



ABN 96 009 217 154

29 July 2022

Announcement to ASX

Electronic lodgement

---

## JUNE 2022 QUARTERLY ACTIVITY REPORT

---

### HIGHLIGHTS

- **Total net production** from Canadian assets (before Royalty) of **50,689 barrels of oil equivalent (boe)**, a 15% increase from the last quarter
- **Net Cashflow** from Operating activities **exceeds \$1,000,000** for the quarter
- **59 well reactivation program** to commence at Red Earth targeting an **additional 150 barrels of oil equivalent per day (boepd)** net to Xstate
- **Anshof-3** was production tested at a maximum gross rate of **132 barrels of oil per day (bopd)**
- **Preparation for commercial production** at Anshof-3 underway
- **Independent Reserve Assessment of the Eocene Oil** at Anshof discovery being undertaken

Xstate Resources Limited (**ASX:XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to provide the Quarterly Activities Report for the quarter ending 30 June 2022.

### CHAIRMAN'S COMMENT

*"Our daily net production in Canada of 559 boepd is delivering valuable cashflow to the company. The Anshof-3 well in Austria was production tested at improved rates, and we await the well being fast-tracked into production, adding a second production hub to our business. Our existing strong cashflow now allows Xstate to actively pursue new ventures. We currently have several high impact opportunities under review."*

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

This quarter saw strong production and increased revenue from our Canadian assets. Production was up 13% on the previous quarter. Xstate's June quarter share of production from the Company's Canadian assets was 50,689 boe, with net operational receipts for the quarter totaling A\$1.12million. This figure is inclusive of drilling costs paid from production recognized in the quarter of C\$467.9k for the Alberta Plains drilling program. Net daily production at the end of the month was 559 boepd. For the first time, Xstate became a Canadian Income Taxpayer due to our ongoing operational profitability.

The focus for Xstate's Canadian assets remains optimizing and increasing production and cashflow in this strong oil price environment. The third well of the 3 well program at Alberta Plains was drilled in the quarter on time and on budget.

XST share of Oil and Gas production in Canada	June Quarter 2022	March Quarter 2022
Gross boe*	50,689	44,052
Net XST boe (after Royalty)	44,175	38,391

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

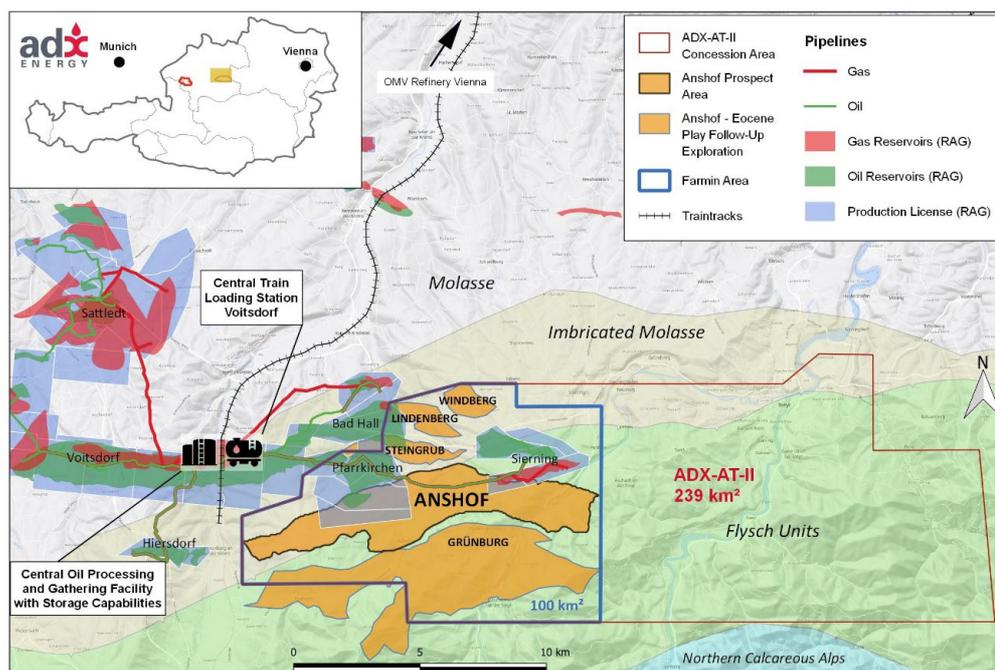
The Operator, Blue Sky Resources, has informed the Joint Venture that it is about to embark on a 59 well production reactivation program, which will deliver ~600 boepd gross, which is 150 boepd net to Xstate. This program will begin in the 4<sup>th</sup> quarter of 2022 and extend into 2023.



*Xstate's Producing Assets in Canada*

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

During the quarter, the Anshof-3 exploration well underwent production testing and flowed 132 gross bopd of 32° API oil (26 bopd net to XST). The rate was a significant improvement on the rates tested immediately after the well was drilled. Pressure data recorded during the test indicates better than expected reservoir flow performance. There were no flow barriers indicated from the test data, which is a positive indication for oil recovery from long term Anshof- 3 well production. The flow performance at Anshof-3 well also has positive implications for future Anshof wells drilled down dip from the crest of structure where the Eocene reservoirs are expected to thicken considerably. At the conclusion of testing operations, the Anshof-3 well was acidized to further enhance productivity and a production string was installed in the well as well as a down hole pump in preparation for long term production.



*Anshof Prosect Map*

The work to commence commercial production from Anshof-3 has commenced during the quarter. The Operator (ADX) is assessing plans to install an early production testing and processing facility so oil can be trucked to a nearby oil terminal for sale. Interim gross production of up to 37,000 bopd (100 bopd for a period of one year) is allowed under Austrian legislation prior to finalising a production licence for the entire discovery area.

Xstate has earned a 20% working interest in the Anshof Prospect Area.

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

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

### **CALIFORNIA: SACRAMENTO BASIN PRODUCTION (VARIOUS WIs)**

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

<b>Oil and Gas production in California (mcf*)</b>	<b>June Quarter 2022</b>	<b>March Quarter 2022</b>
Gross Gas	31,794	32,169
Net XST (after Royalty)	3,280	3,112
<i>Note: mcf = Thousand Cubic feet gas</i>		

### **XSTATE TENEMENT LISTING - 30 June 2022**

<b>XSTATE RESOURCES LIMITED - TENEMENT LIST</b>		
<b>Project name</b>	<b>Category</b>	<b>Working Interest (WI)</b>
Anshof 3 Farmin	Exploration	20%
Alvares Project	Appraisal	25%
Dempsey 1-15 Well	Exploration & Appraisal	10%
Dempsey Trend - (Includes Borba)	Active leasing 3 large prospects	33%
Rancho Capay Field	Production	10%
Malton field	Production	30%
East Rice East Creek Field	Production	10%
Los Medanos Gas Field	Production	10%
Dutch Slough Field	Production	30%
Red Earth	Production	25%
Alberta Plains	Production	35%

### **NEW VENTURES**

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

### **CORPORATE**

On the 6<sup>th</sup> of June 2022, Xstate advised that Mr David McArthur had resigned as a Director and that Mr Andrew Bald had had been appointed as a Non-Executive Director.

Mr Andrew Bald has over 35 years of experience in financial markets and since branching out on his own in 2003, has raised capital for, and listed, a number of junior oil and gas and mineral exploration companies. From 2013 through 2016 he was Managing Director of Burleson Energy, an oil and gas explorer with production in Texas, USA, and he has also been on the board and acted as company secretary to a number of other ASX listed companies.

**LISTING RULE 5 DISCLOSURES**

LR 5.4.1: Exploration expenditure during the quarter totalled \$31k. This is comprised entirely of ongoing exploration operations in California.

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

LR 5.4.5: Payments to related parties totalled \$175k. These were in respect of Directors' salaries and superannuation payments, in addition to payments for corporate management services and consulting services to Director related entities.

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

**Andrew Childs**

**Executive Chairman**

Xstate Resources Limited

Tel Office: +61 8 9435 3200

***About Xstate Resources Limited:***

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

***Leases:***

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

***Competent Person:***

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

## Appendix 5B

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

Name of entity

Xstate Resources Limited

ABN

96 009 217 154

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	1,123	1,592
1.2	Payments for		
	(a) exploration & evaluation	(31)	(799)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(66)	(88)
	(e) administration and corporate costs	(261)	(303)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(419)	(419)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>346</b>	<b>(17)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	-
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(5)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	<b>(5)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	352	723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	346	(17)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(5)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	18	15
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>716</b>	<b>716</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	716	352
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>716</b>	<b>352</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	175
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<b>8. Estimated cash available for future operating activities</b>		<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)		346
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))		-
8.3 Total relevant outgoings (item 8.1 + Item 8.2)		346
8.4 Cash and cash equivalents at quarter end (item 4.6)		716
8.5 Unused finance facilities available at quarter end (item 7.5)		-
8.6 Total available funding (item 8.4 + item 8.5)		716
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>		<b>N/A</b>
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:		
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?		
Answer:		
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?		
Answer:		
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?		
Answer:		
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>		

## Compliance statement

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

Date: 29 July 2022

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

## Notes

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