

31 January 2023

Announcement to ASX

Electronic lodgement

December 2022 Quarterly Activity Report

HIGHLIGHTS

- **Xstate completes maiden cash flow positive year in 2022**
- **Commencement of production** at Anshof-3 oil discovery well
- **Total net production** from Canadian assets (before Royalty) **of 44 thousand barrels of oil equivalent (boe)**

Xstate Resources Limited (**ASX:XST**) ("**Xstate**", "**XST**" or "**the Company**") is pleased to provide the Quarterly Activities Report for the quarter ending 31 December 2022.

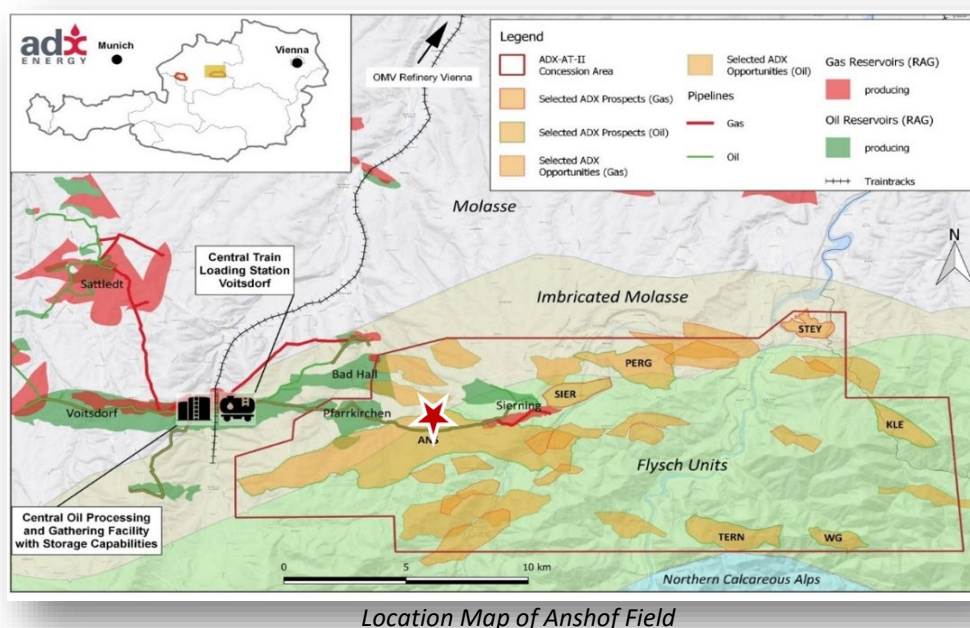
With funds received during the December quarter from Canadian operations, Xstate has marked a cash flow positive year of operating without capital injections for the first time in its history.

AUSTRIA: ANSHOF EOCENE OIL PROJECT (20% WI)

Commencement of an extended production test occurred on 16 Oct 2022. Anshof-3 produced at a stable gross rate 113 barrels per day during the quarter. Well production indicates reservoir performance exceeding expectations in relation to pressure support and deliverability. Water-free crude production of 33° API crude has been maintained. Crude quality meets all the required specifications of the transporter and the buyer (OMV-refinery near Vienna).



Oil tanker offloading at Anshof-3 location



Insignificant pressure decline (or *almost no pressure decline*) was observed after a total production of approximately 8,000 barrels to date. Strong pressure support was confirmed by pressure build up measurement which was recorded for 314 hrs (13 days) during the Christmas and New Year period. Reservoir pressure at the end of the shut-in period is estimated at 165.8 bar, compared to an initial reservoir pressure of 169.4 bar based on surface pressure measurement.

Limited crude oil storage capacity at the Anshof-3 well site continues to cause unintended production interruptions, mostly at the end of weekends when road transport is limited. ADX has commenced a procurement process for additional storage vessels (2 x 50 m³) in order to mitigate this limitation. Additional tanks are expected to be installed during the second quarter of 2023. Once the additional storage is in place it is envisaged that oil production from the well can be increased.

XST share of Oil and Gas production in Austria	December Quarter 2022	September Quarter 2022
Gross Sales (Barrels)	1,297	Nil

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

This quarter's production was slightly lower than the previous quarter, largely due to the effect of inclement weather on operations in Canada. Xstate's December quarter share of production from the Company's Canadian assets was 43,938 boe, with net operational receipts for the quarter totaling a A\$404,000, which is consistent with last quarter. Daily production net to Xstate at the end of the December quarter was identified at 503 boepd.

The focus for Xstate's Canadian assets remains optimizing and increasing production and cashflow in this strong oil price environment. During the quarter, two Directors of Xstate travelled to Canada for joint venture meetings and to review field operations. The Blue Sky Resources (**BSR**) field operations were noted to be in very good condition, and meetings with the Operator identified a number of new opportunities, both in existing fields and potential new ventures. Xstate is continuing to work with BSR on these opportunities with further updates to be released to investors in due course.



Directors reviewing field operations at the Taber oil and gas plant – Alberta Plains South



Taber oil treatment facility – Alberta Plains South



Pump jack at Red Earth

XST share of Oil and Gas production in Canada	December Quarter 2022	September Quarter 2022
Gross Sales boe*	43,938	50,583

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

As identified during September Quarterly Report, the Operator, Blue Sky Resources, is undertaking a significant reactivation program at Red Earth, the results of which should begin to be visible in the next quarter.

CALIFORNIA: BORBA NATURAL GAS DRILLING (33.33% WI)

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

CALIFORNIA: SACRAMENTO BASIN PRODUCTION (VARIOUS WIs)

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

Oil and Gas production in California (mcf*)	December Quarter 2022	September Quarter 202
Gross Gas	37,303	42,280
Net XST (after Royalty)	4,906	5,830
<i>Note: mcf = Thousand Cubic feet gas</i>		

XSTATE TENEMENT LISTING

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

NEW VENTURES

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

LISTING RULE 5 DISCLOSURES

LR 5.4.1: Exploration expenditure during the quarter totalled \$153k. This is comprised \$150k for upfront exploration and evaluation costs for operations in Austria and \$3k for ongoing exploration operations in California.

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

LR 5.4.5: Payments to related parties totalled \$71k. These were in respect of Directors' salaries and superannuation payments.

This release was approved by the board of the Company

Andrew Childs

Executive Chairman

Xstate Resources Limited

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About Xstate Resources Limited:

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

Leases:

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

Competent Person:

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

Appendix 5B

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

Name of entity

Xstate Resources Limited

ABN

96 009 217 154

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	404	2,398
1.2	Payments for		
	(a) exploration & evaluation	(153)	(1,041)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(68)	(192)
	(e) administration and corporate costs	(130)	(523)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(48)	(539)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	10	109
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(5)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	(5)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	831	723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10	109
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(5)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(28)	(14)
4.6	Cash and cash equivalents at end of period	813	813

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	813	831
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	813	831

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	71
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
8.	Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (item 1.9)	10	
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-	
8.3	Total relevant outgoings (item 8.1 + Item 8.2)	10	
8.4	Cash and cash equivalents at quarter end (item 4.6)	813	
8.5	Unused finance facilities available at quarter end (item 7.5)	-	
8.6	Total available funding (item 8.4 + item 8.5)	813	
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A	
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>			
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:		
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?		
Answer:			
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?		
Answer:			
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?		
Answer:			
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>			

Compliance statement

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

Date: 31 January 2023

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

Notes

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