	Tinowon	0.2	2.5	12	4.8	0.12	1.3	6.2	2.4	20%	
	Wallabella	0.2	1.7	8.4	3.2	0.08	0.87	4.3	1.6	16%	
	<b>Entire Prospect</b>	<b>0.6</b>	<b>2.2</b>	<b>9.6</b>	<b>4.1</b>	<b>0.3</b>	<b>1.1</b>	<b>5.2</b>	<b>2.1</b>	<b>55%</b>	
<b>Condensate (MMstb)</b>	Showgrounds	0.02	0.06	0.15	0.08	0.01	0.03	0.08	0.04	39%	
	Tinowon	0.01	0.10	0.58	0.22	0.005	0.05	0.30	0.11	20%	
	Wallabella	0.01	0.06	0.38	0.15	0.003	0.03	0.19	0.07	16%	
	<b>Entire Prospect</b>	<b>0.02</b>	<b>0.09</b>	<b>0.44</b>	<b>0.18</b>	<b>0.01</b>	<b>0.05</b>	<b>0.23</b>	<b>0.09</b>	<b>55%</b>	
<b>Gas Equivalent (Bscfe)</b>	Showgrounds	0.9	1.9	4.1	2.3	0.45	1.0	2.1	1.2	39%	
	Tinowon	0.3	3.1	15.7	6.1	0.15	1.6	8.0	3.1	20%	
	Wallabella	0.2	2.1	10.6	4.1	0.09	1.1	5.4	2.1	16%	
	<b>Entire Prospect</b>	<b>0.7</b>	<b>2.7</b>	<b>13.0</b>	<b>5.1</b>	<b>0.4</b>	<b>1.4</b>	<b>6.5</b>	<b>2.6</b>	<b>55%</b>	

Notes:

1. These estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery (Pg) and a risk of development (Pd). Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.
2. These Prospective Resources have been calculated probabilistically using a Monte Carlo simulation methodology for the three individual reservoir targets and have then been combined probabilistically (incorporating the impact of risk and risk dependencies) to determine the Prospective Resources for the entire prospect.
3. 1U, 2U and 3U refer to the low estimate, best estimate, and high estimate respectively and are respectively equal to the P90, P50 and P10 scenarios that are output from the probabilistic volumetric assessment.
4. Gas-equivalent Prospective Resources have been calculated in Billion standard cubic feet equivalent (Bscfe) using a conversion factor of 1 barrel condensate = 6000 cubic feet of gas.
5. These Prospective Resource only consider the most likely case hydrocarbon phase scenario (gas with condensate) and do not consider the possibility of oil.



6. The risk of development, Pd, has been assessed in relation to the probabilistic resource ranges for the entire prospect rather than for each individual reservoir target.
7. The Prospective Resource estimates were based on a review of seismic, drilling, logging and test data. Specific work undertaken included review of previous exploration results, seismic interpretation, geological correlations, core analysis, wireline petrophysics, formation pressures, gas compositions and production test results
8. The net Prospective Resources have been calculated based on XST holding a 51% working interest in the Diona sub-block of exploration permit ATP 2077. ATP is an Authority To Prospect, which allows a company to explore for hydrocarbons in Queensland.

### **5.3 OTHER PROSPECTIVITY**

As well as the Diona Prospect, Elixir Energy has identified structures in the southern half of the permit that have potential at both the Showgrounds Sandstone and Permian play levels (Figure 7). Evaluation of these leads is impeded by an inconsistent database of multiple vintages of 2D seismic with significant miss-tie issues. Elixir Energy has commissioned a seismic balancing and depth conversion project to resolve these issues, and once complete, there is a reasonable likelihood that this work will result in the identification of additional prospects within the permit. However, given the immaturity of the leads, no Prospective Resources have been assigned to them at the current point in time.

The seismic balancing and depth conversion will cover the entire ATP2077(C) permit area, including the Diona Prospect, where the results of the work may result in future changes to the current mapping and to the evaluation of the risks and Prospective Resources. However, it is considered that this uncertainty is adequately encapsulated in the current assessments of geologic risk and Prospective Resources.

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## APPLICATION FORM