

3 February 2023

Announcement to ASX

Electronic lodgement

## Xstate Acquires Interest in 2 Oil Discoveries and Multiple Prospects

### Highlights:

- Ground Floor Deal with Blue Sky Resources – Red Earth Area Operator.
- 25% Working Interest (WI) acquired in 2 discoveries, and 10,240 gross acres of underexplored and highly prospective leases.
- Located adjacent to Xstate’s existing Red Earth Oil Assets.
- Acquisition includes:
  - 2 discovery wells- both completed and ready to be brought into production.
  - 10 prospects identified analogous to discoveries and nearby oil fields.
  - Access to proprietary 2002 3D seismic survey.
- Acquisition cost of C\$750,000 net to Xstate, with contingent success payments of C\$66,250 (net) per well should the 2 discovery wells achieve production rates greater than 100 BOPD each when brought online.
- Production intended to start imminently, with Blue Sky-1 Prospect drilling to commence this calendar year.
- Acquisition fully funded from existing cash reserves.

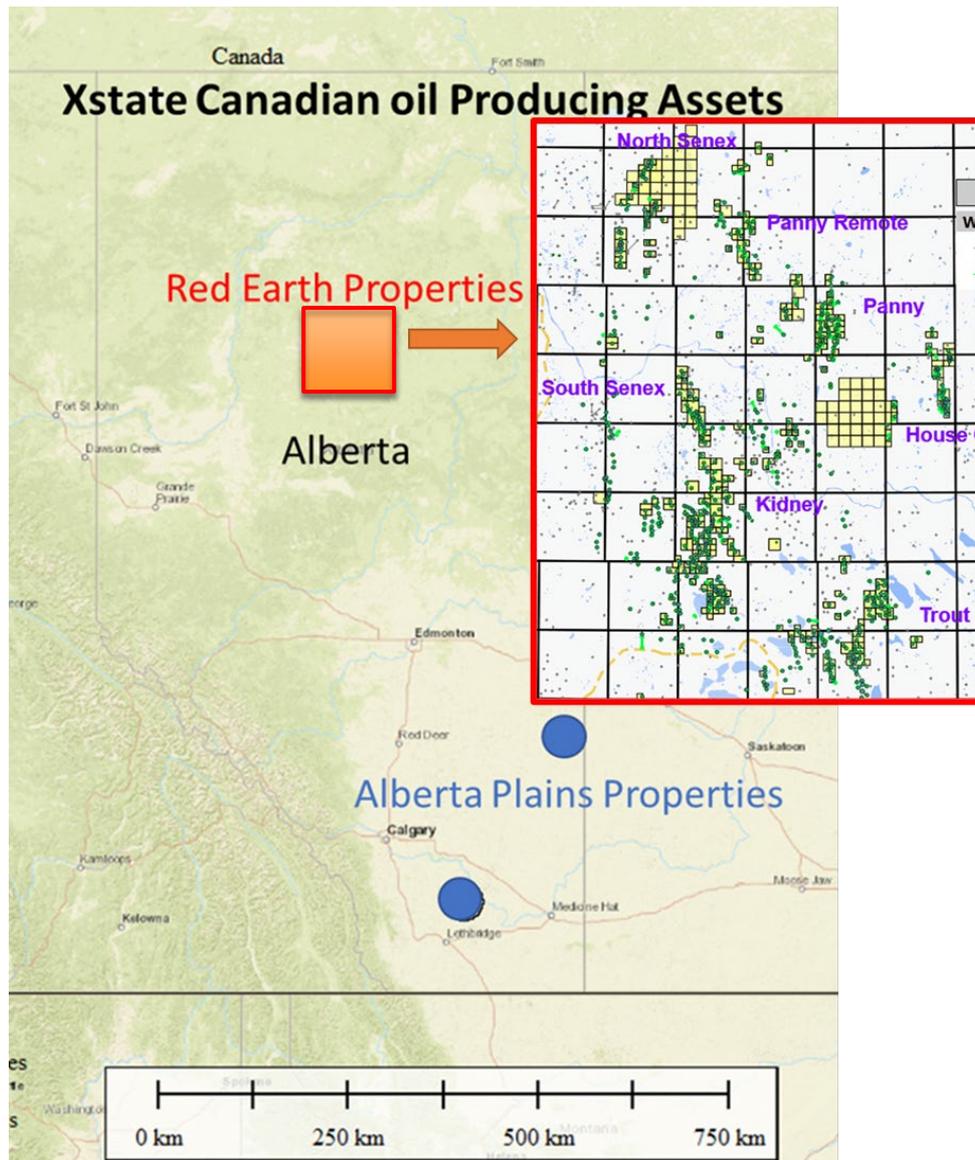
Xstate Resources Limited (**ASX: XST**) (**Xstate, XST or the Company**) is pleased to announce the acquisition of a 25% working interest in 10,240 gross acres of leases prospective for Keg River Oil Production adjacent to Xstate’s Red Earth Properties in Alberta, Canada.

### The Acquisition

Xstate has acquired the 25% working interest in 10,240 gross acres (16 sections) for C\$750,000 in a ground floor deal from Blue Sky Resources (**BSR**), operator of Xstate’s Canadian Assets.

The acquisition includes:

1. 2 oil discovery wells that have been drilled, completed and recovered oil, which are planned to be imminently equipped and put into production.
2. 10,240 gross acres of unencumbered crown land with no rehabilitation liabilities beyond the existing two wells.
3. 10 Keg River Formation prospects mapped within the acreage have similar technical characteristics to the existing discoveries and fields in the region.
4. Prospects have been identified on a 30km<sup>2</sup> 3D seismic survey acquired in 2002.



**Red Earth Location Map**

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

The acquisition has been funded from existing cash balances and the exploration drilling is expected to be funded from future cash flows from Xstate’s Canadian assets.

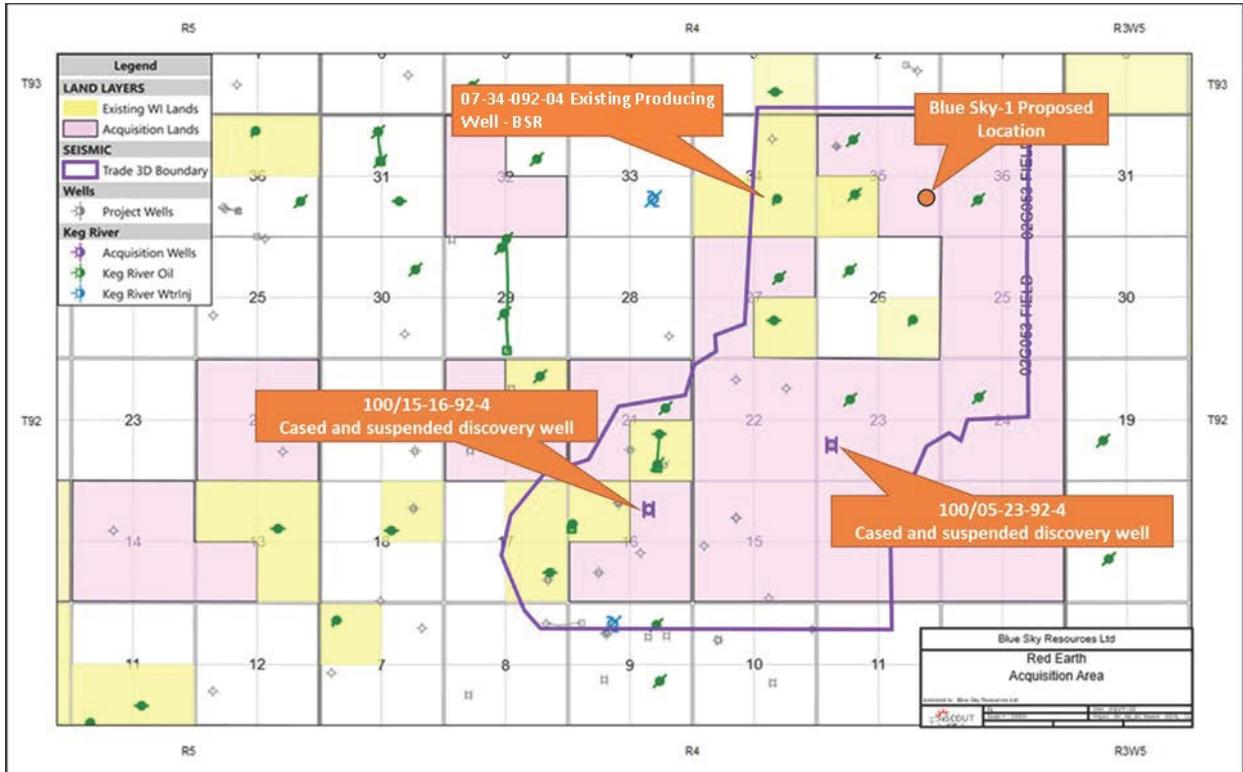
### **The New Acreage**

The acquired acreage is adjacent to Xstate’s South Senex leases at Red Earth. The leases are covered by a 3D seismic survey acquired in 2002 which covers 30km<sup>2</sup>.

Only 2 wells have been drilled on the leases since the 3D was acquired, and both discovered and recovered oil from the Keg River Limestone.

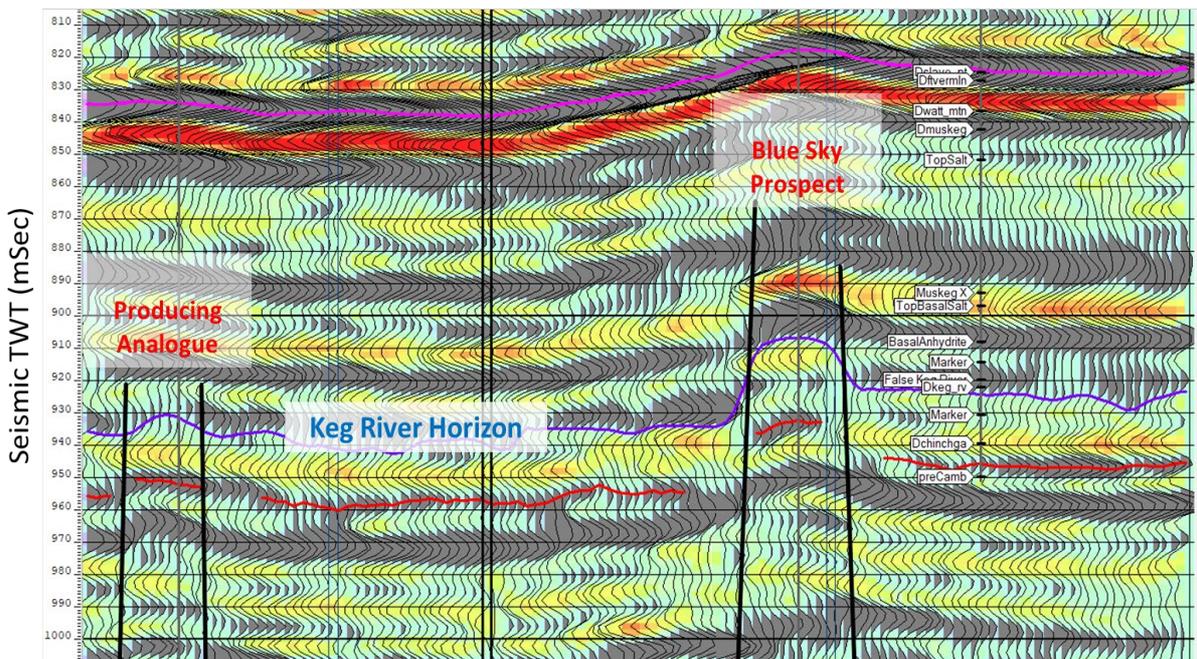
Initial mapping by Operator BSR, has identified a further 10 prospects on the leases. These prospects all show seismic and structural characteristics similar to the 2 discoveries and fields in the local area in the Keg River reservoirs.

The top priority Blue Sky Prospect for exploration, Blue Sky-1, is clearly illustrated in the figures below in the north-eastern section of the map. Drilling depths to the Keg River Targets are less than 1500 metres. This priority target is located nearby to an existing producing well, owned and operated by BSR, which forms part of Xstate’s working interest assets in the Red Earth properties.



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

### 2002 3D Seismic Survey Showing New Prospect



3D Seismic image over Top Priority Blue Sky Prospect - Producing Analogue on Left of image.

## **Expanded Position in Red Earth Region**

The acquisition increase Xstate's overall lease position in the Red Earth Area to 28,560 net acres.

Total daily production from the Red Earth Area for December was 862 Barrels of Oil per Day (BOPD) gross (211 BOPD net to Xstate). Xstate anticipates this production to grow significantly in the coming year with production from the discovery wells plus planned Blue Sky Prospect drilling in 2023.

***Xstate Executive Chairman, Mr Andrew Childs said: "We are pleased to add these discoveries and leases to our oil rich Red Earth producing assets.***

*We appreciate that the Operator, Blue Sky Resources, made this opportunity available to Xstate on the same terms as they purchased it (without any mark up or promote).*

*The Operator expects to drill the Blue Sky-1 well on the new acreage in 2023 and are fast-tracking the spudding of this well."*

**This release was approved by the board of the Company**

**Andrew Childs**

**Executive Chairman**

Xstate Resources Limited

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***About Xstate Resources Limited:***

*Xstate Resources (ASX Code: XST) is an ASX listed company focused on the oil and gas sector. The Company has oil and associated gas production interests in Alberta Canada and Austria, and exploration assets located in the Sacramento Basin, California. Xstate is presently pursuing new opportunities in the oil and gas sector globally.*

***Competent Person:***

*The technical information provided in this release has been supervised and reviewed in detail by XST's Competent Person, Mr Greg Channon, who is also a Non-Executive Director of the company. Mr Channon is a qualified geoscientist with over 35 years of oil and gas industry experience and a member of the American Association of Petroleum Geologists and the South East Asian Exploration Society and is a graduate of the Australian Institute of Company Directors. He is qualified as a competent person in accordance with ASX listing rule 5.41. Mr Channon consents to the inclusion of the information in this report in the form and context in which it appears.*