



ABN 96 009 217 154

31 October 2023

Announcement to ASX

Electronic lodgement

2023 SEPTEMBER QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

- Total production net to Xstate from Canadian assets (before Royalty) of 17,368 barrels of oil
- Xstate completes divestment transaction of Alberta Plains assets for C\$1.575m
- Anshof-3 producing consistently with a total of 1,884 bbl net to Xstate produced during the quarter

Xstate Resources Limited (**ASX:XST**) (**Xstate, XST or the Company**) is pleased to provide the Quarterly Activities Report for the quarter ending 30 September 2023.

CHAIRMAN'S COMMENT

"Cashflow for the quarter was boosted with the completion of our Alberta Plains Assets divestment transaction. At the end of the quarter, the Company has A\$1.225m cash for utilisation in future opportunities of the Company. The remaining assets within Xstate's portfolio continue to operate effectively for the Company."

CANADA: RED EARTH (25% WI)

During the quarter, the Operator undertook a moderate level workover and maintenance program on the larger producing wells within the Red Earth area which took many of them offline for a number of weeks. These wells are back online post quarter-end and the Red Earth operations have returned to profitability in the third quarter. No cash has been received from operations however due to the costs of the maintenance program as proceeds were used to reduce the Company's overall liability to the Operator from operations.

XST share of Oil production in Canada	September Quarter 2023	June Quarter 2022
Gross production bbl (before royalties)	17,368	18,942

Based on current production and commodity price increases observed, Xstate expects that cash flows will resume in the fourth quarter from the Red Earth operations.

Alberta Plains Asset Divestment

On 19 July 2023, Xstate announced that it had entered into an agreement with Blue Sky Resources Limited (**Blue Sky**) to sell its 35% WI in the Alberta Plains Assets for cash consideration of C\$1,575,000 (approximately A\$1,750,000 at the time of announcing). The sale proceeds were subject to offset of amounts owed under the operations, resulting in cash receivable of C\$1,082,035 (approximately A\$975,000 at the time of announcing)¹.

On 29 September the transaction was completed upon receipt of C\$1,007,731 (approximately A\$1,170,000 at time of announcing) from Blue Sky². As a result, the Company has reported a boosted closing cash balance for the September quarter of A\$1.225m.

Albert Plains Assets divested



Figure 1: Xstate's Producing Assets in Canada

AUSTRIA: ANSHOF PRODUCTION (XST:20% WI)

Production continued during the quarter, with consistent reservoir pressure and no water cut. Anshof-3 produced a gross total of 9,421 bbl during the quarter (1,884 bbl net to XST) giving the Company a total net share of production of 5,960 bbl for the year to date. The Company has unpaid netback from operations of circa €82,000 available for operations.

The Anshof-3 well produced a steady average of 114 BOPD gross (23 BOPD net to Xstate) until it was shut in on 19 September 2023 after reaching the regulatory limit of 36,000 bbl during the period of extended well testing. During this shut in period, the operator will prepare and drill the Anshof-2 well and install permanent facilities for the Anshof-2 and -3 wells..

¹ Refer to Xstate announcement dated 19 July 2023

² Refer to Xstate announcement dated 29 September 2023

It was previously identified that flow rates had been constrained by storage issues, these were remediated in the quarter with the commissioning of a 50m³ storage tank. The installation resulted in a minor disruption to operations noted in the quarter. The Operator previously advised that it anticipates production will increase to 135 BOPD (27 BOPD net to XST) as a result of the commissioning of the storage tank.

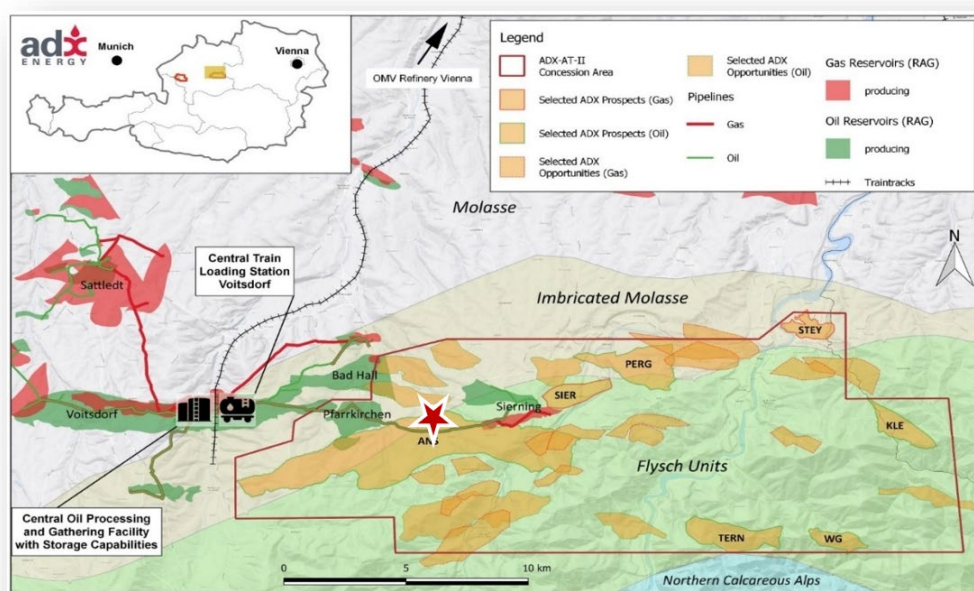


Figure 2: Location Map of Anshof 3

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

There were no changes to the California assets and evaluations to monetize the 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.

CALIFORNIA: SACRAMENTO BASIN PRODUCTION (VARIOUS WIs)

No changes to the Sacramento project with the Company maintaining its 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*)	September Quarter 2023	June Quarter 2023
Gross Gas	28,572	29,179
Net XST (after Royalty)	3,689	3,682

Note: mcf = Thousand Cubic feet gas

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% (Sold 19 Jul 2023)

NEW VENTURES

The Company continues its global search for high impact exploration opportunities, and has identified a number of significant oil and gas prospects which are currently undergoing detailed due diligence.

LISTING RULE 5 DISCLOSURES

LR 5.4.1: Exploration expenditure during the quarter totaled \$18k. This was performed on the Company's exploration interest in California.

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

LR 5.4.5: Payments to related parties totaled \$10k. 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")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	286
1.2 Payments for		
(a) exploration & evaluation	(18)	46
(b) development	-	-
(c) production	-	-
(d) staff costs	(14)	(64)
(e) administration and corporate costs	(95)	(255)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid*	93	89
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(34)	105

* Refund received from Canadian Revenue Agency relating to FY22

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	-	(820)

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 (9 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	1,148	1,148
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	1,148	328
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	(14)	(28)
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	(14)	(28)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	118	813
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(34)	105
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,148	328
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	(28)

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	7	7
4.6	Cash and cash equivalents at end of period	1,225	1,225

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	1,225	118
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)	1,225	118

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	10
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(34)	
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)	(34)	
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,225	
8.5 Unused finance facilities available at quarter end (item 7.5)	-	
8.6 Total available funding (item 8.4 + item 8.5)	1,225	
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	36.03	
<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 October 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.