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Announcement to ASX

Electronic lodgement

ANSHOF-3 DISCOVERY TESTING UPDATE

Xstate Resources Limited (**ASX: XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to advise shareholders that Operator of the Anshof Prospect, ADX Energy Limited (**ASX:ADX**) has today provided an update regarding flow testing for the Anshof-3 oil and gas discovery. A production testing program at the Anshof-3 exploration discovery well in Upper Austria is set to commence in late March 2022.

Xstate holds a 20% working interest in the Anshof Prospect. A copy of the ADX release has been attached to this announcement.

This release was approved by the board of the Company

David McArthur

Director

Xstate Resources Limited

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About Xstate Resources Limited:

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

Anshof-3 Discovery Testing Update

Flow testing operations for the Eocene oil zone are due to commence in late March 2022

Key points:

- Flow testing of the recently drilled Anshof-3 oil and gas discovery well located in the ADX-AT-II license in Upper Austria will commence in late March 2022.
- Following the mobilisation of the RED W-101 work over rig to location, the testing program will include the running of the production tubing in the well, perforation of the well, conducting two flow tests using compressed natural gas to lift the well and shutting in the well to measure pressure build up in the well.
- The testing program is designed to evaluate the likely long term production and economic potential of the Eocene oil zone at the Anshof-3 well and to obtain further valuable data for the ongoing appraisal and development of the Eocene oil discovery.
- Following the testing program for the 6 m gross Eocene oil bearing sandstone, the well is expected to be placed on long term interim production utilising a rod pump and delivering oil for sale by truck to a nearby oil terminal prior to securing a production license for the Anshof discovery. Austrian legislation allows up to approximately 37,000 barrels of interim production (approximately a year at 100 barrels per day) prior to the finalisation of a production license.
- ADX estimates that an average oil production rate from the Eocene reservoir at Anshof-3 will be in the range of 40 to 100 barrels of oil per day. The range is based on well performance from analogous nearby Eocene zone production wells.
- ADX will deploy personnel and equipment from its Zistersdorf production operations to cost effectively undertake the well testing program.



The RED W-101 workover rig undertaking operations in Upper Austria

ADX Energy Ltd (**ASX Code: ADX**) is pleased to advise that a production testing program at its Anshof-3 exploration discovery well in the ADX-AT-II license in Upper Austria Upper will commence in late March 2022. The testing program is designed to evaluate the long term production and economic potential of the Eocene oil zone at Anshof-3 shown in Figure 1 (below) as well as the ongoing appraisal and development of the Eocene oil discovery.

The Anshof-3 well was completed on the 15th of January 2022 following the running and cementing of 7" casing to a total drilling depth of 2499 m Measured Depth ("MD"). The well penetrated a large high relief structure providing significant appraisal and development potential in that area. The Eocene oil zone (primary target) was encountered as predicted, validating the pre-drill structural model as well as confirming the presence of a valid trap and a large structure.

The well was successfully open hole logged and the subsequent petrophysical analysis has resulted in the following interpretation of the reservoirs of interest:

1. A 20 m gross gas reservoir zone at ~800 m MD with strong gas shows within imbricated Miocene sandstone reservoir formations;
2. A 6 m gross Eocene oil reservoir intersection with 2.5 m net pay section at a depth of 2302 m MD; and
3. A 3.6 m MD Cenomanian oil reservoir section which is however regarded as tight and unlikely to achieve economic oil production at the Anshof-3 location. It will not be tested at the Anshof-3 location but remains a valid target for future appraisal or development well locations.

The next steps in the evaluation of the Anshof-3 discovery will be the perforation and flow testing of the deeper Eocene sandstone reservoirs and, depending on the long-term economic flow potential of the Eocene reservoirs at Anshof-3, a decision will be made in relation to the testing of the shallower Miocene sandstone gas reservoirs. The well test results for the Eocene oil zone will also provide information which will be important for the ongoing appraisal and development of the Eocene oil discovery such as reservoir productivity, oil quality and reservoir continuity.

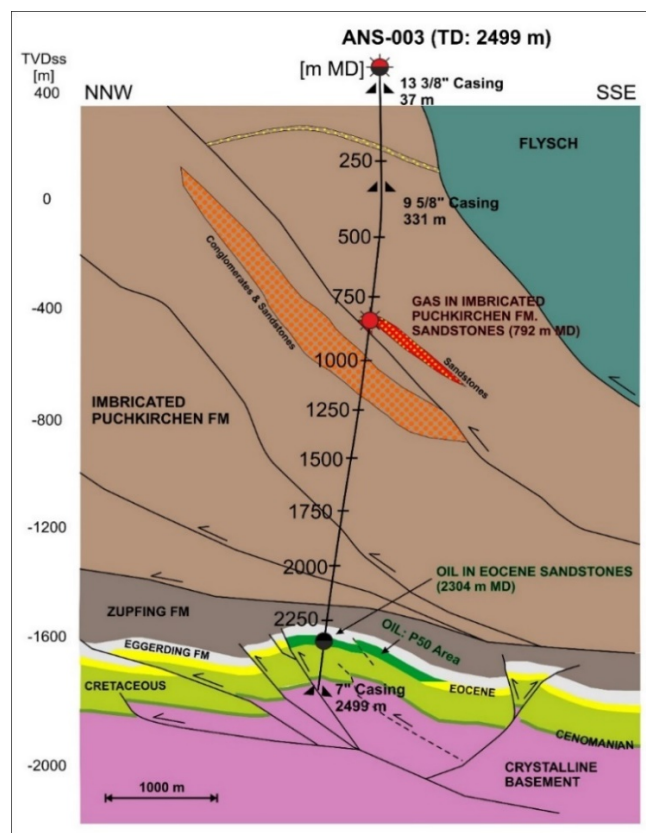


Figure 1: Geological Cross Section schematic along the Anshof-3 well path, highlighting the two hydrocarbon zones which will be tested. The Eocene oil zone will be tested first.

The RED W-101 work over rig will mobilise at the Anshof-3 well location in late March 2022. The testing program will include the running of the production tubing in the well, perforation of the well, conducting two flow tests using compressed natural gas (“CNG”) to lift the well ^{Note 1} and shutting in the well to measure pressure build up in the well using down hole pressure recording equipment.

Note 1. Artificial lift will be required because free flowing production is not likely due to low reservoir pressure support and low gas oil ration (“GOR”) for Eocene oils based on many offset production wells.

Subject to the flow test results justifying ongoing economical oil production from the Eocene reservoirs, a rod pumping unit as well as the necessary surface facilities will be installed to enable the well to be produced on a long-term basis. Long-term oil production can be delivered by truck to a nearby rail oil processing and rail loading facility (approximately 15 kms from the Anshof-3 location) enabling commercial production prior to securing a production license for the Anshof discovery. Rail transport will allow production to be delivered to the oil refinery near Vienna. Austrian legislation allows for up to approximately 37,000 barrels of test production (approximately a year at 100 barrels per day) prior to the finalisation of a production license.

In the event that the flow testing does not confirm economic production from the Eocene, the Eocene may be temporarily plugged, and the imbricated Miocene formations can be tested in a subsequent testing program.

The Anshof wellsite has provision for up to 3 drilling slots, the Anshof-3 surface location was approved first by all necessary authorities to allow spudding. Anshof is fully covered by modern 3D seismic and is on trend existing producing oilfields in the NW (Voitsdorf, Bad Hall and Pfarrkirchen) and in the NE (Sierning) as shown in Figure 2.

The other drilling slots will be used for near term appraisal and development drilling. The objective of the next wells will be to maximize well productivity by targeting areas of thicker Eocene reservoir development as shown in Figure 3.

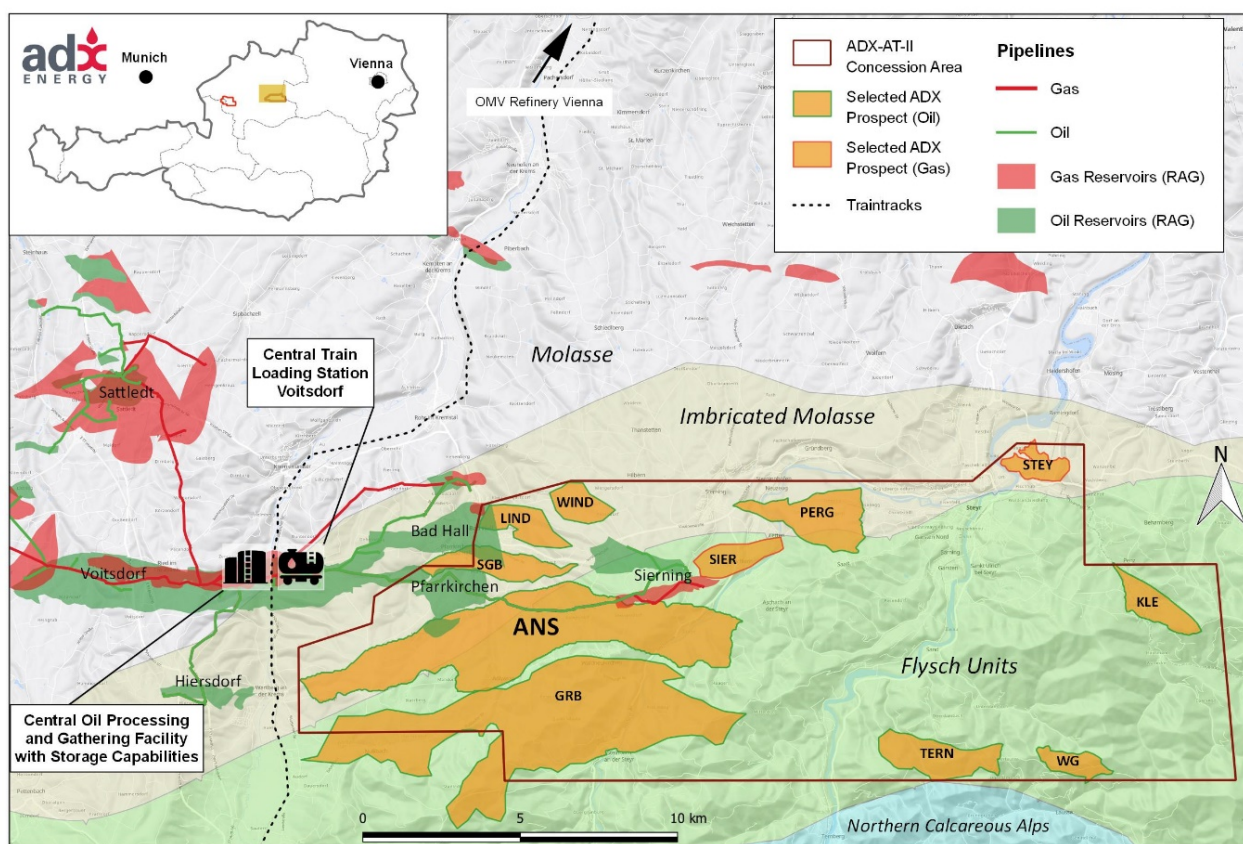


Figure 2: Map showing Anshof ADX-AT-II and nearby fields Voitsdorf, Bad Hall and Pfarrkirchen and Sierning and nearby train transport oil loading facility.

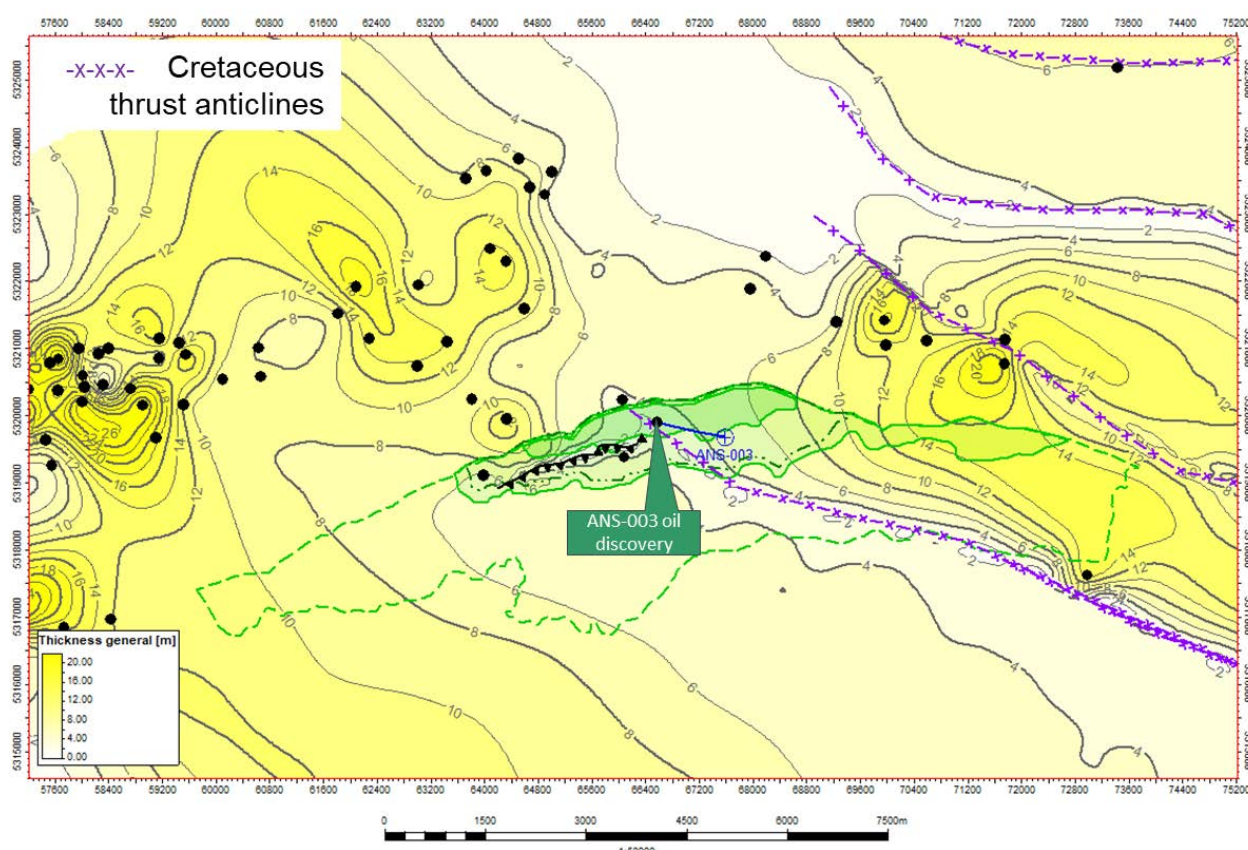


Figure 3: Map showing expected Anshof field outline in green and Eocene oil reservoir net thickness in meters based on well and seismic data. The ANS-3 discovery was drilled in a crestal I position, the appraisal and development wells will focus on thicker Eocene reservoir development down dip to achieve higher reserves and production rates

Further well testing reports

Further well testing reports will be provided upon commencement of the work over rig mobilisation in approximately two weeks.

Note:

ADX announced a farmout to ASX listed Xstate Resources Limited to fund 40% of the Anshof-3 well costs to earn a 20% participating interest in the Anshof Prospect. Refer to ASX release dated 22 November 2021.

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Authorised for lodgement by Ian Tchacos, Executive Chairman

Persons compiling information about Hydrocarbons:

Pursuant to the requirements of the ASX Listing Rule 5.31, 5.41 and 5.42 the technical and reserves information relating to Austria contained in this release has been reviewed by Paul Fink as part of the due diligence process on behalf of ADX. Mr. Fink is Technical Director of ADX Energy Ltd is a qualified geophysicist with 25 years of technical, commercial and management experience in exploration for, appraisal and development of oil and gas resources. Mr. Fink has reviewed the results, procedures and data contained in this release and considers the resource estimates to be fairly represented. Mr. Fink has consented to the inclusion of this information in the form and context in which it appears. Mr. Fink is a member of the EAGE (European Association of Geoscientists & Engineers) and FIDIC (Federation of Consulting Engineers).

End of this Release