

7th February 2025

Announcement to ASX

Electronic lodgement

DIVESTMENT OF CREST JINN ASSETS

Xstate Resources Limited (**ASX:XST**) (**Xstate** or **the Company**) advises that it has reached agreement with Blue Sky Resources Limited (**Blue Sky** or **the Operator**) regarding the sale of the Company's 25% working interest in the Crest Jinn assets, located in Alberta, Canada. The divestment has been executed with Xstate receiving a 3% overriding royalty on 25% of all production operations on the existing Crest Jinn wells and from any other wells that may be put into production in future in the 10,240 gross acres that formed a component of the 25% working interest¹.

The deal will have an effective date of 1st January 2025 and the value of the royalty interest has been calculated at approximately C\$10,500 (approximately A\$11,715 as of the date of this announcement). The Company intends to utilise funds received from this royalty interest for corporate operational costs.

The Company confirms there were no external approvals required for this transaction to take effect. There are no material terms or conditions precedent requiring satisfaction for the divestment to take effect, and there are no terms or conditions considered outside normal commercial terms and conditions.

Commercial Rationale

The decision to sell the last of the Canadian assets was made once commercial discussions with Blue Sky reached an impasse such that the best deal the Company could negotiate would still not facilitate the re-quotations of the Company's shares (which remain suspended).

Given that the Company could not invest further in the project and look to develop the asset, we undertook a review of production levels (in conjunction with the operator) and an expert analysis of the reserves contained in the singular producing well contained within the Crest Jinn acreage.

Given the increasingly uncertain political, economic and environmental challenges faced in Canada, the Board concluded that a divestment was therefore the most appropriate course of action. Whilst the value of the royalty interest is nominal, we alleviate ourselves of the burden associated with restoration liabilities whilst still receiving a nominal cash return on the asset over the course of the expected remainder of the useful life of both current and future wells.

Xstate Director, Andrew Bald stated *"Over the past 12 months or so, Xstate's technical team reviewed the Crest Jinn assets identified a number of highly prospective targets within the project area. After some brief, high level discussions with Blue Sky however, we formed the view that we could not agree on commercial terms that would result in a sufficient exposure to the exploration prospectivity of the assets, namely control and operatorship. Accordingly, the Board took the view that, given the uncertain political and operating conditions in Canada, it would be prudent for us to exit and seek to deploy our capital elsewhere."*

¹ See ASX Announcement dated 3rd February 2023

This release was approved by the Board of Xstate Resources Limited

Andrew Childs

Executive Chairman

About Xstate Resources Limited:

Xstate Resources (ASX Code: XST) is an ASX listed company focused on the oil and gas sector. The Company has oil production interests in Austria, and exploration assets located in the Sacramento Basin, California. Xstate is presently pursuing new opportunities in the oil and gas sector globally.

About Blue Sky

Blue Sky is a privately owned Canadian entity that owns and operates various oil and gas assets located in Alberta and British Columbia, Canada, including its working interest and operatorship of the Red Earth assets, divested by Xstate in July 2024. Blue Sky presently produces close to 8,500 boe/d from its assets. Xstate has been engaged with Blue Sky since acquisition of Red Earth and Alberta Plains assets in 2020/2021, and as such, this tenure of relationship with the operator has been considered a factor of due diligence efforts performed on the capacity to perform their obligations in relation to the transaction.

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