

30 January 2026

Announcement to ASX

Electronic lodgement

DECEMBER 2025 QUARTERLY ACTIVITIES REPORT

Xstate Resources Limited (**ASX:XST**) (**Xstate, XST or the Company**) provides its Quarterly Activities Report for the quarter ending 31 December 2025.

HIGHLIGHTS

- Diona-1 well drilled
- Potential discovery of Basin Centred Gas play
- Updated Prospective Resources of 200bcf (100bcf net to Xstate)
- Funding secured for appraisal and production testing
- Disposal of US Assets significantly reducing exposure to abandonment liabilities

ACTIVITIES

The past quarter has been an exceptionally productive time for the Company. With the re-instatement of the shares on the 16th September 2025 and the spudding of the Diona-1 well on the 29th September, our technical team had their hands full with the drilling and interpretation of the well results.

Whilst the primary target, being the Showgrounds formation, were a disappointment, the Company made a major breakthrough when gas was encountered in the deeper Tinowon and Wallabella sands. The Diona-1 well was ultimately drilled to a depth of 2,479m (measured depth) and intersected a 181m hydrocarbon prone Permian to basement sequence. This well encountered a significant overpressured gas column and mud weights needed to be increased to maintain well control.

On the 14th October 2025, the Company announced that wireline logging had confirmed 116m of Gross Pay and 23m of Net Pay in the Permian sandstone formations noting that wireline tools were not run across the entirety of the Wallabella Sandstones. These Wallabella Sandstones, which themselves had strong gas shows, may yield more upside to the announced 23m of Net Pay. The Pay Zones were calculated using cutoffs consistent with ERCE Sproule's Contingent Gas Resources Calculations that were used on nearby gas permits including those belonging to Elixir Energy Limited.

Formation	Top of Formation	Gross Pay	Net Pay	Porosity (Max)	Porosity (Avg)	Notes
Bandanna / Black Alley	2287	60	13	14%	11%	Combined formations
Tinowon Sandstone	2411	11	1	12%	11%	-
Wallabella Sandstone	2421	45	9	11%	8%	Potential upside: additional pay on LWD not logged on wireline
Total		86	23		10%	

Due to the discovery of gas in these formations, the Company undertook an internal review of the Prospective Resource. The review was undertaken by Xstate's Competent Person, Mr Greg Channon on the 24th October 2025 and identified the potential for hydrocarbons to extend over the norther portion of the Diona block.

The Prospective Resource distribution (see Table 1: Prospective Resource Estimates below) considered the potential extent of the reservoir, the thickness based on nearby wells, the petrophysical results from the Diona-1 well and also considered analogies locally and globally. As a result, on the 27th October 2025, the Company announced a Mean Prospective Resources of 100 Bscfe net unrisked to Xstate.

Parameter	Units	P90 (1U)	P50 (2U)	P10 (3U)	Mean
Area	km ²	28	60	129	72
Net Pay	m	14	23	33	23
Gross Recoverable Gas	Bscf	44	107	266	138
Gross Recoverable Condensate	MMstb	2.4	7.0	20.2	9.9
Gross Recoverable Gas Equivalent	Bscfe	62	154	377	197
Recoverable Gas 51% net to Xstate	Bscf	22.4	54.6	135.7	70.4
Recoverable Condensate 51% net to Xstate	MMstb	1.2	3.6	10.3	5.0
Recoverable Gas Equivalent 51% net to Xstate	Bscfe	31.6	78.5	192.3	100.5

*Table 1: Prospective Resource Estimates**

The chance of geological success discovery (Pg) associated with this prospective distribution is estimated at 38%, with the chance of development (Pd) estimated at 85%, giving an overall chance of commercial development of 32%. The above prospective resource is internally generated by XState, and has not yet been reviewed nor ratified by the Diona Joint Venture.

Whilst the testing of the Permian section will be a critical step in understanding the potential of the BCG play in the Diona Block, further drilling may be required to realise the prospective resource outlined in this release.

*** Prospective Resources Cautionary Statement**

These estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery (Pg) and a risk of development (Pd). Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons. These Prospective Resource have been calculated in accordance with Guidelines issued by the Society of Petroleum Engineers in the Petroleum Resource Management System (2018) using probabilistic methods. 1U, 2U and 3U refer to the low estimate, best estimate, and high estimate respectively and are respectively equal to the P90, P50 and P10 scenarios that are output from the probabilistic assessment. Gas-equivalent Prospective Resources have been calculated in Billion standard cubic feet equivalent (Bscfe) using a conversion factor of 1 barrel condensate = 6000 cubic feet of gas. These Prospective Resource only consider the most likely case hydrocarbon phase scenario (gas with

condensate) and do not consider the possibility of oil. ATP2077 is an Authority To Prospect as awarded by the Queensland Government.

Diona-1: Next Steps

Planning for the perforation and stimulation of the Diona-1 well has been progressing and we remain on track for end of March 2026 with results from the flow testing expected in early April 2026.

All going well, the plan is to connect the well to the nearby pipeline and put the well on an extended production test.

Disposal of US Project

On the 8th December 2025, the Company announced that it had finalized the sale of its various working interests in California. The consideration for the sale was equivalent to US\$95,103, being the forgiveness of accrued cash calls payable by Xstate at the time of the transaction. Accordingly, Xstate has assigned its production from those working interests, which totaled some 14.6 mcf per day however generated no net income or positive cash flow for the Company. The net result was a significant reduction in our exposure to the abandonment liabilities in California which will eventually have to be made whole.

Managing Director Andrew Bald commented:

“The Diona-1 well was a significant success for the Xstate team, noting that our Chairman, Mr Greg Channon was instrumental in identifying the prospect and played a major role in the original application for the tenement by Elixir Energy Limited.

“We now have a project that, over the next 12 months, has the prospect to add significant value to our shareholders. With our exit from California and the commensurate reduction in the associated abandonment liabilities, we are solely focused on the completion and appraisal of Diona-1 and planning for the next steps in realizing full value for the Diona prospect.”

FINANCIAL

The Company's cash balance upon conclusion of the quarter increased to A\$2.91m.

CORPORATE

Funding secured for Appraisal Program

On the 31st October 2025, the Company announced that it had successfully raised \$3.82m to fund the Appraisal of the well and the production test which will commence in the first quarter of 2026.

XSTATE TENEMENT LISTING

XSTATE RESOURCES LIMITED – TENEMENT LIST AS AT 31 DECEMBER 2025			
Project name	Region	Category	Working Interest (WI)
ATP2077	Surat Bowen Basin, Queensland	Exploration	51%

LISTING RULE 5 DISCLOSURES

LR 5.4.1: Exploration expenditure during the quarter totaled \$2.442m on the Company's Diona-1 project.

LR 5.4.2: No production expenditure payments were incurred during the quarter.

LR 5.4.3:

- No petroleum tenements acquired during the quarter. Xstate's Californian tenement interests were disposed in the quarter;
- Petroleum tenements held at quarter end identified in the above table;
- No farm-in or farm-out agreements entered into during the quarter; and
- There are no other farm-in or farm-out agreements current in earn-in stage.

LR 5.4.4: Use of funds for the quarter reported against the Company's prospectus is as follows:

Use of funds	As per Prospectus dated 26-Jun-25	Actual expenditure 1-Jul-25 – 31-Dec-25
Diona-1 Well	2,650,000	3,937,000
Exploration and Development	120,000	-
Costs of the Offer	319,206	351,000
Working Capital	1,651,294	540,000
Total	4,740,500	4,828,000

LR 5.4.5: Payments to related parties totaled \$202k. These were in respect of Directors' salaries and superannuation payments, for rent of office lease to a Director related entity and for additional consulting work performed on an ad hoc basis over and above normal Directors' duties.

This release was approved by the Board of the Company

Andrew Bald
Managing Director
Xstate Resources Limited
Tel Office: +61 8 9435 3200

ABOUT XSTATE RESOURCES LIMITED

Xstate Resources (ASX:XST) is an ASX listed company focused on the oil and gas sector. In April 2025, the Company acquired its Diona project (ATP 2077 XST 51%, EXR 49%) located in the Surat Bowen basin of South-West Queensland.

COMPETENT PERSON

The technical information provided has been supervised and reviewed in detail by Xstate'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 2025

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	-	-
1.2 Payments for		
(a) exploration & evaluation	(2,442)	(3,956)
(b) development	-	-
(c) production	-	-
(d) staff costs	(101)	(336)
(e) administration and corporate costs	(796)	(2,002)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	81
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(44)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,329)	(6,257)

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	(1)	(1)
	(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	(1)	(1)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,959	6,103
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	(133)	(467)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	3,826	5,636
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,417	3,555
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,329)	(6,257)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,826	5,636

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	1	(19)
4.6	Cash and cash equivalents at end of period	2,914	2,914
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	2,914	2,417
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)	2,914	2,417
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		202
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. 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)		(3,329)
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)		(3,329)
8.4	Cash and cash equivalents at quarter end (item 4.6)		2,914
8.5	Unused finance facilities available at quarter end (item 7.5)		-
8.6	Total available funding (item 8.4 + item 8.5)		2,914
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)		0.88
	<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: No		
	Net operating cash outflows during the December quarter were elevated due to drilling on the Diona-1 exploration project, which concluded in mid-October. The Company does not expect net operating cash outflows to be sustained at the current level. The parties to the Joint Venture on the Diona-1 project are well advanced in their preparations for testing and completion works which are proposed to commence Q1 calendar 2026.		
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: No

The Company has not taken any steps to raise further cash and is waiting for the results of the upcoming completion and flow testing. The Company is optimistic that production revenues may be generated from the Diona project that will assist with funding further exploration efforts and open up alternative funding structures. Xstate retains the capacity to raise further capital from shareholders, should the need arise.

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: Yes

On the basis of the statements in section 8.8.1 and 8.8.2 above.

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.

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: 30 January 2026

Authorised by: Board of Directors

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.