



XSTATE RESOURCES LIMITED

ABN 96 009 217 154

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2020

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CORPORATE DIRECTORY

Directors

Mr David McArthur

Mr Chris Hodge (*resigned 17 August 2020*)

Mr Richard Lorentz (*resigned 22 April 2020*)

Mr Andrew Childs (*appointed 22 April 2020*)

Mr Greg Channon (*appointed 17 August 2020*)

Company Secretaries

Mr David McArthur

Mr Jordan McArthur

Registered and Principal Office

Level 1, 31 Cliff Street

Fremantle WA 6160

Website: www.xstateresources.com.au

Telephone: +61 8 9435 3200

Postal Address

PO Box 584

Fremantle WA 6959

Auditors

BDO Audit (WA) Pty Ltd

38 Station Street

Subiaco WA 6000

Bankers

ANZ Banking Group Limited

Level 6, 77 St Georges Terrace

Perth WA 6000

Share Registry

Advanced Share Registry Services

110 Stirling Highway

Nedlands WA 6009

Telephone: 1300 113 258

ASX Code

Shares: XST

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

XSTATE RESOURCES LIMITED

REVIEW OF OPERATIONS

For the year ended 31 December 2020

REVIEW OF OPERATIONS

Overview

Xstate Resources Limited ("**Xstate**" or "**the Company**") is listed on the Australian Stock Exchange (**ASX:XST**). The Group is primarily involved in oil and natural gas exploration and production.

The calendar and financial year 2020 was a significant and watershed year for Xstate, despite the global COVID-19 pandemic. The Company changed its Board significantly and adjusted its strategic direction. Toward the end of the year, and in the first quarter of 2021 (subsequent and after the reporting period), the Company has embarked upon a new direction in acquiring oil production in Canada and have also made a gas discovery at the Borba 1-7 exploration well in the Sacramento Basin, California. Xstate is now an oil and gas producer in North America.

Canadian Oil Production

In November 2020, Xstate announced the first of its oil production acquisitions. The company acquired a 15% Working Interest (**WI**) in an oil producing asset in northern Alberta, Canada. The Red Earth assets consists of 6 oilfields and associated infrastructure, located 450 km north of Edmonton. The vendor was a private company Blue Sky Resources Limited ("**Blue Sky**") which had recently acquired 100% Red Earth assets. Blue Sky operates other oilfields in the vicinity and operational synergies are expected. After the reporting period, Xstate purchased a further 10% WI, and now holds 25% of the project. The acquisition closed in March 2021, and Xstate now has a 25% share of 1,070 BOEPD (268 BOEPD net). Refer to Xstate's Announcements dated 20 November 2020 and 22 March 2021 for full details.



In January 2021, the company announced it had purchased a 10% WI in a group of oil properties in the Alberta Plains region of Canada, east of Calgary. The fields are in the process of being rejuvenated, and so far, this year the Operator has increased production from 100 BOEPD to ~500 BOEPD. Xstate net share of production from these assets is 50 BOEPD (Refer to Xstate's ASX announcement dated 28 January 2021).

Together, the two fields are delivering ~ 318 BOEPD net to Xstate as of the date of this report.

XSTATE RESOURCES LIMITED
REVIEW OF OPERATIONS
For the year ended 31 December 2020

Xstate continues to review exploration and production opportunities in North America and anticipates sourcing further oil production deals in the coming year.

Californian Gas Exploration

After the reporting period, Xstate spudded the Borba 1-7 well in California. Xstate is paying 37.5% to earn 33.33% in the well. To date, the exploration well has encountered gas pay in the Kione Formation, and significant gas shows in the Guinda Formation. Operations are continuing on the well as of the date of signing of the annual report.

Californian Gas Production

Xstate holds participating interests of between 10%-30% in various gas production assets in the Sacramento Basin in California. The purpose of the initial investment in these assets was to acquire the leases for further exploration and to access an extensive 3D seismic database from which to generate new exploration opportunities, whilst also securing strategic infrastructure and growing gas production.

Gas production for the year was 136,146 cubic feet gross, with 14,020 cubic feet net to Xstate.

It is anticipated that should the Borba gas discovery flow at commercial rates, it will significantly increase our Californian Gas Production.

The Californian energy system remains highly reliant on gas, supplying about one third of California's primary energy demand. About 90% of California's natural gas is sourced outside the state. Generation of a local supply of natural gas would have obvious benefits. Californian natural gas prices remain higher than US benchmark Henry Hub prices, remaining at a premium of about 40% to the US benchmark. Xstate and the joint venture partners will work to increase the natural gas production from existing producing assets held by the joint venture. Increasing low-cost production from existing producing assets would provide immediate benefits to Xstate and its joint venture partners. There is also the possibility of bringing additional wells back into gas flowing conditions.

XSTATE RESOURCES LIMITED – SACRAMENTO BASIN TENEMENT LIST NORTHERN CALIFORNIA		
Project name	Category	Working Interest (WI)
Alvares Appraisal Well	Appraisal	25%
Alvares Project	Exploration & Appraisal	30%
Dempsey 1-15 Well	Exploration & Appraisal	10%
Dempsey AMI	Active leasing 3 large prospects	24%
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%
Denverton Field	Production	30%
Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions.		

The Financial Year

On 22 April 2020, Mr Andrew Childs was appointed to the Board as a Non-executive Director and Mr Richard Lorentz resigned as a Non-executive Director.

On 9 July 2020, the Group raised \$562,000, before costs, through the issuance of convertible notes to fund existing Californian exploration and for the assessment of additional production acquisitions. These notes have been converted post year end, as disclosed in Note 6.5.

On 24 July 2020, the Group issued 23,750,000 fully paid ordinary shares at 0.2 cents per share as a partial retirement of debt owed to current and former Directors, following shareholder approval at the AGM.

XSTATE RESOURCES LIMITED
REVIEW OF OPERATIONS
For the year ended 31 December 2020

On 17 August 2020, Mr Greg Channon was appointed to the Board as a Non-executive Director and Mr Chris Hodge resigned as a Non-executive Director.

On 20 November 2020, the Group announced it had entered into an agreement for the acquisition of a 15% working interest in the Red Earth assets – a group of 6 oilfields and associated infrastructure in Alberta, Canada – with the capacity for producing 1,000 BOPD gross (net 150 BOPD to Xstate). The acquisition price was C\$300,000 cash and 58,333,333 Xstate shares at deemed issue price of 0.3 cents per share, subject to shareholder approval (for an equivalent price of A\$175,000). Additionally on this date, the Group announced it would be issuing 362,000,000 fully paid ordinary shares to sophisticated investors at 0.25 cents per share, to raise a total of A\$905,000. These shares were issued 30 November 2020.

As at 31 December 2020, the Company held cash and cash equivalents of \$814,876.

As at 31 December 2020, Xstate had 1,811,240,898 shares on issue and 1,727 shareholders. It's Top 20 holders held 691,214,175 shares or 38.16% of the Company's issued capital.

Financial results and condition

The net loss for the financial year ended 31 December 2020 after income tax was \$652,434 (2019: \$701,597).

The Group has working capital of \$684,982 (2019: working capital deficit of \$48,797) and net cash inflows of \$277,474 (2019: outflow \$455,967).

The Company remains acutely aware of the current economic climate and continues to implement cost-reduction measures across the business.

Summary of results

	2020	2019
	\$	\$
Revenue from ordinary activities	-	-
Other income	80,813	569,292
Loss before income tax	(648,692)	(699,043)
Income tax expense	(3,742)	(2,554)
Net Loss for the year	(652,434)	(701,597)
Other comprehensive income / (loss)	6,358	(13,678)
Total comprehensive loss for the year	(646,076)	(715,275)
Underlying loss per share (cents)	(0.04)	(0.06)
Shares in issue at reporting date	1,811,240,898	1,425,490,898
Weighted average number of shares	1,467,653,466	1,163,134,734

Planned Activity - 2021

The Company will seek to continue with the activities outlined in the operations review in addition to assessing various opportunities to secure producing or high-quality and low risk speculative assets in on-shore North America.

Competent person statement

The technical information provided has been compiled by Mr Greg Channon, Non-Executive Director of Xstate Resources Limited. Mr Channon is a qualified geologist with over 35 years technical, commercial and management experience in exploration, appraisal and development, and transportation of oil and gas and mineral and energy resources. Mr Channon has reviewed the results, procedures and data contained in this report and has consented to the inclusion of the above information in the form and context in which it appears.

XSTATE RESOURCES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2020

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Xstate Resources Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 31 December 2020 and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>David McArthur Managing Director</p> <p>Appointed: 26 November 2019</p> <p><i>Appointed positions</i> Managing Director Appointed 26 November 2019</p> <p><i>Interest in shares and options</i> Shares: 28,993,699 Options: 30,000,000</p>	<p>David McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 35 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies for over 30 years.</p> <p>Mr McArthur has a Bachelor of Commerce Degree from the University of Western Australia.</p> <p>Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.</p> <p>Mr McArthur is a Non-executive Director of Lodestar Minerals Limited, Saccasco Limited and Delorean Corporation Limited. Mr McArthur was a Director of Harvest Technology Group Limited until 3 September 2019.</p>
<p>Chris Hodge Non-executive Director</p> <p>Appointed: 12 November 2013 Resigned: 17 August 2020</p> <p><i>Appointed positions</i> Non-executive Director Appointed 12 November 2013 Resigned 17 August 2020</p> <p><i>Interest in shares and options at resignation</i> Shares: 12,617,339 Options: 9,000,000</p>	<p>Chris Hodge is a qualified geologist and petroleum geophysicist with extensive technical experience both in Australia and overseas. He has held managerial positions in major petroleum exploration and production companies and played a significant part in the growth of these companies via a mix of successful exploration and acquisition.</p> <p>Mr Hodge is a member of the Petroleum Exploration Society of Australia ("PESA") and the American Association of Petroleum Geologists ("AAPG"). He is also a Member of the Australian Institute of Company Directors ("MAICD") and holds a Graduate Diploma in Applied Finance and Investment.</p> <p>Mr Hodge is CEO and Managing Director of Horizon Oil Limited.</p> <p>Mr Hodge was Chair of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.</p>

XSTATE RESOURCES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2020

1. DIRECTORS (continued)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>Richard Lorentz Non-executive Director</p> <p>Appointed: 26 November 2019 Resigned: 22 April 2020</p> <p><i>Appointed positions</i> Non-executive Director Appointed 26 November 2019 Resigned 22 April 2020</p> <p><i>Interest in shares and options at resignation</i> Shares: Nil Options: Nil</p>	<p>Mr Lorentz is a petroleum geologist and a leading member of the upstream oil and gas community in Southeast Asia with a career spanning the better part of four decades. Aside from playing key roles in the discovery and development of several oil and gas fields, he has an unmatched network of industry, government and investment relationships and has been instrumental in the evolution of three E&P companies to public listing status.</p> <p>Mr Lorentz was a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.</p>
<p>Andrew Childs Non-executive Director</p> <p>Appointed: 22 April 2020</p> <p><i>Appointed positions</i> Non-executive Director Appointed 22 April 2020</p> <p><i>Interest in shares and options</i> Shares: 10,000,000 Options: 25,000,000</p>	<p>Mr Childs is a petroleum geologist with over 35 years of Oil and Gas experience, working in Technical and Commercial roles for small to mid-capped Companies listed on the ASX, AIM and TSX markets.</p> <p>Mr Childs is a Non-executive Director of Sacgasco Limited and ADX Energy Limited.</p> <p>Mr Childs is Chair of the Nominations and Remuneration Committee and a member of the Audit and Risk Management Committee.</p>
<p>Greg Channon Non-executive Director</p> <p>Appointed: 17 August 2020</p> <p><i>Appointed positions</i> Non-executive Director Appointed 17 August 2020</p> <p><i>Interest in shares and options</i> Shares: 5,284,930 Options: 20,000,000</p>	<p>Mr Channon is a geologist with over 35 years of global oil and gas experience in a variety of technical and leadership roles. He is currently Executive Chairman of RL Energy, and a Non-executive Director of Samson Oil and Gas Limited.</p> <p>During his career, Mr Channon has worked with a range of E&P companies including Delhi, Santos, Fletcher Challenge Energy, Shell, Swift Energy, BrightOil and Pathfinder. He has lived and worked in Australia, New Zealand, USA, Hong Kong, China and Africa.</p> <p>Mr Channon has a large range of diverse oil and gas expertise, including exploration, operations, development, production, economics, commercial negotiations, new ventures, business development and IPO start-ups. He has sat on the Board of Directors of companies listed on the ASX, NYSE, TSX and HKSE.</p> <p>Mr Channon is Chair of the Audit and Risk Management Committee and a member of the Nominations and Remuneration Committee.</p>

XSTATE RESOURCES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2020

2. COMPANY SECRETARIES

Mr David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 29 October 1999. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

Jordan McArthur is a Chartered Accountant and was appointed to the position of joint company secretary on 17 April 2018. Mr McArthur has 10 years corporate and financial experience in Australia and the United Kingdom.

3. DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2020, and the number of meetings attended by each Director was:

Director	Full meetings of Directors		Meeting of Audit and Risk Management Committee	
	No. of meetings attended	No. of meetings held whilst a Director	No. of meetings attended	No. of meetings held whilst a Director
David McArthur	5	5	2*	2
Chris Hodge	4	4	1	1
Richard Lorentz	2	2	1	1
Andrew Childs	3	3	1	1
Greg Channon	1	1	1	1

* Attended as invitee

4. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was oil and natural gas exploration.

5. OPERATING AND FINANCIAL REVIEW

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

Significant changes in the state of affairs

Other than the matters discussed in section 8 of the Directors Report and changes to the Board of Directors as noted in section 1, there have been no other significant changes in the state of affairs for the entity.

6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 31 December 2020 (2019: Nil).

7. LIKELY DEVELOPMENTS

The Group will continue to pursue its strategy to further develop its exploration portfolio in California, USA, and its recently acquired portfolio of working interest in relation to production assets in Alberta, Canada, whilst also assessing any other viable global oil and gas exploration opportunities that are presented to the Board.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 January 2021, the Company held a general meeting of shareholders. At this meeting, approval was obtained for the issuance of 8,000,000 shares in satisfaction of an outstanding debt to DAS (Australia) Pty Ltd, a company associated with Director David McArthur, and for the issuance of 58,333,333 shares to Blue Sky Resources Limited ("BSR") as part of agreed consideration for the acquisition of working interests in Red Earth assets. These shares were issued on 1st and 2nd February 2021 respectively. Additionally at the general meeting, shareholders approved the issuance of 90,000,000 unlisted options to Directors, with a strike price of \$0.005 and an expiry date of 31 December 2022. These options were issued on 29 January 2021.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2020

8. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

On 28 January 2021, the Company entered into a binding terms sheet with BSR for the acquisition of a 10% working interest in oil and gas producing assets in southern Alberta, Canada. The purchase price for the workings interests was agreed as C\$250,000 plus the issue of A\$70,000 worth of Xstate fully paid ordinary shares, based on a 5-day VWAP pricing to the date of agreement – equating to 10,937,500 shares, subject to shareholder approvals.

On 2 February 2021, the Company converted all outstanding convertible notes held, and the interest accrued to date, into fully paid ordinary shares. A total of 297,013,160 shares were issued at a conversion price of \$0.002 per share, in accordance with terms in the convertible note agreements.

On 3 February 2021, the Company advised the market that it had placed 500,000,000 shares at \$0.008, for a total raising of \$4,000,000 before costs to provide funds for Xstate's share of costs relating to the drilling of the Borba 1-7 well. These shares were allotted on 11 February 2021. It was additionally noted that pursuant to agreement with Saccgasco Limited, the Company would be acquiring a further 9.33% interest in the Borba 1-7 well (taking Xstate's total interest to 33.33%) via earn-in agreement whereby the Company would pay for an additional 13.5% of the drilling costs for Borba (taking Xstate's share of costs to 37.5% for the drilling program).

On 9 February 2021, the Company advised the market that it had closed on the acquisition of its 10% working interest in oil and gas producing assets in southern Alberta, Canada, as announced to the market on 28 January 2021.

On 11 February 2021, the Company issued 10,000,000 fully paid ordinary shares on exercise of \$0.005 options.

On 16 February 2021, the Company issued 5,000,000 fully paid ordinary shares on exercise of \$0.005 options.

On 23 February 2021, the Company advised the market that the Graham Drilling Rig 5 had spudded the Borba 1-7 Well, commencing a program that will drill to a depth of 2,800 metres, with a prospective interval covering approximately 1,920 metres.

On 22 March 2021, the Company announced it had acquired a further 10% working interest in the Red Earth Oil Producing Properties – an interest that equated at the time of the announcement to an additional 100 BOPD in production interest. The acquisition was for a purchase price of C\$700,000 plus A\$150,000 worth of Xstate fully paid ordinary shares, based on a 5-day VWAP pricing to the date of the agreement – equating to 10,135,135 shares, subject to shareholder approvals.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

In conjunction with the above, subsequent to the reporting date, there has also been significant improvement in world oil and gas pricing.

Other than the above, there have been no subsequent events of a material nature occurring.

9. ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2020

10. SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price cents	Number of shares
31-Dec-22	0.5	<u>75,000,000</u>

All unissued shares are ordinary shares of the Company.

These options do not entitle the holder to participate in any share issue of the Company.

Further details in relation to the share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During the financial year, no shares were issued as a result of the exercise of options. Since the end of the financial year, a total of 15,000,000 options have been converted (of a total 90,000,000 issued following shareholder approval on 22 January 2021).

Options expired

During the reporting period, a total of 47,000,000 options expired unexercised (31 December 2019: nil options expired).

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid an insurance premium of \$32,099 (2019: \$36,433) to insure the Directors and Key Management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has agreed to indemnify each of the Directors and the Company Secretaries of the Company and its controlled entities, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Company Secretaries of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No agreements have been entered into to indemnify the Group's auditors against any claims by third parties arising from their report on the Annual Financial Statements.

12. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2020

12. NON-AUDIT SERVICES (continued)

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the remuneration for non-audit services provided by the auditor of the Company, BDO Audit (WA) Pty Ltd, and its related practices during the year are set out below:

	2020 \$	2019 \$
Taxation services		
<i>BDO Corporate Tax (WA) Pty Ltd</i>		
Tax compliance services	9,270	8,938
Total remuneration for non-audit services	9,270	8,938

13. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

14. REMUNERATION REPORT - AUDITED

The Directors present the Company's 2020 Remuneration Report prepared in accordance with the Corporations Act 2001. The Report sets out the detailed remuneration information for Non-Executive Directors, Executive Directors and other Key Management Personnel (KMP) of the Group.

The report contains the following sections:

- Remuneration governance
- Remuneration consultants
- Executive remuneration strategy and framework
- Board and management changes
- Service contracts
- Non-executive director remuneration
- Key management personnel remuneration
- Analysis of bonuses included in remuneration
- Other KMP disclosures
- Voting and comments made at the Company's 2019 Annual General Meeting

(a) Remuneration governance

The remuneration of Directors and key management personnel is the responsibility of the Remuneration and Nomination Committee.

(b) Remuneration consultants

The Company did not engage any remuneration consultants during the year as it was not considered necessary and no changes were made to the remuneration of directors.

14. REMUNERATION REPORT – AUDITED (continued)

(c) Executive remuneration strategy and framework

Remuneration is referred to as compensation throughout this report.

Compensation levels for key management personnel of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors and Executives.

As the Group's principal activities during the year were new ventures and exploration / evaluation, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

Executive remuneration mix

The remuneration of the Managing Director and other KMP can be structured as a mix of fixed remuneration and variable "at risk" remuneration through short-term and long-term incentive components.

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not "at risk" but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

Performance-linked compensation

Performance-linked compensation can consist of both short-term and longer-term remuneration. Performance-linked remuneration is not based on specific financial indicators such as earnings or dividends as the Group is at the exploration and development stage. Vesting of long-term incentives is based on the share price performance of the Group, which is considered an appropriate measure of the outcome of overall performance. There is no separate profit-share plan.

Long-term incentive

Long-term incentives (LTI) can comprise share options and/or performance rights (PR), which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder value. Options and rights are granted for no consideration and do not carry voting rights or dividend entitlements.

Consequences of performance on shareholder wealth

The overall level of key management personnel compensation takes into account the performance of the Company over a number of years, although no remuneration is directly linked with financial performance.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2020

14. REMUNERATION REPORT – AUDITED (continued)

(c) Executive remuneration strategy and framework (continued)

Financial performance in respect of the current financial year and the previous four financial years is detailed below:

Shareholder returns	2020	2019	2018	2017	2016
Total Comprehensive Loss for year (\$)	(646,076)	(715,275)	(1,284,540)	(3,270,547)	(1,036,166)
Basic EPS (cents)	(0.04)	(0.06)	(0.16)	(0.49)	(0.23)
Share price at year end (cents)	0.5	0.3	0.2	1.20	2.40
Market capitalisation (\$)	9,056,204	4,276,473	2,280,981	9,401,891	14,923,025
Net tangible assets / (liabilities) (\$)	704,300	(105,189)	55,925	340,138	1,295,307
NTA Backing (cents)	0.04	(0.00)	0.01	0.04	0.21

During the financial years noted on the previous page, there were no dividends paid or other returns of capital made by the Company to shareholders.

The Group's financial performance is impacted by a number of factors. As the Group is still in the exploration phase of its operations, and as such does not generate revenue, the share price and thus the Company's market capitalisation is the only indicator of the Group's overall performance.

(d) Board and management changes

On 22 April 2020, Mr Andrew Childs was appointed to the Board as a Non-executive Director and Mr Richard Lorentz resigned as a Non-executive Director.

On 17 August 2020, Mr Greg Channon was appointed to the Board as a Non-executive Director and Mr Chris Hodge resigned as a Non-executive Director.

(e) Service contracts

On appointment to the Board, all Non-Executive Directors enter into a letter of appointment with the Company specifying their functions and duties as a Director.

Executive remuneration and other terms of contractual employment are formalised in service agreements. The service agreements outline the components of compensation paid to Executives and key management personnel (KMPs) but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performance by KMPs and any changes required to meet the principles of the compensation policy. The major provisions of the agreement relating to remuneration are set out below.

Name	Term of agreement	Employee notice period	Employer notice period	Remuneration	Termination Benefit ⁽ⁱⁱ⁾
David McArthur	Ongoing from 11 January 2017	12 months	12 months	\$40,000 ⁽ⁱ⁾	12 months' base

⁽ⁱ⁾ Remuneration noted is exclusive of superannuation and quoted as at the year ended 31 December 2020;

⁽ⁱⁱ⁾ Termination benefits are payable upon early termination by the Company, other than for gross misconduct. They are equal to remuneration for the notice period;

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2020

14. REMUNERATION REPORT – AUDITED (continued)

(f) Non-Executive Directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders on 19 May 2011, is not to exceed \$400,000 per annum and is based on comparative roles in the external market. The base fee for all Non-Executive Directors, including the Chairman, for the year ended 31 December 2020 was \$36,000 per annum. Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed by the Remuneration and Nomination Committee and they do not receive cash performance related compensation.

In addition to their base fees, Non-Executive Directors may also receive payment for consultancy services at \$1,500 per day plus reimbursable expenses for days worked over and above those expected to be worked in consideration of Non-Executive Directors fees. The contracts have a 12 months' termination clause.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2020

14. REMUNERATION REPORT – AUDITED (continued)

(f) (i) Key management personnel remuneration 2020

Name	Short-term employee benefits			Post- employment benefits	Share based payments		Total
	Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Superannuation \$	Shares \$	Options (C) \$	
Executive Directors							
David McArthur ¹	71,158	10,719	81,877	3,530	-	-	85,407
Non-Executive Directors							
Chris Hodge ²	10,500	6,765	17,265	-	-	-	17,265
Richard Lorentz ³	9,000	3,310	12,310	-	-	-	12,310
Andrew Childs ⁴	21,918	7,351	29,269	2,082	-	-	31,351
Greg Channon ⁵	13,258	3,954	17,212	-	-	-	17,212
Total key management personnel remuneration	125,834	32,099	157,933	5,612	-	-	163,545

¹ David McArthur received \$37,500 in remuneration for Company Secretarial services provided to the Company.

² Chris Hodge resigned as Non-executive Director 17 August 2020.

³ Richard Lorentz resigned as Non-executive Director 22 April 2020.

⁴ Andrew Childs appointed as Non-executive Director 22 April 2020.

⁵ Greg Channon appointed as Non-executive Director 17 August 2020.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2020

14. REMUNERATION REPORT – AUDITED (continued)

(f) (ii) Key management personnel remuneration 2019

Name	Short-term employee benefits			Post- employment benefits	Share based payments		Total
	Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Superannuation \$	Shares \$	Options (C) \$	
Executive Directors							
Cosimo Damiano ¹	113,582	9,313	122,895	10,056	-	-	132,951
David McArthur ²	7,167	987	8,154	396	-	-	8,550
Non-Executive Directors							
Chris Hodge	36,000	10,301	46,301	-	-	-	46,301
David McArthur ²	65,333	5,532	70,865	4,354	-	-	75,219
Ian Tchacos ³	30,000	9,313	39,313	-	-	-	39,313
Richard Lorentz ⁴	3,555	987	4,542	-	-	-	4,542
Total key management personnel remuneration	255,637	36,433	292,070	14,086	-	-	306,876

¹ Cosimo Damiano resigned as Managing Director 26 November 2019.

² David McArthur resigned as Non-executive Director 15 July 2019. Appointed interim Managing Director 26 November 2019.

³ Ian Tchacos resigned as Non-executive Director 26 November 2019.

⁴ Richard Lorentz appointed as Non-executive Director 26 November 2019.

XSTATE RESOURCES LIMITED**DIRECTORS' REPORT****For the year ended 31 December 2020****14. REMUNERATION REPORT – AUDITED (continued)****(f) Key management personnel remuneration (continued)****Notes in relation to the table of Directors' remuneration**

(A) Includes movements in annual leave accrual for Executive Director.

During the reporting period certain key management persons invoiced for commercial, arms-length consulting services in addition to duties required as Directors. The total quantum of these transactions as disclosed in note 6.2 of the notes to the consolidated financial statements was:

- Chris Hodge \$3,000 (2019: \$4,500)
- David McArthur \$72,000 (2019: \$96,000)
- Andrew Childs \$24,000 (2019: \$nil)

(B) Comprises Directors and Officers insurance premiums.

(C) The fair value of options granted was determined using the Black-Scholes method at grant date. No options were issued to Directors during 2020 (2019: nil).

(g) Analysis of bonuses included in remuneration

No short-term incentive cash bonuses have been awarded as remuneration to Directors of the Company for year ended 31 December 2020 (2019: nil).

(h) Other KMP disclosures

All options refer to options over ordinary shares of Xstate Resources Limited, which are exercisable on a one-for-one basis under the Employee Share Option Scheme.

Options over equity instruments granted as compensation

During the reporting period, no options were issued to Directors of the Company (2019: nil).

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Options over equity instruments

The movement during the reporting period, by number of options over ordinary shares of Xstate Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 January 2020	Granted	Expired / Lapsed	Balance upon appointment / resignation	Held at 31 December 2020	Vested and exercisable 31 December 2020
Executive Directors						
David McArthur	9,000,000	-	(9,000,000)	-	-	-
Non-executive Directors						
Chris Hodge	9,000,000	-	-	9,000,000	N/A	N/A
Richard Lorentz	-	-	-	-	N/A	N/A
Andrew Childs	N/A	-	-	-	-	-
Greg Channon	N/A	-	-	-	-	-

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2020

14. REMUNERATION REPORT – AUDITED (continued)

(h) Other KMP disclosures (continued)

Convertible Notes

The movement during the reporting period in the number of convertible notes, each note convertible into 500,000 fully paid ordinary shares of Xstate Resources Limited, held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 January 2020	Acquired	Balance upon appointment / resignation	Held at 31 December 2020
Executive Directors				
David McArthur	-	-	-	-
Non-executive Directors				
Chris Hodge	-	-	-	N/A
Richard Lorentz	-	-	-	N/A
Andrew Childs	N/A	-	-	-
Greg Channon	N/A	-	10	10

Movements in shares

The movement during the reporting period in the number of ordinary shares in Xstate Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 January 2020	Purchases	Sales	Balance upon appointment / resignation	Held at 31 December 2020
Executive Directors					
David McArthur	24,993,699	-	-	-	24,993,699
Non-executive Directors					
Chris Hodge	12,617,339	-	-	12,617,339	N/A
Richard Lorentz	-	-	-	-	N/A
Andrew Childs	N/A	-	-	4,200,000	4,200,000
Greg Channon	N/A	-	-	-	-

(i) Voting and comments at the Company's 2020 Annual General Meeting

The Company received 80.31% of "for" votes on its remuneration report for the 31 December 2019 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2020

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is included in the Directors' Report for the financial year ended 31 December 2020.

This Directors' Report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'D McArthur', written in a cursive style.

DAVID McARTHUR

Managing Director

Signed at Perth, Western Australia this 31st day of March 2021.

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF XSTATE RESOURCES LIMITED

As lead auditor of Xstate Resources Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Xstate Resources Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Assets			
Cash and cash equivalents	4.1	814,876	540,495
Trade and other receivables		6,195	-
Prepayments	3.1	199,781	17,291
Deposits and bonds		-	870
Total current assets		1,020,852	558,656
Deposits	3.2	72,176	-
Property, plant and equipment		-	1,691
Total non-current assets		72,176	1,691
Total assets		1,093,028	560,347
Liabilities			
Trade and other payables	4.2	(163,224)	(457,100)
Borrowings	5.2	(66,709)	-
Employee benefits	4.3	(105,937)	(150,353)
Total current liabilities		(335,870)	(607,453)
Site restoration provision	3.3	(52,858)	(58,083)
Total non-current liabilities		(52,858)	(58,083)
Total liabilities		(388,728)	(665,536)
Net assets / (liabilities)		704,300	(105,189)
Equity			
Share capital	5.1	50,427,398	49,560,932
Reserves		624,060	486,019
Accumulated losses		(50,347,158)	(50,152,140)
Total equity attributable to equity holders of the Company		704,300	(105,189)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Revenue from operating activities			
Other income	2.2	80,813	569,292
Expenses			
Other operating expenses		(231,731)	(179,380)
Exploration expenditure		(122,654)	(144,268)
Revaluation of Financial Assets held at FVTPL		-	(138,889)
Personnel expenses	2.3	(163,545)	(306,876)
Business development		(499)	(58,439)
Administrative expenses		(49,012)	(49,508)
Professional fees		(124,502)	(367,146)
Finance expenses		(29,156)	(1,096)
Other expenses		(1,897)	(20,171)
Foreign exchange loss		(5,026)	(2,562)
Other losses		(1,483)	-
Loss before income tax expense		(648,692)	(699,043)
Income tax expense	2.4	(3,742)	(2,554)
Loss for the year		(652,434)	(701,597)
Other Comprehensive Income / (Loss)			
Exchange differences on translation of foreign operations		6,358	(13,678)
Total Comprehensive Loss for the year		(646,076)	(715,275)
Loss per share (cents per share)			
Basic and diluted (cents per share)	2.5	(0.04)	(0.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

XSTATE RESOURCES LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital	Foreign currency translation reserve	Options reserve	Convertible note reserve	Accumulated losses	Total
		\$	\$	\$	\$	\$	
Balance at 1 January 2020		49,560,932	28,603	457,416	-	(50,152,140)	(105,189)
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(652,434)	(652,434)
Other comprehensive income for the year							
Foreign exchange translation difference on foreign operations		-	6,358		-	-	6,358
Total other comprehensive income for the year		-	6,358	-	-	-	6,358
Total comprehensive loss for the year		-	6,358	-	-	(652,434)	(646,076)
Transactions with owners, recorded directly in equity:							
Contributions by and distributions to owners							
Issue of ordinary shares	5.1	952,500	-	-	-		952,500
Equity component convertible notes	5.1	-	-	-	589,099		589,099
Expiry of options		-	-	(457,416)	-	457,416	-
Capital raising costs		(86,034)	-	-	-	-	(86,034)
Total contributions by owners		866,466	-	(457,416)	589,099	457,416	1,455,565
Balance at 31 December 2020		50,427,398	34,961	-	589,099	(50,347,158)	704,300

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

XSTATE RESOURCES LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Foreign currency translation reserve	Options reserve	Accumulated losses	Total
	\$	\$	\$	\$	
Balance at 1 January 2019	49,006,771	42,281	457,416	(49,450,543)	55,925
Total comprehensive income for the year					
Loss for the year	-	-	-	(701,597)	(701,597)
Other comprehensive income for the year					
Foreign exchange translation difference on foreign operations	-	(13,678)	-	-	(13,678)
Total other comprehensive loss for the year	-	(13,678)	-	-	(13,678)
Total comprehensive loss for the year	-	(13,678)	-	(701,597)	(715,275)
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Issue of ordinary shares	570,000	-	-	-	570,000
Capital raising costs	(15,839)	-	-	-	(15,839)
Total contributions by and distributions to owners	554,161	-	-	-	554,161
Balance at 31 December 2019	49,560,932	28,603	457,416	(50,152,140)	(105,189)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from legal proceedings		-	500,000
Cash paid to suppliers and employees		(493,540)	(1,078,963)
Payments for exploration, evaluation and development		(572,321)	(402,497)
Interest paid		(979)	(1,046)
Interest received		-	865
Income taxes paid		(3,742)	(2,554)
Government grants received		20,000	-
Net cash used in operating activities	4.1b	(1,050,582)	(984,195)
Cash flows from investing activities			
Payments for production interest acquisitions		(32,397)	-
Payments for property, plant and equipment		-	(2,098)
Net cash used in investing activities		(32,397)	(2,098)
Cash flows from financing activities			
Proceeds from issue of shares and options	5.1	905,000	570,000
Proceeds from issue of convertible notes	5.1	562,000	-
Payment of capital raising costs		(98,684)	(3,189)
Proceeds from borrowings		25,903	-
Repayment of borrowings		(33,766)	(36,485)
Net cash from financing activities		1,360,453	530,326
Net increase / (decrease) in cash and cash equivalents		277,474	(455,967)
Cash and cash equivalents at 1 January		540,495	994,442
Effect of exchange rate fluctuations on cash held		(3,093)	2,020
Cash and cash equivalents at 31 December	4.1a	814,876	540,495

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

SECTION 1 BASIS OF PREPARATION

Xstate Resources Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2020 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities relating to exploration and evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

1.1 GENERAL INFORMATION

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Level 1, 31 Cliff Street, Fremantle, WA, 6160.

The Group is primarily involved in oil and natural gas exploration in the United States of America.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and were authorised for issue by the Board of Directors on 31 March 2021. The financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Accounting Standards Board ("AASB"). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis, except for share-based payments and financial assets which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency;
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2020. Refer to note 6.8 for further details; and
- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.9 for further details.

1.2 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business.

On 3 February 2021, the Company announced that it had placed 500 million shares to sophisticated investors at a price of \$0.008 per share to raise a total of \$4m before costs, to be utilised for imminent drilling activities at the Borba well and for further investment opportunities.

The Directors of the Company are of the opinion that the Group is in a position to carry on operations for the foreseeable future and that it will be able to realise its assets and discharge its liabilities in the normal course of business.

XSTATE RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.3 BASIS 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 Group. The Group 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.

1.4 FOREIGN CURRENCY TRANSLATION

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss may arise. Any such differences are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

1.5 IMPAIRMENT

Non-financial assets

At each reporting date, the Group 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.

1.6 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group'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:

Judgements

- *Note 1.2* *Going concern*

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Estimates and assumptions

- *Note 2.4* *Income tax expense*
- *Note 3.3* *Site restoration*
- *Note 5.1* *Convertible notes*

XSTATE RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operational result, taxation and loss per share.

Key estimates and assumptions in this section

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, the tax asset has not yet been recognised.

2.1 OPERATING SEGMENTS

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being oil and gas exploration and evaluation.

Reportable segments disclosed are based on aggregating leases where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same petroleum resource or type of petroleum resource; and
- exploration programs targeting the leases as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the leases.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating leases, are determined in accordance with *AASB 8 Operating Segments*.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2019.

2.2 OTHER INCOME

Accounting Policy

Other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

Finance income

Interest is recognised using the effective interest method.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

	Note	2020 \$	2019 \$
Other operating income	(i)	60,813	68,427
Income from legal proceedings	(ii)	-	500,000
Finance income		-	865
Government grants	(iii)	20,000	
		80,813	569,292

XSTATE RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 OTHER INCOME (continued)

- (i) A by-product of exploration leases acquired in the Capay and Los Medanos gas fields is a working interest in minor gas production rights in the Sacramento Basin onshore California.
- (ii) Xstate entered into a Forbearance to Sue Agreement with Hong Hung Thiam (Hong) in February 2019. Under the Forbearance to Sue Agreement, Hong agreed to pay A\$500,000 to Xstate across five instalments between February and May 2019.
- (iii) In March 2020, the Federal Government announced temporary cash flow boost measures to support small and medium sized business during the economic downturn associated with COVID-19. As a result, eligible businesses who employ staff were entitled to between \$20,000 to \$100,000 in cash flow boost amounts by lodging their activity statements up to the month or quarter of September 2020.

Xstate Resources met the eligibility requirements for these temporary measures, and as such, was entitled to the minimum grant of \$20,000 due to the size of the Company's payroll. There are no unfulfilled conditions or other contingencies attaching to receipt of this government assistance.

2.3 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The table below sets out personnel costs expensed during the year.

		2020	2019
	Note	\$	\$
Directors' remuneration	6.2	163,545	306,876
		163,545	306,876

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 INCOME TAX EXPENSE

Accounting Policy

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 Group 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 probably 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.

(a) Amounts recognised in profit or loss

	2020	2019
	\$	\$
Current tax expense		
Current period	(223,881)	(58,564)
Income taxes paid	3,742	2,554
Deferred tax benefit		
Origination and reversal of temporary differences	223,881	58,564
Total income tax expense	3,742	2,554

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate

	2020	2019
	\$	\$
Loss for the period	(652,434)	(701,597)
Total income tax expense	3,742	2,553
Loss excluding income tax	(648,691)	(699,044)
Income tax using the Group's domestic tax rate of 27.5% (2019: 27.5%)	(178,390)	(192,237)
Non-deductible expenses	95,718	179,273
Income taxes paid overseas	3,743	2,554
Adjustment for prior periods	(102,831)	-
Timing differences not brought to account	(38,378)	(45,600)
Tax losses not brought to account	223,881	58,564
	3,742	2,554
Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	5,926,426	5,325,273
Potential tax benefit at 27.5% (2019: 27.5%)	1,629,767	1,464,450

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to \$1,629,767 (2019: \$1,464,450) attributed to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for deductibility imposed by tax legalisation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Group in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business test.

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 INCOME TAX EXPENSE (continued)

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets (DTAs) and liabilities have not been recognised in respect of the following items:

	2020	2019
	\$	\$
Employee benefits	29,133	41,347
Carry forward tax losses	1,629,767	1,464,450
Other	1,048	1,048
DTAs not brought to account	1,659,948	1,506,845

There were no unrecognised deferred tax liabilities.

2.5 LOSS PER SHARE

(a) Basic loss per share

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 31 December 2020 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Loss per share attributable to ordinary shareholders

	2020	2019
Net loss attributable to ordinary shareholders - \$	(652,434)	(701,597)
Issued ordinary shares at 1 January	1,425,490,898	1,140,490,898
Effect of shares issued	42,162,568	22,643,836
Weighted average number of ordinary shares at 31 December	1,467,653,466	1,163,134,734
Basic loss per share (cents)	(0.04)	(0.06)
Diluted loss per share (cents) *	(0.04)	(0.06)

* At 31 December 2020, no options (2019: 47,000,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

SECTION 3 ASSETS AND LIABILITIES SUPPORTING PRINCIPAL ACTIVITIES

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation, production interests and capital and other commitments existing at the year end.

Key estimates and assumptions in this section

Site restoration

Provisions for the costs of rehabilitation, decommissioning and restoration of the area disturbed during mining activities depends on the legal requirements at the date of decommissioning, the costs and timing of work and the discount rate to be applied.

3.1 PREPAYMENTS

	2020	2019
	\$	\$
Current		
Prepaid exploration expenditure	189,826	-
Other prepayments	9,955	17,291
	199,781	17,291

3.2 DEPOSITS

	2020	2019
	\$	\$
Non-current		
Deposits paid for production asset interest acquisitions (i)	72,176	-

- (i) As at 31 December 2020, the Company had paid, and had deposits paid on their behalf, totalling A\$72,176 in connection with the acquisition of a 15% working interest in production assets in Northern Alberta, Canada from Blue Sky Resources.

3.3 PROVISIONS

Accounting Policy

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 the Group's published environment policy and 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.

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.

XSTATE RESOURCES LIMITED
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3.3 PROVISIONS (continued)

The joint-venture operator, Sacgasco Limited (**ASX:SGC**), 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.

	2020	2019
	\$	\$
Movement in carrying amounts		
Opening balance	(58,083)	(54,972)
Amounts utilised	-	-
Effects of foreign exchange	5,225	(3,111)
Reduction in provision required	-	-
Closing balance	(52,858)	(58,083)

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

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.

(a) Reconciliation of cash and cash equivalents

	Note	2020 \$	2019 \$
Cash and cash equivalents in the statement of cash flows	6.1	814,876	540,495

The perceived credit risk is low as cash and cash equivalents are with authorised deposit taking institutions.

(b) Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Cash flows from operating activities		
Loss for the period	(652,434)	(701,597)
Adjustments for:		
Depreciation	209	630
Insurance premium funding	33,816	36,485
Interest on convertible notes	27,099	-
Revaluation of investments	-	138,889
Loss on disposal of assets	1,482	-
Net profit on foreign exchange translation	24,704	5,354
Change in other receivables	(6,195)	39,506
Change in prepayments	(205,301)	2,426
Change in other operating assets	886	-
Change in trade and other payables	(231,460)	(340,604)
Change in interest bearing liabilities	1,028	-
Change in employee benefits	(44,416)	(165,284)
Net Cash used in operating activities	(1,050,582)	(984,195)

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 CASH AND CASH EQUIVALENTS (continued)

(c) Non-cash investing and financing activities

	2020	2019
	\$	\$
Deposit for production interest acquisition	39,778	-
Issue of shares as payment for Director liabilities	47,500	-

Non-cash investing and financing activities disclosed in other notes are:

- Deposit for production interest acquisition – notes 3.2 and 5.2
- Issue of shares as payment for Director liabilities – note 5.1

4.2 TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group 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.

	2020	2019
	\$	\$
Current		
Trade payables	(147,224)	(277,613)
Other payables and accrued expenses	(16,000)	(179,487)
	(163,224)	(457,100)

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 6.1.

4.3 EMPLOYEE BENEFITS

Accounting Policy

Liabilities accruing to directors and employees in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months of the balance date are recognised in employee benefits in respect of directors' and employees' services up to balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

	2020	2019
	\$	\$
Current		
Salary accrual	(95,320)	(119,874)
Post-employment benefits	(10,617)	(30,479)
	(105,937)	(150,353)

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 EQUITY AND FUNDING

This section focuses on the share capital, options and debt funding available to the Group at year end.

Key estimates and assumptions in this section

Convertible notes

Accounting for convertible notes requires assessment of all contractual terms contained within the note agreement. The structure of the convertible note agreements is such that notes convert mandatorily into shares and therefore notes have been accounted through equity.

5.1 CAPITAL AND RESERVES

Accounting Policy

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.

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2020	2019	2020	2019
Movements in ordinary shares on issue:				
On issue at 1 January	1,425,490,898	1,140,490,898	49,560,932	49,006,771
Private placement of shares at 0.25 cents each to raise working capital	362,000,000	-	905,000	-
Placement at 0.2 cents in partial settlement of debts owed to former Directors	23,750,000	-	47,500	-
Private placement of shares at 0.3 cents each to raise working capital	-	285,000,000	-	570,000
Capital raising costs	-	-	(86,034)	(15,838)
On issue at 31 December	1,811,240,898	1,425,490,898	50,427,398	49,560,932

The holders of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at meetings of the Company. Option holders cannot participate in any new share issues by the Company without exercising their options.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

Options

	Options on issue			
	Number of options		Amount in \$	
	2020	2019	2020	2019
Movements in options on issue:				
On issue at 1 January	47,000,000	47,000,000	457,416	457,416
Expiry of unlisted options	(47,000,000)	-	(457,416)	-
On issue at 31 December	-	47,000,000	-	457,416

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 CAPITAL AND RESERVES (continued)

During the reporting period, no shares were issued as a result of the exercise of options.
 Since the end of the reporting period, 15,000,000 shares were issued as a result of the exercise of options.

During the reporting period, 47,000,000 options expired (2019: no options expired).

Nature and purpose of reserves

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 Group's foreign operations from their functional currencies to the Group'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.

Convertible note reserve

During the period, the Company raised \$562,000 from the issue of 562 convertible notes on 9 July 2020 for costs associated with well workovers in the Sacramento Basin, as well as for ongoing exploration and production costs and for working capital purposes. As the terms of the notes are such that the notes mandatorily convert into shares on maturity, or earlier if approved by the Board of the Company, the entire amount of principal has been classified as equity. Interest accrued on the notes to 31 December 2020 has also been classified as equity through the reserve.

The notes have the following terms:

- Notes mature 12 months from the date of issue;
- Notes will convert into fully paid ordinary shares at a conversion price of \$0.002 per share at maturity, or at an earlier time subject to consent of the Company;
- Notes will be unsecured; and
- Notes will bear interest at a rate of 10% per annum, payable quarterly in arrears. Noteholders have the election to be paid interest via share issue at the same price as the Note conversion upon maturity of the Notes.

Convertible Notes

	Notes on issue			
	Number of notes		Amount in \$	
	2020	2019	2020	2019
Movements in notes on issue:				
On issue at 1 January	-	-	-	-
Issue of convertible notes	562	-	(562,000)	-
Interest accrued on notes	-	-	(27,099)	-
On issue at 31 December	562	-	(589,099)	-

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 BORROWINGS

Accounting Policy

Loans and borrowings are initially recognised at their fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

	2020 \$	2019 \$
Unsecured borrowings		
Other borrowings	(66,709)	-
	(66,709)	-
Current	(66,709)	-
Non-Current	-	-
	(66,709)	-

Reconciliation of Movement in Borrowings

	Other Borrowings	Premium Funding
Balance at 1 January 2019	-	-
Premium funding facility	-	(36,080)
Interest	-	(1,046)
Repayments	-	37,126
Balance as at 31 December 2019	-	-
Premium funding facility	-	(33,766)
Borrowings received	(25,903)	-
Loan arising payment on behalf of Xstate	(39,778)	-
Interest	(1,028)	(979)
Repayments	-	34,745
Balance as at 31 December 2020	(66,709)	-

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

6.1 FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Accounting Policy

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement categories in the statement of financial position in accordance with AASB 9 *Financial Instruments*:

- Fair value through Profit or Loss (FVTPL)
- Amortised Cost
- Fair value through Other Comprehensive Income (FVTOCI)

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Overview

The Group has exposure through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Principal Financial Instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and Cash Equivalents (note 4.1)
- Trade Receivables
- Trade and other payables (note 4.2)
- Borrowings (note 5.2)

Financial Assets

	Amortised cost	
	2020	2019
	\$	\$
Cash and cash equivalents	814,876	540,495
Trade and other receivables	6,195	-
Total Financial Assets	821,071	540,495

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Financial Liabilities

	Amortised Cost	
	2020	2019
	\$	\$
Trade and other payables	(163,224)	(457,100)
Borrowings	(66,709)	-
Total Financial Liabilities	(229,933)	(457,100)

Financial Instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their value.

Due to the nature of the agreements for borrowings, the carrying value approximates their value.

General objectives, processes and policies

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's receivables from customers.

As the Group currently has a minimal amount of transactions that result in receivables, due to the nature of the entity being an exploration entity, the Risk Management Committee has determined it not necessary to establish a credit policy for assessing creditworthiness of customers at this stage.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Group held cash and cash equivalents of \$814,876 at 31 December 2020 (2019: \$540,495). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

At 31 December 2020, there was no credit risk for trade and other receivables by geographic region.

Currently, the Group undertakes exploration and evaluation activities exclusively in the USA. As the Group is not trading, there are no financial assets past due and there is no management of credit risk through performing an aging analysis; therefore, an aging analysis has not been disclosed.

Liquidity risk

Liquidity risk arises from the Group's management of working capital, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure, so far as is possible, that it will always have sufficient cash and cash equivalents to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities excluding the impact of netting arrangements:

	Carrying amount \$	Contractual cash flows \$	12 months or less \$
31 December 2020			
Non-derivative financial liabilities			
Trade and other payables	(163,224)	(163,224)	(163,224)
Borrowings	(66,709)	(66,709)	(66,709)
	(229,933)	(229,933)	(229,933)
31 December 2019			
Non-derivative financial liabilities			
Trade and other payables	(457,100)	(457,100)	(457,100)
	(457,100)	(457,100)	(457,100)

The balances above will not always agree to the financial statements as the contractual cash flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position.

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change to the manner in which the Group manages market risk from the previous year.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group is predominantly exposed to currency risk on expenditure incurred through exploration and evaluation activities in the USA.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows (denominated below in AUD equivalent as at respective period end exchange rates):

	Assets		Liabilities	
	2020	2019	2020	2019
	\$	\$	\$	\$
US dollar	3,960	135,686	(39,616)	(129,030)

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollar (USD) foreign exchange risk. The following table details the Group's sensitivity to a 2% (31 December 2019: 2%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% (31 December 2019: 2%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

		Impact on profit or loss	
		2020	2019
		\$	\$
If AUD strengthens by 2% (31 December 2019: 2%)			
USD		713	(133)
If AUD weakens by 2% (31 December 2019: 2%)			
USD		(713)	133

From the above analysis, there would be no material impact on other equity of the Company and the Group.

Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. All current loans payable by the Group are on terms agreed between the parties and are not subject to change during the life of the agreements. Accordingly, the Group does not hedge its interest rate risk exposure.

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	2020	2019
	\$	\$
Variable rate instruments		
Cash and cash equivalents	814,876	540,495
	814,876	540,495

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 31 December 2019.

	Profit or loss	
	100 bp increase	100 bp decrease
	\$	\$
31 December 2020		
Variable rate instruments	8,109	-
Cash flow sensitivity	8,109	-
31 December 2019		
Variable rate instruments	4,057	(1,826)
Cash flow sensitivity	4,057	(1,826)

At the reporting date the Group did not hold any variable rate financial liabilities.

6.2 RELATED PARTIES

Key management personnel compensation included in 'Directors' remuneration' (note 2.3), comprises the following:

	Note	2020	2019
		\$	\$
Short term employee benefits		157,933	292,070
Post-employment benefits		5,612	14,806
	2.3	163,545	306,876

XSTATE RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2 RELATED PARTIES (continued)

Individual Director's and Executives' compensation disclosures

Information regarding individual Director's and Executive's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration report section of the Directors' Report in section 14.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to Key Management Personnel and entities over which they have control or significant influence were as follows:

			Transactions value		Balance outstanding	
			year ended 31 December		as at 31 December	
			2020	2019	2020	2019
<i>KMP</i>	<i>Transaction</i>	<i>Note</i>	\$	\$	\$	\$
Chris Hodge	Consultancy fees	1	3,000	4,500	-	4,500
David McArthur	Management fees	2	72,000	96,000	9,873	52,800
Andrew Childs	Consultancy fees	3	24,000	-	-	-
					9,873	57,300

- The Group used the consultancy services of CCH Resources Pty Ltd, a company associated with Mr Hodge, in relation to advice on certain exploration and management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.
- The Group used the management services of Broadway Management (WA) Pty Ltd, a company associated with Mr McArthur, in relation to the provision of bookkeeping, accounting and financial control aspects of the Company's operations. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. At 31 December 2020 an amount of \$72,875 was due and payable to DAS (Australia) Pty Ltd in relation to Company Secretarial services provided by Mr McArthur (2019: \$58,575). As this falls within his scope as an officer of the Company, it has not been disclosed above as a separate related party transaction as it is disclosed in the Remuneration Report contained within the Directors' Report.
- The Group used the consultancy services of Resource Recruitment Pty Ltd, a company associated with Mr Childs, in relation to capital raising services provided to the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal terms.

XSTATE RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.3 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2020 %	2019 %
CalX SELA LLC	Oil and gas exploration	California, USA	31 December	100	100
Xstate (USA) Corp	Oil and gas exploration	California, USA	31 December	100	100
XGas LLC	Oil and gas exploration	California, USA	31 December	100	100
Xstate Texas LLC	Oil and gas exploration	California, USA	31 December	100	100

6.4 PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 31 December 2020, the parent entity of the Group was Xstate Resources Limited.

	2020 \$	2019 \$
Results of the parent entity		
Total comprehensive loss for the year	(809,418)	(647,283)
Financial position of parent entity at year end		
Current assets	826,870	432,956
Total assets	899,046	434,647
Current liabilities	(296,254)	(478,424)
Total liabilities	(296,254)	(478,424)
Total equity of the parent entity comprising of:		
Share capital	50,427,821	49,560,932
Reserves	589,099	457,416
Accumulated losses	(50,414,128)	(50,062,125)
Total equity / (deficiency)	602,792	(43,777)

Refer to note 6.7 for contingent liabilities that impact the parent entity.

6.5 SUBSEQUENT EVENTS

On 22 January 2021, the Company held a general meeting of shareholders. At this meeting, approval was obtained for the issuance of 8,000,000 shares in satisfaction of an outstanding debt to DAS (Australia) Pty Ltd, a company associated with Director David McArthur, and for the issuance of 58,333,333 shares to Blue Sky Resources Limited ("BSR") as part of agreed consideration for the acquisition of working interests in Red Earth assets. These shares were issued on 1st and 2nd February 2021 respectively. Additionally, at the general meeting, shareholders approved the issuance of 90,000,000 unlisted options to Directors, with a strike price of \$0.005 and an expiry date of 31 December 2022. These options were issued on 29 January 2021.

On 28 January 2021, the Company entered into a binding terms sheet with BSR for the acquisition of a 10% working interest in oil and gas producing assets in southern Alberta, Canada. The purchase price for the workings interests was agreed as C\$250,000 plus the issue of A\$70,000 worth of Xstate fully paid ordinary shares, based on a 5-day VWAP pricing to the date of agreement – equating to 10,937,500 shares, subject to shareholder approvals.

XSTATE RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.5 SUBSEQUENT EVENTS (continued)

On 2 February 2021, the Company converted all outstanding convertible notes held, and the interest accrued to date, into fully paid ordinary shares. A total of 297,013,160 shares were issued at a conversion price of \$0.002 per share, in accordance with terms in the convertible note agreements.

On 3 February 2021, the Company advised the market that it had placed 500,000,000 shares at \$0.008, for a total raising of \$4,000,000 before costs to provide funds for Xstate's share of costs relating to the drilling of the Borba 1-7 well. These shares were allotted on 11 February 2021. It was additionally noted that pursuant to agreement with Sargasco Limited, the Company would be acquiring a further 9.33% interest in the Borba 1-7 well (taking Xstate's total interest to 33.33%) via earn-in agreement whereby the Company would pay for an additional 13.5% of the drilling costs for Borba (taking Xstate's share of costs to 37.5% for the drilling program).

On 9 February 2021, the Company advised the market that it had closed on the acquisition of its 10% working interest in oil and gas producing assets in southern Alberta, Canada, as announced to the market on 28 January 2021.

On 11 February 2021, the Company issued 10,000,000 fully paid ordinary shares on exercise of \$0.005 options.

On 16 February 2021, the Company issued 5,000,000 fully paid ordinary shares on exercise of \$0.005 options.

On 23 February 2021, the Company advised the market that the Graham Drilling Rig 5 had spudded the Borba 1-7 Well, commencing a program that will drill to a depth of 2,800 metres, with a prospective interval covering approximately 1,920 metres.

On 22 March 2021, the Company announced it had acquired a further 10% working interest in the Red Earth Oil Producing Properties – an interest that equated at the time of the announcement to an additional 100 BOPD in production interest. The acquisition was for a purchase price of C\$700,000 plus A\$150,000 worth of Xstate fully paid ordinary shares, based on a 5-day VWAP pricing to the date of the agreement – equating to 10,135,135 shares, subject to shareholder approvals.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

In conjunction with the above, subsequent to the reporting date, there has also been significant improvement in world oil and gas pricing.

Other than the above, there have been no subsequent events of a material nature occurring.

6.6 AUDITORS' REMUNERATION

	2020	2019
	\$	\$
BDO Audit (WA) Pty Ltd		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	35,093	27,925
Total remuneration for audit and other assurance services	35,093	27,925
<i>Taxation services</i>		
Tax compliance services	9,270	8,938
Total remuneration of BDO Audit (WA) Pty Ltd and its related parties	44,363	36,863

XSTATE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.6 AUDITORS' REMUNERATION (continued)

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice, or where BDO is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Non-BDO audit firms	2020	2019
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial reports	-	-
Total remuneration for audit and other assurance services	-	-
<i>Taxation services</i>		
Tax compliance services	4,828	7,352
Total remuneration of non-BDO audit firms	4,828	7,352
TOTAL REMUNERATION OF AUDIT FIRMS	49,191	44,215

6.7 CONTINGENT LIABILITIES

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured.

When the Group has a present obligation, an outflow of economic resources is assessed as probable and the Group can reliably measure the obligation, a provision is recognised.

As at the end of the reporting period, the Company has no identifiable contingent liabilities.

6.8 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for an accounting period on or after 1 January 2020. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 2018-6	<i>Amendments to Australian Accounting Standards – Definition of a Business</i>
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>
AASB 2019-1	<i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>
AASB 2019-5	<i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia</i>

The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

6.9 ACCOUNTING STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group's accounting policies, however, further analysis will be performed when the relevant standards are effective.

XSTATE RESOURCES LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Xstate Resources Limited (the "Company"):
 - (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2020.

This declaration is signed in accordance with a resolution of the Board of Directors.



DAVID McARTHUR

Managing Director

Dated at Perth, Western Australia this 31st day of March 2021.

INDEPENDENT AUDITOR'S REPORT

To the members of Xstate Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xstate Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Convertible Notes

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 5.1 of the financial report, the company has issued convertible notes during the year.</p> <p>The accounting for convertible notes was considered a key audit matter due to:</p> <ul style="list-style-type: none">the complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both; andmeasurement of the individual components of the notes based on the terms and conditions of the agreement.	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none">Testing all funding received for the convertible notes and the costs associated to supporting documentation;Obtaining an understanding of the terms and conditions of the convertible note agreements and the requisite conditions to be met for conversion;Assessing the Group's consideration of the accounting classification as to whether the notes are to be accounted for as equity, a liability or a combination of both;Considering the appropriateness of the valuation methodology applied against the requirements of the relevant Australian Accounting Standard; andAssessing the adequacy of the related disclosures in Note 5.1 to the financial report.



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Xstate Resources Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in dark ink, appearing to read 'Dean Just', is written over a faint, light blue BDO logo.

Dean Just

Director

Perth, 31 March 2021

STOCK EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 15 March 2021:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	715	81,824	0.003%
1,001 - 5,000	105	286,184	0.011%
5,001 - 10,000	62	502,024	0.019%
10,001 - 100,000	1,771	96,627,958	3.593%
100,001 and over	2,094	2,592,089,526	96.375%
Total	4,747	2,689,587,516	100

There were 1,308 holders of less than a marketable parcel of ordinary shares.

2. Substantial shareholders

There are no substantial shareholders as at 15 March 2021.

3. Voting rights

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options and rights

No voting rights.

4. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
22-Jan-21	75,000,000	3	31-Dec-2022	0.5

XSTATE RESOURCES LIMITED
STOCK EXCHANGE INFORMATION

5. Twenty largest shareholders

Shareholders	Ordinary shares	
	Number held	% of issued shares
Mr Robert John Wittenoom	90,625,000	3.37%
BNP Paribas Nominees	74,309,365	2.76%
Citicorp Nominees Pty Ltd	62,473,680	2.32%
Petroleum Ventures Pty Ltd	50,784,930	1.89%
Blue Sky Resources Ltd	49,928,333	1.86%
Suburban Holdings Pty Ltd <Suburban Super Fund A/C>	44,371,282	1.65%
Mr Teik Tatt Oh	38,000,000	1.41%
Ms Justine Davina Michel <Lambrecht Investment A/C>	33,139,725	1.23%
Apnea Holdings Pty Ltd <Kelly Family A/C>	32,662,258	1.21%
Talex Investments Pty Ltd <A F Wylie Super Fund A/C>	30,000,000	1.12%
Mr Ross Jeremy Taylor <Jamanaro A/C>	26,700,000	0.93%
Osiris Capital Investments Pty Ltd	25,000,000	0.93%
Dr John Tomasich	23,000,000	0.86%
Mr Brett Andrews Thomas	22,037,614	0.82%
Mr Richard Michael Fremlin	21,666,666	0.81%
Mr David Maxwell McArthur	21,255,566	0.79%
Mr Alan George Brooks & Mrs Philippa Claire Brooks <AG & PC Brooks S/Fund A/C>	21,139,725	0.79%
Mr Anthony James Borrello & Mrs Neda Borrello	20,000,000	0.74%
Surfit Capital Pty Ltd	20,000,000	0.74%
Warroorah Pty Ltd <Tchacos Fund A/C>	19,752,917	0.73%

XSTATE RESOURCES LIMITED
STOCK EXCHANGE INFORMATION

6. Petroleum lease interests at 15 March 2021

Project name	Location	Working interest
Alvares Appraisal Well	Sacramento Basin Onshore Northern California	25%
Alvares Project	Sacramento Basin Onshore Northern California	30%
Dempsey 1-15 Well	Sacramento Basin Onshore Northern California	10%
Dempsey AML	Sacramento Basin Onshore Northern California	24%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	10%
Malton Field	Sacramento Basin Onshore Northern California	30%
East Rice East Creek Field	Sacramento Basin Onshore Northern California	10%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	10%
Dutch Slough Field	Sacramento Basin Onshore Northern California	30%
Denverton Field	Sacramento Basin Onshore Northern California	30%

7. Gold tenements listing at 15 March 2021

Tenement description	Tenement number	Status	Percentage interest
King Brown	M24/705	Granted	12%
