



Xstate
R E S O U R C E S

XSTATE RESOURCES LIMITED

ABN 96 009 217 154

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2024

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CORPORATE DIRECTORY

Directors

Mr Andrew Bald
Mr Greg Channon
Mr Andrew Childs

Secretaries

Mr David McArthur (*resigned 22 July 2024*)
Mr Jordan McArthur

Registered and Principal Office

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Telephone: +61 8 9435 3200

Postal Address

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Auditors

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Level 9, Mia Yellagonga Tower 2, 5 Spring Street
Perth WA 6000

Bankers

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

Share Registry

Automic Group
Level 5, 191 St Georges Terrace
Perth WA 6000

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ASX Code

Shares: XST

Country of Incorporation and Domicile

Australia

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CHAIRMAN'S ADDRESS

Dear Shareholder,

I am pleased to present the 2024 Annual Report for Xstate Resources Limited.

The disposal of our Canadian Red Earth Assets for US\$2.73m (approximately A\$4.2m) was approved by shareholders at the Company's AGM held in April 2024.

The timely sale of Red Earth facilitated the recapitalisation of the Company, without incurring any additional shareholder dilution.

Contemporaneously with the disposal of the Company's principal asset, your Board has been actively engaged in the search for a suitable opportunity that would have size and scale to potentially grow our Company's market capitalisation exponentially.

Following the disposal of Red Earth, the Board reviewed a number of new opportunities and had discussions with ASX regarding the suitability of some of these projects to meet the ongoing quotation of our shares, however, we were unable to structure a suitable deal in the timeframe afforded under the Listing Rules. Hence, the Company's shares were suspended from trading by ASX on 26 August 2024 under Listing Rule 17.3 as ASX determined Xstate's level of operations were not sufficient to warrant the continued quotation of its securities.

ASX advised that the Company's shares will remain suspended until such a time that ASX is satisfied with Xstate's compliance with the ASX Listing Rules.

As part of the re-compliance process, the Company was advised by ASX that it must re-comply with Listing Rules 1 & 2 which, in addition to other matters of compliance, require the Company to meet both the assets test and minimum shareholder spread. Accordingly, the Company will be required to issue a Product Disclosure Document and raise new capital from at least 300 new or existing shareholders, at a minimum of \$2,000 per shareholder.

To reiterate, we have been very focused on re-compliance and are actively engaged with ASX on new projects. Once the Company has secured a new asset (with ASX Approval), we will undertake an Entitlements issue to enable existing shareholders to subscribe for new shares. Subject to ASX approval, we anticipate finalising an asset acquisition and relisting in the coming quarter.

Post year end, the Company announced the sale of its 25% working interest in its Canadian Crest Jinn Assets. Consideration is a 3% overriding royalty on 25% of all production operations in 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 2023 acquisition.

On behalf of the Board of Xstate Resources, I would like to thank shareholders for their patience and continued support. We look forward to reporting on the Company's activities during what should be a very exciting year in 2025.



Andrew Childs
Chairman

REVIEW OF OPERATIONS

Overview

Xstate Resources Limited (“Xstate”, “the Company” or “the Group”) is listed on the Australian Stock Exchange (ASX:XST). The Group is primarily involved in oil and natural gas exploration and production.

Over past 12 months, the Company has sought to rationalise its portfolio and divested itself of its Canadian based Red Earth project in Canada. The decision to divest the Red Earth project was taken in light of an uncertain political environment in Canada and a consensus amongst the Board to reposition the Company and seek projects in which it can take both a majority stake and operate.

To that end, the Board has continued to assess substantial asset acquisition opportunities and as at the date of this report is in late-stage negotiations for the acquisition of a gas exploration project located on-shore Australia. Following this acquisition, the Company intends to apply to ASX for re-compliance with Chapters 1 & 2 of the ASX Listing Rules and subsequently for re-quotation of the Company’s securities on ASX.

Operational Highlights

- Total Net Production (after Royalty) of 7,283 boe for the year, split:

Canada	1,569 bbl
Austria	3,754 bbl
California	1,960 boe
- Total Proved and Probable Reserves at 31 December 2024 (net to Xstate) were:

Canada	4.5 Mbbls
Austria	1,000.0 Mbbls
2P TOTAL	1,004.5 Mbbls

Canada: Alberta Producing Operations (25% WI)

On 7 February 2025, the Company announced the divestment of its 25% Working Interest (WI) of the 100% Interest in the 10,240 gross acreage acquired from Blue Sky Resources Limited and announced on 3 February 2023. The consideration for the assets is a 3% royalty over gross production from a 25% Interest of the Crest Jinn properties.

During the year ended 31 December 2024, Xstate’s share of Canadian Production was 1,569 bbls (after Royalty).

XST share of Oil and Gas production in Canada	Financial Year 2024 (BBL)	Financial Year 2023 (BBL)
XST WI share of Production (before Royalty)	1,684	74,517
XST WI share of Production (after Royalty)	1,569	61,115

Divestment of Red Earth Properties

In February 2024, Xstate announced it had entered into an agreement to sell its 25% working interest in the Red Earth asset for a consideration of US\$2,727,723 (approximately A\$4,165,000 at the time of announcing). The effective date of the transaction was 1 January 2024. The transaction received requisite shareholder approval under ASX Listing Rule 11.2 at the Company’s Annual General Meeting, held on 29 April 2024 and final payment and closing of the transaction occurred on 8 July 2024.

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Canadian Assets Reserve Reports

Independent Reserves Reports were undertaken by Sproule on the Company's Crest Jinn assets. The Report is dated 23 January 2025 and uses the average price deck effective 31 December 2024. Reserves are net to Xstate's working interest, before and after royalty. The reserves values presented below are as of 31 December 2024.

Red Earth and Crest Jinn Reserves Table 31 Dec 2024 – Sproule (BBL)	XST Reserves before Royalty (at 31-Dec-24)¹	XST Reserves after Royalty (at 31-Dec-24)¹	XST Reserves after Royalty (at 31-Dec-23)
Proved Producing (PDP)	4,100	3,600	580,400
Proved Developed Not Producing (PDNP)	-	-	411,600
Proved Undeveloped (PUD)	-	-	67,300
Total Proved (1P) Reserve	4,100	3,600	1,059,300
Probable Reserves (Prob)	400	300	285,400
Total Proved plus Probable (2P) Reserves	4,500	3,900	1,344,700

1. The Reserves Report information for 2024 relates only to Crest Jinn properties as a result of the divestment of the Red Earth assets during the 2024 year.

Additional Information Required under Chapter 5 of the ASX Listing Rules to be read as Notes to Reserve Table:

1. The Reserves were estimated by a qualified Independent Reserve Auditor Sproule and have been classified in accordance with SPE-PRMS. They have been reviewed in detail by XST's Competent Person, Mr Gregory Channon. Mr Channon has more than 35 years technical, commercial and management experience in exploration appraisal and development of oil and gas. Mr Channon is a member of the American Association of Petroleum Geologists. Mr Channon has reviewed the information and supporting documentation referred to in this announcement and considers the reserve estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clause 3.1 of the Valmin Code 2015. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.

The Reserves Estimates are compiled from data and information supplied by the Operator of Red Earth Properties, Blue Sky Resources Limited under the supervision of Mr Derrick Jewlal. Mr Jewlal has a Bachelor of Engineering Degree in Petroleum Engineering from Montana Technological University; he is a Registered Professional Engineer in the Province of Alberta and is qualified in accordance with ASX listing rule 5.41.

2. QUALIFIED PETROLEUM RESERVES AND RESOURCE EVALUATOR REQUIREMENTS:

The reserves and resources information in this Australian Stock Exchange ("ASX") document relating to oil fields in the Red Earth and Alberta Plains Properties are based on, and fairly represent information prepared by, or under the supervision of Mr Garry Finnis, Senior Manager, Engineering from Sproule. Mr Finnis has a Bachelor of Science Degree in Civil Engineering from University of Alberta. Mr Finnis is a Registered Professional Engineer (P. Eng) in the Province of Alberta and is qualified in accordance with ASX Listing Rule 5.41.

Sproule and its named employees have consented to be named in this manner in this release.

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3. Production trends and operating cost trends are well established, enabling the reliable prediction of future production by decline curve analysis, the estimation of future revenue from oil and gas sales as well as the forecasting of future costs. Economic life of reserves takes into account oil and gas revenues based on prevailing commodity pricing as well estimated operating costs, capital costs, royalties and mineral taxes.
4. The reserves are estimated at 31 December 2024 using Deterministic Methods based on Sproule estimates of future oil production using technical and economic data. Remaining oil production, based on analysis of well logs, geologic maps, seismic data, well test data, production data and property ownership information is multiplied by oil prices determined in the Sproule price deck (based on extensive market information and professional experience and expertise) at 31 December 2024. Operator supplied field Operating Costs based on actual and projected costs are deducted from revenues on a yearly basis to determine the economic limit of the wells and summed by individual field. Royalty payments are treated as Operating Cost deductions. Estimated individual field lives based on the above methods and 2P reserves range up to 3 years. These will vary over times due to oil prices, operating costs and other related imposts.
5. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, conclusions necessarily represent only informed professional judgement.
6. The Reserves have been estimated using Deterministic Methods and have been summed arithmetically and have not been adjusted for risk. The reserves are estimates and may increase and decrease as a result of market conditions, future operations including reactivations and fracture stimulations, enhanced recovery through waterfloods or changes in regulations, or actual reservoir performance. Estimates are based on certain assumptions including, but not limited to, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the Operator to recover the volumes, and that projections of future production will prove consistent with actual performance. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made.
7. The Canadian properties are non-operated.
8. Leases are Crown (Government awarded) leases. Most leases are Held By Production (**HBP**); annual rentals are paid on leases that are not HBP.
9. Royalties are paid to the Government based upon a formula where lower producing wells attract a lower royalty rate. Based upon the current gross production, the production royalty averages approximately 12%.
10. Reserves are mostly based on normal oilfield primary recovery methods using predominantly bottom hole rod insert pumps with conventional pumpjacks; 3 wells use electric submersible pumps (**ESP**). Some areas of the Red Earth fields are under secondary recovery using waterflood techniques.
11. Based on local reservoir experience further fracture stimulation and waterflooding may significantly increase reserves over time. The economic benefit and use of these techniques will be determined by economic analysis in the future.
12. No specialised processing of the oil is required.
13. Undeveloped Reserves are based on assumptions using the local cost of development wells to access the reserves, offset and analogue producing well performance and operating costs.
14. The production is transported by tankers and owned gathering pipelines to third party access pipelines to various markets in Canada, primarily local refineries. Oil prices received are local free market prices.

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PRMS Reserves Classifications used in this Release:

1P Denotes low estimate of Reserves (i.e., Proved Reserves).

2P Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

Proved Reserves are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Developed Reserves are quantities expected to be recovered from existing wells and facilities.

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Developed Non-Producing Reserves include shut-in and behind-pipe reserves with minor costs to access.

Undeveloped Reserves are quantities expected to be recovered through future significant investments.

Pricing Strip Tables used in Reserves reporting

Table S-2 Summary of Selected Canadian Price Forecasts⁽¹⁾ (Effective December 31, 2024)						
Year	Canadian Light Sweet Crude 40° API (\$Cdn/bbl)	Western Canada Select 20.5 API (\$Cdn/bbl)	Alberta AECO-C Spot (\$Cdn/MMBtu)	Edmonton Pentanes Plus (\$Cdn/bbl)	Edmonton Butane (\$Cdn/bbl)	Edmonton Propane (\$Cdn/bbl)
Historical						
2020	45.39	35.59	2.24	49.85	21.87	16.31
2021	80.31	68.73	3.64	85.88	51.64	43.39
2022	119.75	98.51	5.43	121.28	61.68	50.11
2023	99.87	79.53	2.64	102.80	45.62	29.59
2024	98.13	83.90	1.39	100.64	48.38	30.40
Forecast						
2025	97.14	83.57	2.29	98.57	50.71	33.47
2026	100.69	87.59	3.42	102.07	52.41	34.59
2027	97.33	84.67	3.31	98.61	50.67	33.20
2028	99.28	86.36	3.35	100.59	51.68	33.86
2029	101.27	88.09	3.41	102.60	52.71	34.54
2030	103.29	89.85	3.48	104.65	53.77	35.23
2031	105.36	91.65	3.55	106.74	54.84	35.93
2032	107.46	93.48	3.62	108.88	55.94	36.65
2033	109.61	95.35	3.69	111.05	57.06	37.38
2034	111.81	97.26	3.77	113.28	58.20	38.13
Escalation rate of 2.0% thereafter						

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Austria: Anshof-3 Production (20% WI)

Xstate announced the farm-in to ADX's Anshof-3 well in November 2021¹. Commercial production was announced in October 2022 and since that point, Xstate has enjoyed the benefit of a net total production of 10,944 bbl (before royalties).

Production at Anshof-3 peaked at 128 bopd with a water cut less than 1% during 2023, and has subsequently declined to approximately 90 bopd with a water cut of approximately 14%. Xstate has engaged with its joint venture partners in an effort to dispose of its working interest during 2023 and 2024 but has so far failed to negotiate an satisfactory exit.

XST share of Oil production in Austria	Financial Year 2024 (BBL)	Financial Year 2023 (BBL)
Gross sales before royalty	4,984	5,960

Anshof Field Independent Reserve Assessment

The Independent Reserve Assessment was undertaken via a Competent Person's Report (CPR) completed by independent consultants RISC. RISC was engaged to provide an independent reserve and resource assessment for the Anshof field located within the ADX-AT-II license for exploration, production and gas storage in Upper Austria (Molasse Basin). The RISC CPR has an effective date of 1 October 2022. XST holds a 20% participating interest in the Anshof field, with ADX being the Operator.

The RISC CPR was conducted in accordance with SPE-PRMS 2018 with an effective date of 1 October 2022 and has been adjusted for production during 2023 and 2024. The results of the Anshof-2 well have yet to be incorporated. The 1P, 2P and 3P Reserves have been classified as Undeveloped Reserves (Development Justified) and additional 3C Contingent Resources (Development Pending) have also been identified. A summary of the gross oil and gas reserves and resources for the Anshof field is contained in the below table.

Anshof Field, Austria Reserves Table	XST Reserves and Resources after Royalty (at 31-Dec-24)			XST Reserves and Resources after Royalty (at 31-Dec-23)		
	Oil (MMbbls)	Gas (MMCF)	Oil Equiv. (MMboe)	Oil (MMbbls)	Gas (MMCF)	Oil Equiv. (MMboe)
Total Proved (1P) Reserve	0.1	19.2	0.1	0.1	19.2	0.1
Total Proved plus Probable (2P) Reserves	1.0	234.0	1.0	1.0	234.0	1.0
Total Proved plus Probable plus Possible (3P) Reserves	2.4	562.0	2.5	2.4	562.0	2.5
Total Contingent (1C) Resource	-	-	-	-	-	-
Total Contingent (2C) Resource	-	-	-	-	-	-
Total Contingent (3C) Resource	2.6	608	2.7	2.6	608	2.7

¹ Refer ASX announcement dated 22 November 2021

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Additional Information Required under Chapter 5 of the ASX Listing Rules to be read as Notes to Austrian Reserve Table:

1. The notional reference point for reserves is the permit boundary or export line inlet.
2. XST has a 20% participating interest in the Anshof discovery area and 20% entitlement to its gross resources.
3. Probabilistic methods have been used to determine oil in place and recoverable oil. Deterministic methods were used to develop production profiles and well numbers.
4. The 1P case is economically marginal but falls within the typical 10% audit tolerance. Therefore, volumes can be classified as reserves.
5. 1P reserves are based on a 3-well development of the 1P area. 2P reserves are based on a 14-well development of the 2P area. 3P reserves are an upside performance of the 2P wells. An additional 15 wells are estimated to fully develop the high case field area, with this incremental resource classified as contingent resources.
6. Average oil price over the life of the field used in the NPV calculation was USD 71 per bbl (RT 2022).
7. Where necessary, a conversion factor of 1.08 EUR per USD has been used.
8. Average oil price over the life of the field used in the NPV calculation was USD 71 per bbl (RT 2022).
9. Where necessary, a conversion factor of 1.08 EUR per USD has been used.
10. Associated gas resources include inerts sold with the gas. There is no fuel and flare.
11. Conversion factors are 7.3 bbl per tonne of oil and 5,800 MMscf per MMboe of gas.

PRMS 2018 Reserves Classifications used in this Report for Anshof Field

1P Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.

2P Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

3P Denotes high estimate of Reserves. The sum of Proved plus Probable plus Possible Reserves.

1. **Developed Reserves** are quantities expected to be recovered from existing wells and facilities.
 - a. *Developed Producing Reserves* are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
 - b. *Developed Non-Producing Reserves* include shut-in and behind-pipe reserves with minor costs to access.
2. **Undeveloped Reserves** are quantities expected to be recovered through significant future investments.
 - A. **Proved Reserves** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
 - B. **Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

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C. **Possible Reserves** are those additional Reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves that are located outside of the 2P area (not upside quantities to the 2P scenario) may exist only when the commercial and technical maturity criteria have been met (that incorporate the possible development scope). Standalone Possible Reserves must reference a commercial 2P project.

RISC Independence

RISC has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of their independent report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets. RISC makes the following disclosures:

RISC is independent with respect to Xstate and confirms that there is no conflict of interest with any party involved in the assignment. Under the terms of engagement between RISC and the Operator, RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Neither RISC Directors nor any staff involved in the preparation of this report have any material interest in Xstate or in any of the properties described herein. RISC has conducted an independent audit of the developed Reserves and consented to the inclusion of information specified as RISC audited values in this release.

California: Sacramento Basin (Various WIs)

Xstate continues to hold a significant acreage position in the Sacramento Basin.

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.

Gas Production in Sacramento Basin Joint Venture

California Gas Flows (mcf) ¹	2024	2023
Gross Production	108,160	115,077
XST Production after Mineral Royalty	11,760	14,691
Note 1: mcf = Thousand Cubic feet gas		

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Xstate Tenement Listing (as at 31 December 2024)

Project name	Category	Working Interest (WI)
Anshof Discovery Area ¹	Production	0-20%
Alvares Appraisal Well	Appraisal	25%
Alvares Project	Exploration & Appraisal	30%
Dempsey 1-15 Well	Exploration & Appraisal	10%
Dempsey AMI	Active leasing 3 large prospects	24%
Rancho Capay Field	Production	10%
Malton field	Production	30%
East Rice East Creek Field	Production	10%
Los Medanos Gas Field	Production	10%
Dutch Slough Field	Production	30%
Crest Jinn ²	Production	25%
¹ As a result of Xstate's election for non-participation in the Anshof-2 and Anshof-2A wells, it holds a nil working interest for that component of the Anshof Discovery Area. ² Crest Jinn assets have been agreed to be divested, as identified to investors on 7 February 2025. As of the date of this financial report, the ownership rights have been conveyed to the purchaser. Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions.		

USA and Canadian exploration are conducted on leases granted by Mineral Right owners, in Xstate's case, primarily governments, 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).

Financial results and condition

Net profit from continuing and discontinued operations for the financial year ended 31 December 2024 after income tax was \$1,184,085 (2023: \$1,400,766).

Canadian oil production operations netted \$171,367 of revenue to the Group (2023: \$6,827,157 incl. of Red Earth production operations), with net profit before tax on operations of \$2,575,562 (2023: profit \$2,301,737).

Austrian oil production operations netted \$587,893 of revenue to the Group (2023: \$691,179), with a loss on those operations of \$5,678 before tax (2023: profit of \$73,579)

The Group has working capital of \$2,674,246 (2023: \$337,283) and net cash inflows for the year of \$2,525,059 (2023: \$158,169).

The Company remains acutely aware of the current economic climate and continues to assess costs incurred to ensure appropriate allocation of resources.

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Summary of results

	2024	2023
	\$	Reclassified \$
Continuing operations		
Revenue from ordinary activities	587,893	691,199
Other income	30,489	118,009
Profit / (loss) before income tax	(1,235,965)	(679,874)
Income tax benefit / (expense)	19,532	(23,410)
Net loss for the year from continuing operations	(1,216,433)	(703,284)
Profit from Discontinued Operations	2,400,518	2,104,050
Net profit from operations	1,184,085	1,400,766
Other comprehensive income	21,037	25,930
Total comprehensive profit for the year	1,205,122	1,426,696
Loss per share from continuing operations	(0.36)	(0.25)
Profit per share from continuing and discontinued operations	0.37	0.44
Shares on issue at reporting date	321,519,150	321,519,150
Weighted average number of shares	321,519,150	321,519,150

The comparative figures reported for 2023 have been reclassified from those presented in the 2023 Annual Financial Report to take into account the effect of the discontinued operation, as required under AASB 5.

Planned Activity - 2025

The Company will seek to continue with the activities outlined in the operations review in addition to assessing various opportunities to secure producing or high-quality and low risk speculative assets globally.

Competent person statement

The technical information provided has been compiled by Mr Greg Channon, Non-executive Director of Xstate Resources Limited. Mr Channon is a qualified geologist with over 35 years technical, commercial and management experience in exploration, appraisal and development, and transportation of oil and gas and mineral and energy resources. Mr Channon has reviewed the results, procedures and data contained in this report and has consented to the inclusion of the above information in the form and context in which it appears.

Material Business Risks

The key risk factors affecting the Company are set out below. The occurrence of any one of the risks below could adversely impact the Company's operating or financial performance. It is noted that this is not an exhaustive list of risks that may potentially impact the Company.

Operating Risk

Sustained, unplanned interruption to production operations for either operator that the Company is involved with may impact Xstate's financial performance and its ability to fund its forward programs. The facilities in which Xstate currently has a non-operated working interest are subject to operating hazards associated with major accident events and weather events, which can result in a loss of hydrocarbon containment, diminished production, unbudgeted cost increases, environmental damage and harm to people or reputation. This risk extends to unexpected sub-surface outcomes.

As Xstate is not the operator of the projects it is involved with, the operating risks are extended to include the performance of the operators. These risks could include inadequate resourcing or systems, misalignment of interests, inadequate capture or provision of data and information, poor financial position or unfavourable or inadequate agreement with the operator. Consequences of poor performance by an operator could extend to operational incidents, financial loss, loss of opportunity, non-compliance, legal disputes or less than optimal financial returns from the field.

Xstate seeks to manage and mitigate the risks around performance of the operator by entering into ventures with operators who have a demonstrated history of competencies of operation and financial capacity. Through its due diligence, Xstate seeks to ensure that the operator's reputations are sound and that Xstate's interests are aligned before committing to participation. The Board of Directors is actively engaged with regular communication with each Operator as to the status of operations and planned activities as part of the risk management process.

Commodity Price Risk

The prices of crude oil and natural gas are volatile. As an entity that holds working interests in production operations, changes in the prices of these commodities will affect the Company's financial position, financial results, cash flows, access to capital and the ability for the Company to grow and assess further exploration opportunities. Commodity prices have in recent years been characterized by significant price fluctuations driven by the market's expectations of demand for oil and natural gas, which are influenced by a range of global and domestic events beyond the Company's control.

These factors include shifts in supply and demand dynamics, changes in governmental policies, regulatory and environmental developments and broader macroeconomic conditions. Sustained periods of low prices may impact the economic viability of exploration, development and production activities, whilst high prices may contribute to increased costs and competition for resources.

As Xstate is not the operator of its working interests, the Company has not entered into any hedging arrangements to mitigate the downside commodity price risk.

Hydrocarbon spills

Oil and gas operations involve the production, storage and transport of the produced oil and gas as well as waste materials. Hydrocarbon spills may lead to damage to the environment, as well as potential safety issues and damage to Xstate and our respective operators' reputation and fines. Hydrocarbon spills are managed by each operator through a system of rigorous internal procedural adherence in combination with technological inputs to rapidly identify and address any occurrences to reduce the environmental impact as best as possible.

Regulatory and Political

Exploration for, and development and exploitation of, oil and gas in the USA and Austria is subject to numerous laws and regulations at both federal and or provincial levels. These include areas of taxation, environmental protection and operational regulatory compliance. Existing laws and regulations, as currently interpreted or reinterpreted in the future, or future laws and regulations could potentially adversely impact the Company. Compliance with such laws and regulations may significantly increase the Company's operating expenses and any failure to comply may result in material penalties and fines to the Company or the Operators. Whilst the USA and Austria are considered to be politically stable, changes in governmental regulations and policies (whether through change in governments or change in policy from existing governments) may adversely affect the financial performance or the current and proposed operations of both the Company and the Operator of the working interests.

The ability to develop and produce oil and gas, as well as industry profitability generally, can be affected by such changes, which are beyond the control of the Company and the Operators of the working interests. As such, future financial performance and future operations may thereby be materially adversely affected.

Exploration Risk

Exploration activities in the oil and gas industry are inherently uncertain, with no assurance that drilling efforts will result in commercially viable discoveries. Geological complexities, inaccurate seismic data interpretations and unforeseen subsurface conditions can lead to unsuccessful wells, rendering exploration investments unproductive. Even when hydrocarbons are encountered, factors such as reservoir quality, fluid composition and extraction challenges may render a discovery uneconomical.

Exploration programs are also subject to external influences, including regulatory approvals, environmental constraints, land access issues and availability of critical infrastructure, all of which can impact project timelines and costs. Additionally, market conditions, including fluctuations in oil and gas prices, may affect the financial viability of exploration activities, potentially leading to delays, asset impairments or permit and licence relinquishments.

To mitigate these risks, Xstate employs advance geological and geophysical analysis, rigorous technical and economic assessments and disciplined capital allocation while maintaining a diversified exploration portfolio.

Reserves and resource estimation

Calculation of recoverable oil and gas reserves and resources contain significant uncertainties which are inherent in the reservoir geology, well data, operating costs and oil prices and requirement management to make a series of assumptions for the purposes of preparing such reserve reports.

Although such assumptions may be reasonable at the time they are made and may be subject to review by independent reserves auditors, future drilling results and costs and oil prices may differ significantly from those assumptions. There is a risk that resource estimations will not convert into reserves or any actual production may significantly vary from estimates.

Xstate manages the risks associated with reserves estimates through by appropriate qualified Board representatives and the engagement of independent auditors on at least an annual basis to certify reserves.

Reliance on Key Personnel

Xstate's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near-term operations are likely to be of central importance. There can be no assurance that the Company will be

able to continue to attract and retain all personnel necessary for the implementation, development and operation of its business strategy.

In addition, it is noted that Xstate is the non-operator of its key working interests held. Having suitably qualified and reputable operating teams in place, with appropriate relationships and experience for both Canadian and Austrian operations is critical to Xstate's success as it moves into the future. The loss of the services of members of the Canadian or Austrian operating teams could have an adverse impact on the Company's operations, particularly in the short-term until suitable replacements could be recruited. Xstate does not maintain or plan to obtain any insurance against the loss of any key management personnel.

Foreign Exchange Risk

Xstate has a portfolio of global operations, and as such, exposure to foreign exchange fluctuations presents a material financial risk. Revenue from non-operated production is denominated in foreign currencies and movements in exchange rates can impact financial performance by affecting cash flows, asset valuations and the costs of funding commitments.

A depreciation of the Australian dollar against foreign currencies may increase the cost of any activities performed in overseas jurisdictions or acquisition of any requisite equipment or services from overseas counterparties, whilst also increasing the return on any profitable production operations in overseas jurisdictions. An appreciation of the Australian dollar would cause a reversal in the abovementioned occurrences.

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of Xstate Resources Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 31 December 2024 and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Andrew Childs Executive Chairman Qualifications: BSc. <i>Interest in shares and options</i> Shares: 2,500,000 Options: 4,000,000 <i>Appointed 22 April 2020</i>	<p>Mr Childs is a petroleum geologist with over 35 years of Oil and Gas experience, working in Technical and Commercial roles for small to mid-capped Companies listed on the ASX, AIM and TSX markets.</p> <p>Mr Childs is formerly Non-executive Chairman of Australian Oil Company Limited (formerly Sacgasco Limited) and formerly Non-executive Director of ADX Energy Limited.</p> <p>Mr Childs is Chair of the Nominations and Remuneration Committee and a member of the Audit and Risk Management Committee.</p>
Greg Channon Non-executive Director Qualifications: BSc.(Hons) <i>Interest in shares and options</i> Shares: 528,493 Options: 4,000,000 <i>Appointed 17 August 2020</i>	<p>Mr Channon is a geologist with over 35 years of global oil and gas experience in a variety of technical and leadership roles. He is currently Executive Chairman of RL Energy, and a Non-executive Director of Samson Oil and Gas Limited.</p> <p>During his career, Mr Channon has worked with a range of E&P companies including Delhi, Santos, Fletcher Challenge Energy, Shell, Swift Energy, BrightOil and Pathfinder. He has lived and worked in Australia, New Zealand, USA, Hong Kong, China and Africa.</p> <p>Mr Channon has a large range of diverse oil and gas expertise, including exploration, operations, development, production, economics, commercial negotiations, new ventures, business development and IPO start-ups. He has sat on the Board of Directors of companies listed on the ASX, NYSE, TSX and HKSE.</p> <p>Mr Channon is Chair of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.</p>
Andrew Bald Non-executive Director Qualifications: BEc. <i>Interest in shares and options</i> Shares: 3,166,108 Options: 4,000,000 <i>Appointed 6 June 2022</i>	<p>Mr Bald has over 35 years of experience in financial markets and since branching out on his own in 2003, has raised capital for, and listed, a number of junior oil & gas and mineral exploration companies. From 2013 through 2016, he was managing director of Burleson Energy, an oil and gas explorer with production in Texas, USA, and he has also been on the board and acted as company secretary of a number of other ASX listed companies.</p> <p>Mr Bald is the founder and Executive Director of Panthea Capital, a boutique corporate advisory company that specialises in raising capital for ASX listed companies, advising companies in relation to IPO process and providing strategic planning, risk management and financing advice.</p> <p>Mr Bald is formerly Non-executive Director of AXP Energy Limited.</p> <p>Mr Bald is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee.</p>

2. COMPANY SECRETARY

Jordan McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 17 April 2018. Mr McArthur has 14 years corporate and financial experience in Australia and the United Kingdom.

3. DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2024, and the number of meetings attended by each Director was:

Director	Full meetings of Directors		Meeting of Audit and Risk Management Committee	
	No. of meetings attended	No. of meetings held whilst a Director	No. of meetings attended	No. of meetings held whilst a Director
Andrew Childs	5	5	2	2
Greg Channon	5	5	2	2
Andrew Bald	5	5	2	2

4. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was oil and natural gas exploration and production.

5. OPERATING AND FINANCIAL REVIEW

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

Significant changes in the state of affairs

On 26 August 2024, the securities of the Company were suspended from quotation under Listing Rule 17.3 following a determination by ASX that the level of the Company's operations was not adequate to warrant continued quotation under Listing Rule 12.1. The suspension was identified to continue until such a time as ASX was satisfied it was in compliance with the Listing Rules, including Listing Rule 12.1 and that it was otherwise appropriate for Xstate's securities to be reinstated to trading.

As at the date of this report, the Company is in late-stage negotiations for the acquisition of a gas exploration project on-shore Australia and intends to commence the re-quotation process imminently following finalisation of the agreement. The pathway to re-compliance and re-quotation of the Company's securities on ASX will be detailed in a forthcoming announcement.

Other than the matters above and those discussed in section 8 of the Directors Report, there have been no other significant changes in the state of affairs for the entity.

6. DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 31 December 2024 (2023: Nil).

7. LIKELY DEVELOPMENTS

The Group will continue to pursue its strategy to further develop its exploration portfolio in California, USA, it's portfolio of working interests in relation to production assets in Alberta, Canada, and the Molasse Basin, Austria, whilst also assessing any other viable global oil and gas exploration opportunities that are presented to the Board.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 7 February 2025, the Company announced that it has divested its 25% working interest in the producing Crest Jinn assets in Alberta, Canada, for a 3% overriding royalty on a 25% interest of the Crest Jinn producing wells and the Crest Jinn acreage.

Other than the matters identified above, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

9. ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its exploration and production activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

10. SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price cents	Number of shares
30-Jun-26	3	14,750,000

All unissued shares are ordinary shares of the Company.

These options do not entitle the holder to participate in any share issue of the Company.

Further details in relation to the share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During the financial year, no options were converted into fully paid ordinary shares. Since the end of the financial year, no options have been converted into fully paid ordinary shares.

Options expired

During the 2024 reporting period, 11,550,000 options with an exercise price of 5 cents per share expired unexercised on 31 January 2024 (2023: nil options expired). Since the end of the reporting period, no options have expired.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid an insurance premium of \$32,592 (2022: \$43,749) to insure the Directors and Key Management of the Group.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (continued)

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has agreed to indemnify each of the Directors and the Company Secretaries of the Company and its controlled entities, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Company Secretaries of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No agreements have been entered into to indemnify the Group's auditors against any claims by third parties arising from their report on the Annual Financial Statements.

12. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the remuneration for non-audit services provided by the auditor of the Company, BDO Audit (WA) Pty Ltd, and its related practices during the year are set out below:

	2024 \$	2023 \$
Taxation services		
<i>BDO Corporate Tax Pty Ltd</i>		
Tax compliance and advisory services	11,366	10,166
Total remuneration for non-audit services	11,366	10,166

13. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

14. REMUNERATION REPORT - AUDITED

The Directors present the Company's 2024 Remuneration Report prepared in accordance with the Corporations Act 2001. The Report sets out the detailed remuneration information for Non-Executive Directors, Executive Directors and other Key Management Personnel (KMP) of the Group.

The report contains the following sections:

- (a) Remuneration governance
- (b) Remuneration consultants
- (c) Executive remuneration strategy and framework
- (d) Board and management changes
- (e) Service contracts
- (f) Non-executive director remuneration
- (g) Key management personnel remuneration
- (h) Analysis of bonuses included in remuneration
- (i) Other KMP disclosures
- (j) Voting and comments made at the Company's 2024 Annual General Meeting

(a) Remuneration governance

Decisions and determinations regarding remuneration of Directors and Key Management Personnel is the responsibility of the Remuneration and Nomination Committee.

(b) Remuneration consultants

The Company did not engage any remuneration consultants during the year as it was not considered necessary. No changes were made to the remuneration of directors.

(c) Executive remuneration strategy and framework

Remuneration is referred to as compensation throughout this report. Compensation levels for key management personnel of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors and Executives.

As the Group's principal activities during the year were assessment of new ventures, exploration / evaluation and development operations, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

14. REMUNERATION REPORT – AUDITED (continued)

(c) Executive remuneration strategy and framework (continued)

Executive remuneration mix

The remuneration of a Managing Director or any other KMP can be structured as a mix of fixed remuneration and variable “at risk” remuneration through short-term and long-term incentive components.

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not “at risk” but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

Performance-linked compensation

Performance-linked compensation can consist of both short-term and longer-term remuneration. Performance linked remuneration is not based on specific financial indicators such as earnings or dividends as the Group continues to focus upon efforts in the exploration and development stage of projects. Vesting of long-term incentives is based on the share price performance of the Group, which is considered an appropriate measure of the outcome of overall performance. There is no separate profit-share plan.

Long-term incentive

Long-term incentives (LTIs) can comprise share options and/or performance rights (PRs), which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder value. Options and rights are granted for no consideration and do not carry voting rights or dividend entitlements.

Consequences of performance on shareholder wealth

The overall level of key management personnel compensation takes into account the performance of the Company over a number of years, although no remuneration is directly linked with financial performance.

Financial performance in respect of the current financial year and the previous four financial years is detailed below:

Shareholder returns	2024	2023	2022	2021	2020
Total comprehensive profit / (loss) for year (\$)	1,205,122	1,426,696	(3,414,981)	(4,493,191)	(646,076)
Basic EPS (cents)	0.37	0.44	(1.08)	(1.65)	(0.04)
Share price at year end (cents) ¹	0.9	1.3	2.0	4.0	5.0
Market capitalisation (\$)	2,893,672	4,179,748	6,430,363	12,860,727	9,056,204
Net tangible assets (\$)	3,272,924	2,168,193	353,332	3,802,235	704,300
NTA Backing (cents)	1.02	0.67	0.11	1.18	0.39

¹ Note that for the purposes of consistency of comparative information, the share prices identified above for 2020 through 2022 have been adjusted to reflect accurately the 10-for-1 consolidation of the Company's securities that took place in March 2023.

During the financial years noted there were no dividends paid or other returns of capital made by the Company to shareholders.

14. REMUNERATION REPORT – AUDITED (continued)

(c) Executive remuneration strategy and framework (continued)

The Group's financial performance is impacted by a number of factors. As the Group continues to have a predominant focus upon exploration activities, the share price and thus the Company's market capitalisation is still considered to be a strong indicator of the Group's overall performance. Cash flows from the operation of producing interests are utilised to fund these exploration activities, rather than the Company being reliant on shareholder funding to the same degree it has historically.

(d) Board and management changes

During the year, no changes occurred to the Board or management personnel.

(e) Service contracts

On appointment to the Board, all Non-executive Directors enter into a letter of appointment with the Company specifying their functions and duties as a Director.

Executive remuneration and other terms of contractual employment are formalised in service agreements. The service agreements outline the components of compensation paid to Executives and key management personnel (KMPs) but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performance by KMPs and any changes required to meet the principles of the compensation policy. During the year, no change in Director remuneration occurred.

(f) Non-Executive Directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders on 19 May 2011, is not to exceed \$400,000 per annum and is based on comparative roles in the external market. The base fee for all Non-executive Directors, for the year ended 31 December 2024 was \$60,000 per annum. Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed by the Remuneration and Nomination Committee and they do not receive cash performance related compensation.

In addition to their base fees, Non-Executive Directors may also receive payment for consultancy services at \$1,500 per day plus reimbursable expenses for days worked over and above those expected to be worked in consideration of Non-Executive Directors fees.

XSTATE RESOURCES LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2024

14. REMUNERATION REPORT – AUDITED (continued)

(g) Key management personnel remuneration 2024

Name	Short-term employee benefits				Post- employment benefits	Share based payments		Total
		Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Superannuation \$	Shares \$	Options (C) \$	
Executive Directors								
Andrew Childs	2024	53,933	10,864	64,797	6,067	-	-	70,864
	2023	54,177	14,583	68,760	5,823	-	19,360	93,943
Non-Executive Directors								
Greg Channon	2024	60,000	10,864	70,864	-	-	-	70,864
	2023	60,000	14,583	74,583	-	-	19,360	93,943
Andrew Bald	2024	60,000	10,864	70,864	-	-	-	70,864
	2023	60,000	14,583	74,583	-	-	19,360	93,943
Total key management personnel remuneration	2024	173,933	32,592	206,525	6,067	-	-	212,592
	2023	174,177	43,749	217,926	5,823	-	58,080	281,829

14. REMUNERATION REPORT – AUDITED (continued)

(g) Key management personnel remuneration (continued)

Notes in relation to the table of Directors' remuneration

(A) Includes movements in annual leave accrual for Executive Director.

During the reporting period certain key management persons invoiced for commercial, arms-length consulting services in addition to duties required as Directors. The total quantum of these transactions as disclosed in note 22 of the notes to the consolidated financial statements was:

- Andrew Childs \$100,600 (2023: \$25,500)
- Greg Channon \$58,900(2023: \$1,500)
- Andrew Bald \$55,800 (2023: \$4,500)

(B) Comprises Directors and Officers insurance premiums.

(C) The fair value of options granted was determined using the Black-Scholes method at grant date. 12,000,000 options were issued to Directors during 2023, as approved by shareholders at the AGM held on 31 May 2023.

(h) Analysis of bonuses included in remuneration

No short-term incentive cash bonuses have been awarded as remuneration to Directors of the Company for year ended 31 December 2024 (2023: nil).

(i) Other KMP disclosures

All options refer to options over ordinary shares of Xstate Resources Limited, which are exercisable on a one-for-one basis under the Employee Share Option Scheme.

Options over equity instruments granted as compensation

During the reporting period, no options were issued to Directors of the Company (2023: 12,000,000).

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation. (2023: nil).

Options over equity instruments

The movement during the reporting period, by number of options over ordinary shares of Xstate Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is identified in the table on the following page:

14. REMUNERATION REPORT – AUDITED (continued)

(i) Other KMP disclosures (continued)

	Held at 1 January 2024	Granted	Expired / Lapsed	Exercised / Sold	Held at 31 December 2024	Vested and exercisable 31 December 2024
Andrew Childs	7,500,000	-	(3,500,000)	-	4,000,000	4,000,000
Greg Channon	7,500,000	-	(3,500,000)	-	4,000,000	4,000,000
Andrew Bald	4,000,000	-	-	-	4,000,000	4,000,000

Movements in shares

The movement during the reporting period in the number of ordinary shares in Xstate Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 January 2024	Purchases / Conversions	Sales	Held at 31 December 2024
Andrew Childs	2,500,000	-		2,500,000
Greg Channon	528,493	-		528,493
Andrew Bald	3,166,108	-		3,166,108

(j) Voting and comments at the Company's 2024 Annual General Meeting

The Company received 99.85% of "for" votes on its remuneration report for the 31 December 2023 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is included in the Directors' Report for the financial year ended 31 December 2024.

This Directors' Report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'A Childs', with a long horizontal flourish extending to the right.

ANDREW CHILDS

Executive Chairman

Signed at Perth, Western Australia this 28th day of March 2025

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DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF XSTATE RESOURCES LIMITED

As lead auditor of Xstate Resources Limited for the year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Xstate Resources Limited and the entities it controlled during the period.

Ashleigh Woodley
Director

BDO Audit Pty Ltd
Perth
28 March 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 \$	2023 \$
Assets			
Cash and cash equivalents	15	3,555,128	995,260
Trade and other receivables		10,524	6,439
Prepayments		26,405	22,299
Inventories		-	84,295
Non-current assets held for sale	9	61,691	-
Total current assets		3,653,748	1,108,293
Oil and gas assets	16	781,408	11,625,726
Deferred tax asset	13	91,199	-
Total non-current assets		872,607	11,625,726
Total assets		4,526,355	12,734,019
Liabilities			
Trade and other payables	17	(893,393)	(232,034)
Current tax liability		(34,719)	(217,039)
Borrowings		-	(4,886)
Employee benefits		(1,547)	(1,488)
Site restoration provision	18	-	(512,005)
Liabilities associated with non-current assets held for sale	9	(49,843)	-
Total current liabilities		(979,502)	(967,452)
Site restoration provision	18	(144,801)	(9,569,637)
Total non-current liabilities		(144,801)	(9,569,637)
Total liabilities		(1,124,303)	(10,537,089)
Net assets		3,402,052	2,196,930
Equity			
Share capital	19	58,083,830	58,083,830
Reserves		365,900	612,821
Accumulated losses		(55,047,678)	(56,499,721)
Total equity attributable to equity holders of the Company		3,402,052	2,196,930

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 \$	2023 Reclassified \$
Revenue from continuing operations			
Production income	11	587,893	691,199
Other income	11	30,489	118,009
Interest income		40,887	12,681
Expenses			
Cost of sales		(552,975)	(579,395)
Exploration expenditure		(185,576)	(253,156)
Personnel expenses	12	(212,592)	(281,829)
Professional fees		(408,774)	(265,625)
Administrative expenses		(89,159)	(102,945)
Business Development		(260,040)	(3,394)
Depreciation and amortisation		(40,596)	-
Finance expenses		(2,055)	(2,525)
Other expenses		(60,853)	(9,445)
Foreign exchange loss		(82,614)	(3,449)
Loss before income tax expense		(1,235,965)	(679,874)
Income tax benefit / (expense)	13	19,532	(23,410)
Loss for the year from continuing operations		(1,216,433)	(703,284)
Discontinued operations			
Profit for the year from discontinued operations	9	2,400,518	2,104,050
Profit for the year from operations		1,184,085	1,400,766
Other Comprehensive Income			
Exchange differences on translation of foreign operations		21,037	25,930
Total Comprehensive Profit for the year		1,205,122	1,426,696
Total Comprehensive Profit / (Loss) for the year arises from:			
Continuing operations		(1,160,504)	(619,614)
Discontinued operations		2,365,626	2,046,310
		1,205,122	1,426,696

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 \$	2023 Reclassified \$
Loss per share (cents per share) – continuing operations			
Basic and diluted	14	(0.38)	(0.42)
Profit per share (cents per share) – continuing and discontinued operations			
Basic	14	0.37	0.44
Diluted	14	0.34	0.42

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

The comparative figures reported for 2023 have been reclassified from those presented in the 2023 Annual Financial Report to take into account the effect of the discontinued operation, as required under AASB 5.

XSTATE RESOURCES LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital	Foreign currency translation reserve	Options reserve	Accumulated losses	Total
		\$	\$	\$	\$	\$
Balance at 1 January 2024		58,083,830	273,472	339,349	(56,499,721)	2,196,930
Total comprehensive income for the year						
Profit for the year		-	-	-	1,184,085	1,184,085
Other comprehensive income for the year						
Foreign exchange translation difference on foreign operations		-	21,037	-	-	21,037
Total comprehensive loss for the year		-	21,037	-	1,184,085	1,205,122
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Expiration of options		-	-	(267,958)	267,958	-
Total contributions by owners		-	-	(267,958)	267,958	-
Balance at 31 December 2024		58,083,830	294,509	71,391	(55,047,678)	3,402,052

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

XSTATE RESOURCES LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital	Foreign currency translation reserve	Options reserve	Accumulated losses	Total
		\$	\$	\$	\$	\$
Balance at 1 January 2023		58,083,830	247,542	267,958	(57,900,487)	698,843
Total comprehensive income for the year						
Profit for the year		-	-	-	1,400,766	1,400,766
Other comprehensive income for the year						
Foreign exchange translation difference on foreign operations		-	25,930	-	-	25,930
Total comprehensive loss for the year		-	25,930	-	1,400,766	1,426,696
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Share based payment transactions	20	-	-	71,391	-	71,391
Expiration of options		-	-	-	-	-
Total contributions by owners		-	-	71,391	-	71,391
Balance at 31 December 2023		58,083,830	273,472	339,349	(56,499,721)	2,196,930

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers		-	295,159
Payments to suppliers and employees		(1,157,885)	(554,587)
(Payments for) / refund on exploration and evaluation		(93,283)	34,331
Interest paid		(24)	(1,313)
Interest received		91,759	12,681
Income taxes (paid) / refunded		(427,914)	135,498
Net cash used in operating activities	15	(1,587,347)	(78,231)
Cash flows from investing activities			
Payments for production interest acquisition		-	(845,597)
Receipts from production interest divestment		4,117,292	1,124,930
Net cash from investing activities		4,117,292	279,333
Cash flows from financing activities			
Repayment of borrowings		(4,886)	(42,933)
Net cash used in financing activities		(4,886)	(42,933)
Net increase in cash and cash equivalents		2,525,059	158,169
Cash and cash equivalents at 1 January		995,260	814,463
Effect of exchange rate fluctuations on cash held		34,809	22,628
Cash and cash equivalents at 31 December	15	3,555,128	995,260

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Level 1, 31 Cliff Street, Fremantle, WA, 6160.

The Group is primarily involved in oil and natural gas exploration, having exploration and evaluation interests in the United States of America, and holding working interests in oil production assets in Canada and Austria.

The consolidated financial statements of the Group as at and for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and were authorised for issue by the Board of Directors on 28 March 2025. The financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Accounting Standards Board ("AASB"). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis, except for share-based payments and financial assets which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency;
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2024; and
- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective.

2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business.

At balance date, the Group had net assets of \$3,402,052 (2023: \$2,196,930) and working capital of \$2,674,246 (2023: \$140,842). During the year ended 31 December 2024, the Group recorded overall cash outflows from Operating Activities of \$1,587,347 (2023: \$78,231).

Post year-end, the Company has agreed to divest its working interest in the Crest Jinn assets for an overriding royalty that will contribute nominal cash flows to the Group.

3 GOING CONCERN (continued)

The Directors are confident of the Group's ability to continue as a going concern on the basis of its various production interests' capacity to produce positive cash flows and that funds can be raised from capital markets, should they be needed to augment the Company's planned operations.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the Group does not continue as a going concern.

4 FOREIGN CURRENCY TRANSLATION

The financial report is presented in Australian dollars, which is Xstate's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

5 IMPAIRMENT

Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

During the year ended 31 December 2024, an impairment loss was recognised on the Company's Canadian assets, recognising a decline in the value recovered in a transaction post period-end, as identified in note 16.

6 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

6 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

Going concern - note 3

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities relate to:

Oil and Gas assets (note 16)

The Group assesses each asset or CGU in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use. The assessments require the use of estimates and assumptions, such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Reserve estimates

The estimated quantities of proven and probable hydrocarbons reported by the Group are integral to the calculation of depletion expense, assessments for impairment of assets, provision for restoration and the recognition of deferred tax assets due to changes in expected future cash flows. Reserve estimates require interpretation of complex and judgement geological and geophysical models in order to make an assessment of the size, share, depth and quality of a reservoir, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

Depletion of Oil and Gas assets (note 16)

The Group recognises depreciation on its Oil and Gas assets on a unit-of-production basis that is considered proportional to the depletion of proven and probable hydrocarbon reserves for the field. Oil and gas assets are depreciated by area of interest in the proportion of actual production for the financial period to the proven and probable hydrocarbon reserves of the field. As such, the estimate of reserve quantities directly impacts the calculation of depreciation recognised on the Company's Oil and Gas assets.

Provisions for site restoration (note 17)

The Group estimates the future removal and restoration costs of petroleum production facilities, wells, pipelines and related assets at the time of installation of the assets, or at the time of acquisition of the assets, and reviews these assessments periodically. In most instances, the removal of these assets will occur well into the future. The estimate of future removal costs therefore requires management to make judgements around the timing of the required restoration, rehabilitation and decommissioning, as well as the discount rate. The carrying amount of the provision for restoration is disclosed in note 17. As the provision for restoration identifies the cost of decommissioning, this cost is recognised under AASB 116 as forming part of the asset value recognised in note 15. As such, the estimation of provisions for restoration directly impact the value of oil and gas assets presented.

Following the significant volatility in yields and inflation rates seen throughout the course of the financial year, the Group revised the discount and inflation rate used in quantifying the restoration provisions from amounts recognised upon acquisition of the oil and gas working interests during the financial year.

6 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Critical accounting estimates and assumptions (continued)

Share-based payments (note 20)

Share-based payment transactions with Directors, employees and consultants are measured by reference to the fair value of the securities at the date they were granted. The fair value of the expense to be recognised in the statement of comprehensive income is ascertained using an appropriate pricing model, generally a Black-Scholes pricing mechanism, depending on the terms and conditions upon which the equity securities were granted. The Group also applies assumptions around the likelihood of such securities vesting which will have an impact on the expense recorded during the financial year. The total number of equity securities outstanding is disclosed in the Director's Report, and the measurement of share-based payments entered into during the financial period are disclosed in note 19.

Recoverability of deferred tax assets (note 13)

The recoverability of deferred tax assets (DTA) is based on the probability that future taxable amounts will be available to utilise those temporary differences and losses. The Group has not recognised deferred tax assets in respect of some tax losses as the future utilisation of these losses and temporary tax differences is not considered probable at this point in time.

The Company has recognised a deferred tax asset on temporary tax differences, specifically in relation to Canadian operations, as the temporary tax difference is known to be recoverable within the 2025 financial year.

Assessing the future utilisation of tax losses and temporary tax differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and application of existing tax laws. To the extent that future utilisation of these tax losses and temporary tax differences becomes probable, this could result in significant changes to deferred tax assets recognised, which would in turn impact future financial results. The deferred tax asset associated with historical losses recorded in the Group's Australian parent entity continue not to be recognised on the basis that it is not expected that the Group's Australian-based operations would generate sufficient taxable profits to fully utilise those losses recorded.

7 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

There were no new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that were considered relevant to the Group's operations and effective for the financial year ended 31 December 2024. There are no other Australian Accounting Standards that are not yet effective and that are expected to have a material impact on the Group in the current or future financial years.

8 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 31 December 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

9 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

On 5 February 2025, Xstate Energy Limited (the Canadian subsidiary of Xstate Resources Limited) entered into a sale agreement with Blue Sky Resources Ltd. to dispose its 25% working interest in the Crest Jinn producing assets in Alberta, Canada. The assets were sold for a 3% overriding royalty in the Crest Jinn operational area, which includes the producing assets that were sold. The agreement has an effective date of 1 January 2025.

The determination to divest the producing assets was a strategic decision by the Company to alleviate exposure to liabilities in the form of near-term abandonment costs, in addition to fluctuating operational costs associated with aging assets, in exchange for a simplified revenue stream. The divestment is considered a disposal of a separate major line of business operations, being production operations in Canada. As such, the operations disclosed below represent Canadian production operations from Crest Jinn in 2024 and Red Earth / Crest Jinn in 2023.

(a) Profit and loss from discontinued operations

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	Note	2024 \$	2023 \$
Production income		171,367	6,827,157
Other income		-	175,650
Interest income		50,872	-
Cost of sales		(57,348)	(5,221,770)
Administrative expenses		(19,583)	(998)
Professional fees		(61,834)	(122,265)
Depreciation and amortisation		(35,393)	(568,177)
Finance expenses		(1,554)	(325,463)
Foreign exchange gain / (loss)		37,299	-
Gain on disposal of asset	16	3,223,754	2,250,748
Impairment	9(d)	(732,018)	(713,144)
Profit before income tax expense		2,575,562	2,301,738
Income tax expense		(175,044)	(197,688)
Profit for the year from discontinued operations		2,400,518	2,104,050

9 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (continued)

(b) Cash flows from discontinued operations

	Note	2024 \$	2023 \$
Net cash (used in) / generated from operating activities		(486,332)	266,136
Net cash generated from / (used in) investing activities		3,069,659	(982,792)
Net cash used in financing activities		-	-

(c) Assets Classified as Held for Sale and Associated Liabilities

Although the transaction was entered into and finalised post year-end, the Board of Xstate Resources had committed to an active plan for the divestment of the Crest Jinn assets. As such, in accordance with accounting standards, balances associated with the Company's Crest Jinn assets have been disclosed as assets held for sale and associated liabilities on the basis that:

- the asset is available for immediate sale;
- the Board of the Company was committed to a plan for their sale prior to year-end;
- an active program to locate a buyer had commenced before year-end;
- the asset was marketed at a reasonable price in relation to fair value; and
- the sale was expected to complete within 12 months from classification date.

	2024 \$
Assets	
Surface assets	6,169
Sub-surface assets	55,522
Total assets classified as held for sale	61,691
Liabilities	
Site restoration provision	(49,843)
Total liabilities associated with assets classified as held for sale	(49,843)
Net assets associated with Crest Jinn assets	11,848

(d) Impairment of Assets Held for Sale

As a result of the agreement entered into on 5 February 2025 for the disposal of the 25% working interest in the Crest Jinn assets, Xstate has recognised an impairment loss of \$619,439 relating to these assets. The impairment arose as a result of the sale, which indicated the asset's recoverable amount was lower than its carrying value.

9 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE *(continued)*

(d) Impairment of Assets Held for Sale *(continued)*

The impairment assessment was performed in accordance with AASB 136 *Impairment of Assets*. The recoverable amount applied to the assets was determined on a fair value less costs of disposal assessment, utilising the fair value of the agreed divestment agreement. As a result, the carrying amount of the asset was written down and an impairment loss recognised.

		2024
		\$
	Note	
Impairment of Oil and Gas Assets	16	619,439
Impairment of Operational receivable		112,579
Total assets classified as held for sale		732,018

10 OPERATING SEGMENTS

Information about reportable segments

The Group is organised into three segments based on operations performed, and on geography, being:

- Oil & gas exploration activities on-shore United States of America;
- Oil production activities on-shore Austria; and
- Oil production activities on-shore Canada.

These operating segments are based on the internal reports that are reviewed and utilised by the Board of Directors (who are identified as the Chief Operating Decision Makers (**CODM**)) in assessing performance of the Group and in determining the allocation of resources. There is no aggregation of operating segments. Any amounts that fall outside of these segments are categorised as “Corporate”.

There has been no change in the basis of segmentation since the 31 December 2023 accounts. However, as a result of the Canadian operations being recognised as a discontinued operation as at 31 December 2024, the segment note has been amended to identify the continuing and discontinued operations separately.

10 OPERATING SEGMENTS (continued)

Segment information provided to the CODM

	Continuing Operations				Discontinued Operations	Eliminations	Totals
	Oil & gas exploration USA	Oil production AUT	Corporate	Total from Continuing Operations	Oil production CAN		
31 December 2024							
Key segment P&L information							
Revenue from external customers	-	587,893	-	587,893	171,367	-	759,260
Other income from external customers	30,489	-	-	30,489	-	-	30,489
Profit / (loss) before tax	(164,706)	(5,678)	(1,065,581)	(1,235,965)	2,575,562	-	1,339,597
Profit / (loss) after tax	(164,706)	13,854	(1,065,581)	(1,216,433)	2,400,518		1,184,085
Exploration expenditure	(185,576)	-	-	(185,576)	-	-	(185,576)
Depreciation and amortisation	-	(40,596)	-	(40,596)	(35,393)	-	(75,989)
Impairment expense	-	-	-	-	(732,018)	-	(732,018)
Gain on asset disposal	-	-	-	-	3,223,754	-	3,223,754
Segment balance sheet info							
Current assets	1,239	-	924,371	925,610	2,745,696	(17,558)	3,653,748
Non-current assets	-	781,408	-	781,408	91,199	-	872,607
Total Assets	1,239	781,408	924,371	1,707,018	2,836,895	(17,558)	4,526,355
Current liabilities	(110,606)	(633,090)	(150,986)	(894,682)	(102,378)	17,558	(979,502)
Non-current liabilities	(65,671)	(79,130)	-	(144,801)	-	-	(144,801)
Total Liabilities	(176,277)	(712,220)	(150,986)	(1,039,483)	(102,378)	17,558	(1,124,303)

10 OPERATING SEGMENTS (continued)

	Continuing Operations				Discontinued Operations	Eliminations	Totals
	Oil & gas exploration USA	Oil production AUT	Corporate	Total from Continuing Operations	Oil production CAN		
31 December 2023							
Key segment P&L information							
Revenue from external customers	-	691,199	-	691,199	6,827,157	-	7,518,356
Other income from external customers	118,009	-	-	118,009	175,650	-	293,659
Profit / (loss) before tax	(100,911)	73,579	(652,542)	(679,874)	2,301,738	-	1,621,864
Profit / (loss) after tax	(104,789)	54,047	(652,542)	(703,284)	2,104,050		1,400,766
Exploration expenditure	(214,931)	(38,225)	-	(253,156)	-	-	(253,156)
Depreciation and amortisation	-	-	-	-	(568,177)	-	(568,177)
Impairment expense	-	-	-	-	(713,144)	-	(713,144)
Gain on asset disposal	-	-	-	-	2,250,747	-	2,250,747
Segment balance sheet info							
Current assets	1,642	-	1,002,505	1,004,147	150,282	(46,136)	1,108,293
Non-current assets	-	250,449	-	250,449	11,375,277	-	11,625,726
Total Assets	1,642	250,449	1,002,505	1,254,596	11,525,559	(46,136)	12,734,019
Current liabilities	(44,828)	(31,930)	(181,181)	(257,939)	(755,649)	46,136	(967,452)
Non-current liabilities	(59,863)	(78,599)	-	(138,462)	(9,431,175)	-	(9,569,637)
Total Liabilities	(104,691)	(110,529)	(181,181)	(396,401)	(10,186,824)	46,136	(10,537,089)

11 PRODUCTION INCOME AND OTHER INCOME

Accounting Policy

Revenue recognition

Revenue from sales of oil and natural gas is recognised at the amount that reflects the consideration to which the Group is expected to be entitled. Prices are based on market prices and is recognised based on the actual volumes sold to customers. Revenue is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred at the delivery point agreed upon in the contract and legal title to the product passes to the customer (often via connected pipelines). Where the Group is not the operator of a well, under the terms of the relevant production sharing arrangements, the Group is entitled to its participating share in the crude oil and natural gas, based on the Group's working interest.

Revenue for the year ended 31 December 2024 relates to contracts executed for the sale of crude oil. All performance obligations have been met within the year. There is no variable consideration requiring estimation for the year ended 31 December 2024.

The Group did not have contracts that were executed in a prior year, whereby the performance obligations were partially met at the beginning of the year.

The Group's revenue is currently derived from Canadian operations and Austrian operations and is disaggregated as such in the Group's segment note disclosure at note 10. The Group's revenue disaggregation by pattern of revenue recognition is as follows.

	Note	2024	2023
			Restated
		\$	\$
Revenue from continuing operations			
Crude oil sales			
Goods transferred at a point in time		587,893	691,199
		587,893	691,199
Revenue from discontinued operations			
Crude oil sales			
Goods transferred at a point in time	9	171,367	6,827,157
		171,367	6,827,157
Other income from continuing operations			
			Restated
		\$	\$
Other operating income ¹		30,489	118,009
		30,489	118,009

¹ The Company received other operating income from continuing operations via minor gas sales occurring as a by-product of exploration leases acquired in the Capay and Los Medanos gas fields in the Sacramento Basin, onshore California.

11 PRODUCTION INCOME AND OTHER INCOME (continued)

Other income from discontinued operations	Note	2024	2023
		\$	Restated \$
Other operating income ²	9	-	175,650
		-	175,650

² The Company received other operating income from its discontinued operations via alternate minor processing operations and road use income by Blue Sky Resources Limited, the Company's joint arrangement partner, the operator of the Red Earth oil production assets in Alberta, Canada.

12 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The table below sets out personnel costs expensed during the year.

	Note	2024	2023
		\$	\$
Directors' remuneration	22	212,592	281,829
		212,592	281,829

13 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(a) Tax Expense Breakdown

	Continuing Operations		Discontinued Operations		Totals	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Income tax expense						
Current tax (benefit) / expense	(19,532)	19,532	265,059	197,688	245,527	217,220
Tax benefit related to movements in deferred tax balances	-	-	(90,015)	-	(90,015)	-
Other income taxes paid	-	3,878	-	-	-	3,878
Total income tax (benefit) / expense	(19,532)	23,410	175,044	197,688	155,512	221,098

13 INCOME TAX EXPENSE (continued)

(b) Reconciliation of Effective Tax Rate

	Continuing Operations		Discontinued Operations		Totals	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Profit / (Loss) for the period	(1,216,433)	(703,284)	2,400,518	2,104,050	1,184,085	1,400,766
Total income tax expense / (benefit)	(19,532)	23,410	175,044	197,688	155,512	221,098
Profit / (Loss) excluding income tax	(1,235,965)	(679,874)	2,575,562	2,301,738	1,339,597	1,621,864
Income tax using the Group's domestic tax rate of 25% (2023: 25%)	(308,991)	(169,968)	643,891	575,434	334,900	405,466
Tax rate differential on non-Australian income	113	1,136	(51,511)	(47,910)	(51,398)	(46,774)
Non-deductible expenses	19,939	4,451	5,385	(9,756)	25,324	(5,305)
Other international income taxes paid	-	3,878	-	-	-	3,878
Adjustment for prior periods	73,226	(37,408)	26,419	-	99,645	(37,408)
Timing differences	8,548	(27,736)	(359,125)	(320,080)	(350,577)	(347,816)
Deferred tax adjustments	-	-	(90,015)	-	(90,015)	-
Tax losses not brought to account	187,633	249,057	-	-	187,633	249,057
	(19,532)	23,410	175,044	197,688	155,512	221,098
Tax Losses						
Unused tax losses for which no deferred tax asset has been recognised	8,368,703	7,623,393	-	-	8,368,703	7,623,393
Potential tax benefit at 25% (2023: 25%)	2,092,176	1,905,848	-	-	2,092,176	1,905,848

All unused tax losses identified were incurred by Australian entities.

13 INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate (continued)

Potential future income tax benefits of up to \$2,092,176 (2023: \$1,905,848) attributed to tax losses have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable. The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for deductibility imposed by tax legalisation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Group in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business test.

(c) Recognised deferred tax assets and liabilities

Deferred tax assets (DTAs) and liabilities have been recognised in respect of the following items. As at 31 December 2023, these items were not brought to account.

	2024 \$	2023 \$
Deferred tax assets		
Oil and gas properties	92,598	-
Restoration provisions	11,464	-
	104,062	-
Deferred tax liabilities		
Oil and gas properties	(12,863)	-
DTA recognised	91,199	-

(d) Unrecognised deferred tax assets and liabilities

Deferred tax assets (DTAs) and liabilities have not been recognised in respect of the following items:

	2024 \$	2023 \$
Deferred tax assets		
Employee benefits	387	372
Carry forward tax losses	2,092,176	1,905,848
Site restoration provisions	19,782	6,975,400
Other	-	1,048
	2,112,345	8,882,668
Deferred tax liabilities		
Oil and gas properties	-	(6,204,385)
International intercompany loan	-	(7,178)
DTAs not brought to account	2,112,345	2,671,105

14 EARNINGS / (LOSS) PER SHARE

(a) Basic earnings / (loss) per share

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 31 December 2024 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Loss per share attributable to ordinary shareholders from continuing operations

	2024	2023 Reclassified
Net loss attributable to ordinary shareholders from continuing operations - \$	(1,216,433)	(793,553)
Issued ordinary shares at 1 January	321,519,150	321,519,150
Effect of shares issued	-	-
Weighted average number of ordinary shares at 31 December	321,519,150	321,519,150
Basic and diluted loss per share (cents)	(0.38)	(0.42)

Earnings per share attributable to ordinary shareholders from continuing and discontinued operations

	2024	2023 Reclassified
Net profit attributable to ordinary shareholders from continuing operations - \$	1,184,085	1,400,766
Issued ordinary shares at 1 January	321,519,150	321,519,150
Effect of shares issued	-	-
Weighted average number of ordinary shares at 31 December	321,519,150	321,519,150
Basic earnings per share (cents)	0.37	0.44
Diluted earnings per share (cents) ¹	0.34	0.42

¹ At 31 December 2024, 14,750,000 options (2023: 26,300,000 options) were include in the diluted weighted average number of ordinary shares calculation.

15 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

15 CASH AND CASH EQUIVALENTS (continued)

(a) Reconciliation of cash and cash equivalents

	2024	2023
	\$	\$
Cash and cash equivalents	3,555,128	995,260

The perceived credit risk is low as cash and cash equivalents are with authorised deposit taking institutions.

(b) Reconciliation of cash flows from operating activities

	2024	2023
	\$	\$
Cash flows from operating activities		
Profit / (loss) for the year	1,184,085	1,400,766
Adjustments for:		
Depreciation	75,989	568,177
Unwinding of discount on restoration liabilities	3,586	325,513
Share-based payments	-	71,391
Net loss / (profit) on foreign exchange translation	45,842	(4,028)
Gain on disposal of asset	(3,223,754)	(2,250,747)
Impairment expense recognised oil and gas assets	732,018	713,144
Change in other receivables	(18,624)	(794,307)
Change in prepayments	(4,103)	130,372
Change in inventories	-	75,112
Change in other operating assets	(114,019)	(1,397,513)
Change in deferred tax assets	(90,015)	-
Change in trade and other payables	3,973	87,104
Change in interest bearing liabilities	-	47,769
Change in tax liabilities	(182,386)	356,595
Change in employee benefits	61	61
Change in provisions	-	592,360
Net Cash used in operating activities	(1,587,347)	(78,231)

There were no non-cash investing or financing activities in the 2024 or 2023 financial years.

16 OIL AND GAS ASSETS

Accounting Policy

Producing Assets

All costs directly associated with the development and production of oil and natural gas interests are capitalised on an area-by-area basis as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets. Items of property, plant and equipment, which include oil and natural gas production assets, are measured at cost less accumulated depreciation/amortisation and any accumulated impairment losses. Development costs include expenditure for areas where technical feasibility and commercial viability has been determined. The capitalised value of producing assets includes acquisition costs, reactivation and development costs and initial estimates of decommissioning liabilities associated with their operation.

Reserve estimates

Estimation of reported recoverable quantities of 2P reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape depth and quality of reservoirs and their anticipated recoveries.

These factors used to estimate the reserves may change from period to period.

Reserve estimates are used to calculate amortisation of producing assets.

Depreciation and Amortisation

Depletion charges are calculated to amortise the capitalised value of carried forward production assets over the life of the estimated Proved plus Probable ("2P") reserves for a hydrocarbon reserve, together with future costs necessary to develop the respective hydrocarbon reserve. The value of oil and natural gas interests is depleted using the units of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil and natural gas with geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proved component of proved and probable reserves are 90 percent and 10 percent, respectively.

Impairment

As identified in note 9, on 5 February 2025, Xstate Energy Limited agreed to sell its 25% working interest in the Crest Jinn assets. Consideration receivable for this transaction is identified as a 3% overriding royalty in the gross production of the Crest Jinn area. As at the date of the transaction, the only producing property within the royalty area is the 05-23 Crest Jinn well.

The value of the consideration receivable provides reasonable evidence as to the value ascribed to the Company's oil and gas assets at year end, and accordingly an impairment charge has been recognised.

16 OIL AND GAS ASSETS (continued)

Disposal of Red Earth Assets

On 29 February 2024, Xstate announced that it had entered into an agreement to sell its 25% working interest in the Red Earth Assets to Blue Sky Resources Ltd for consideration of US\$2,737,373 (approximately A\$4,165,000 at the time). The effective date of the transaction was 1 January 2024, and shareholder approval was obtained for the divestment at the Company's 2024 Annual General Meeting, held 29 April 2024.

This disposal transaction has been recognised in the profit and loss (from discontinued operations) as a gain on disposal totalling A\$3,223,754 (C\$2,911,900). The assets and associated rehabilitation obligation have been derecognised as a result of this transaction, as is noted in this note 16 as a disposal of assets, and in note 18 as a discharge of liabilities on disposal.

Disposal of Crest Jinn Assets

As identified above, subsequent to year end, Xstate announced that it has entered into an agreement to sell its 25% working interest in the Crest Jinn Assets to Blue Sky for a 3% overriding royalty in the gross production of the Crest Jinn area. The effective date of the transaction is 1 January 2025.

Note 9 identifies the carrying value of these assets classified as held for sale as identified in the table below.

	Sub-surface assets \$	Surface assets \$	Construction in progress \$	Total \$
Balance as at 1 January 2023	22,290,986	8,208,932	-	30,499,918
Acquisition – Crest Jinn	654,093	163,523	-	817,616
Capitalisation of asset retirement obligation	31,156	86,130	-	117,286
Additions	-	765,712	99,336	865,048
Depletion of assets	(405,957)	(162,220)	-	(568,177)
Impairment recognised	(354,350)	(358,794)	-	(713,144)
Disposal of assets	(14,802,897)	(5,786,676)	-	(20,589,573)
Changes in asset retirement obligation estimates	227,486	87,305	-	314,791
Foreign exchange movements	646,954	235,439	(432)	881,961
Balance as at 31 December 2023	8,287,471	3,239,351	98,904	11,625,726
Additions	-	665,248	(100,013)	565,235
Depletion of assets	(17,228)	(58,776)	-	(76,004)
Disposal of assets	(8,045,865)	(2,758,657)	-	(10,804,522)
Changes in asset retirement obligation estimates	1,008	400	-	1,408
Impairment recognised	(276,773)	(342,666)	-	(619,439)
Transfer to NCAHFS	(55,522)	(6,169)	-	(61,691)
Foreign exchange movements	106,909	42,677	1,109	150,695
Balance as at 31 December 2024	-	781,408	-	781,408

16 OIL AND GAS ASSETS (continued)

Reconciliation of Gain on Disposal of Red Earth Assets

The following reconciliation takes into effect the foreign exchange rates between USD-CAD-AUD as at the date of the transaction, being 29 February 2024, for the valuation of the consideration applied.

	Note	CAD	AUD
Consideration		3,676,640	4,175,883
Value of O&G assets at disposal date	16	(9,686,794)	(10,804,522)
ARO Expense at disposal date	18	8,922,054	10,030,076
Foreign exchange on conversion of operations taken to FCTR		-	(177,683)
		2,911,900	3,223,754

17 TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

	2024 \$	2023 \$
Current		
Trade payables	(151,428)	(137,745)
Joint operation partner payable (Austria)	(633,090)	(12,397)
Other payables and accrued expenses	(108,875)	(81,892)
	(893,393)	(232,034)

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

18 SITE RESTORATION PROVISIONS

Accounting Policy

Provisions

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed. The site restoration provision represents the present value of decommissioning and site restoration costs relating to oil and gas properties.

At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and re-added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

Site restoration provisions have been disaggregated based upon geography due to differing jurisdictional requirements.

California, United States

The joint-venture operator, Sacgasco Limited (**ASX:SGC**), has lodged a blanket bond to the total of USD\$200,000 with the Californian Department of Conservation and Division of Oil, Gas and Geothermal Resources (DoGGR) in respect of the well licenses held in the Sacramento Basin onshore California area of interest. The blanket bond is for coverage of up to 50 idle wells, a number significantly higher than the amount of idle wells held by the joint-venture at current.

Xstate has taken up a provision balance in respect of its working interest percentage for each of the wells held by the JV, representing the maximum exposure to the Company for restoration and rehabilitation in respect of the well interests held.

Alberta, Canada (Crest Jinn assets)

The activities of the joint operation in Alberta, Canada (comprising the Group's working interests in the Crest Jinn assets) give rise to dismantling, decommissioning and site disturbance remediation activities which were identified as expected to continue through to approximately 2045.

These provisions have been recognised based upon region specific cost estimates provided by the Alberta Energy Regulator (**AER**). The assumptions are based on the current economic environment and are contained within Directive 011 as provide by AER. These estimates are reviewed regularly to take into account any material changes to the assumptions, however, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend upon when the fields cease to produce at an economically viable rate. This, in turn, will depend upon future oil and gas prices, which are considered inherently uncertain.

The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 3.17 percent (2023: 3.12 percent), a long-term inflation rate assumption of 2 percent (2023: 2 percent) and the assumed timing of cash outflows through to 2045.

Provisions are made for the estimated cost of asset retirement obligations associated with site restoration and are capitalised to Oil and Gas Assets, as outlined in Note 16, and amortised over the useful life of the assets.

18 SITE RESTORATION PROVISIONS (continued)

Anshof, Austria

The activities of the joint operation in Austria gives rise to dismantling, decommissioning and site disturbance remediation activities which are expected to be incurred at the conclusion of oil production activities, estimated by the operator presently as being a life cycle of approximately 17 years.

These provisions have been recognised based upon specific rehabilitation costing estimates prepared and submitted by the Operator in accordance with Austrian government legislation with regard to rehabilitation of producing well sites.

The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 2.55 percent (2023: 2.42 percent), a long-term inflation rate assumption of 2 percent (2023: 2 percent) and the assumed timing of cash outflows through to 2039.

Provisions are made for the estimated cost of asset retirement obligations associated with site restoration and are capitalised to Oil and Gas Assets, as outlined in Note 16, and amortised over the useful life of the assets.

	2024 \$	2023 \$
Current		
Canadian asset retirement obligation	-	(512,005)
Non-current		
Canadian asset retirement obligation	-	(9,431,174)
Californian site restoration provision	(65,672)	(59,863)
Austrian site restoration provision	(79,129)	(78,600)
Total Non-current	(144,801)	(9,569,637)
Total Provision	(144,801)	(10,081,642)
Movement in carrying amounts		
Opening balance	(10,081,642)	(29,681,666)
Additional provisions recognised - Canada	-	(43,575)
Additional provisions recognised - Austria	-	(67,055)
Discharge of liability on disposal	10,030,076	20,247,617
Rehabilitation works performed	-	107,115
Unwinding of discount	(3,586)	(326,604)
Re-estimation of provisions ¹	1,494	(500,848)
Effects of change in discount rate	-	186,099
Transfer to NCAHFS	49,843	-
Effects of foreign exchange	(140,986)	(2,727)
Closing balance	(144,801)	(10,081,642)

¹ The re-estimation of the Canadian restoration and rehabilitation provision has arisen from a combination of; 1. Inflation applied to base costs estimates of 2.50% to effect the current-term effects of inflation on costings that long-term estimates are based upon (2023: 3.89%); and 2. changes in the risk free rate and long-term inflation rates used in NPV calculations for the liability provision estimate for the life of the oil fields.

19 CAPITAL AND RESERVES

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2024	2023	2024	2023
Movements in ordinary shares on issue:				
On issue at 1 January	321,519,150	321,519,150	58,083,830	58,083,830
On issue at 31 December	321,519,150	321,519,150	58,083,830	58,083,830

The holders of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at meetings of the Company. Option holders cannot participate in any new share issues by the Company without exercising their options.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

Options

	Options on issue			
	Number of options		Amount in \$	
	2024	2023	2024	2023
Movements in options on issue:				
On issue at 1 January	26,300,000	11,550,000	339,349	267,958
Issue of options to Directors	-	12,000,000	-	58,080
Issue of options to Consultants	-	2,750,000	-	13,311
Expiry of unlisted options	(11,550,000)	-	(267,958)	-
On issue at 31 December	14,750,000	26,300,000	71,391	339,349

During the reporting period, no shares were issued as a result of the exercise of options. (2023: nil)

Since the end of the reporting period, no shares have been issued as a result of the exercise of options.

During the reporting period, 11,550,000 options expired (2023: nil). Since the end of the reporting period, no options have expired.

Nature and purpose of reserves

Options reserve

The options reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued or reversed through retained earnings if the options expire or are cancelled.

19 CAPITAL AND RESERVES (continued)

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

20 SHARE-BASED PAYMENTS

Accounting Policy

The Company has the ability to implement an incentive share and option plan for employees and contractors to the Group, via shareholder approval, whereby employees and contractors may receive rights to acquire shares of the Company as remuneration or incentivisation. The grant date fair value of share-based payment awards granted to employees and contractors is recognised as a *personnel expense*, with a corresponding increase in equity, over the period that the employees and contractors become unconditionally entitled to the awards. The Group did not enter into such share-based payment transactions during the current financial year.

The Group additionally has the capacity to issue equity securities to suppliers under the ASX Listing Rules as an alternate method of payment for goods or services provided. The grant date fair value of share-based payments awards granted to suppliers is recognised as a separate expense, *share-based payments expense*, with a corresponding increase in equity over the period that the supplier provides the service or becomes unconditionally entitled to the award. The Group did not enter into such share-based payment transactions during the current financial year.

The amounts recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for difference between expected and actual outcomes.

The share-based payment expense included within the financial statements can be broken down as follows:

	Note	2024	2023
		\$	\$
Personnel expenses			
Options issued to Directors	22	-	58,080
Professional fees			
Options issued to consultants		-	13,311

20 SHARE-BASED PAYMENTS (continued)

At 31 December 2024, a summary of the Company options in issue and not exercised are as follows, excluding any free-attaching options currently in issue. Options are settled by the physical delivery of shares.

Grant date	Vesting date	Expiry date	Exercise price (cents)	Opening balance	Granted during year	Exercised / expired during year	Closing balance	Vested and exercisable
31-May-22	31-May-22	31-Jan-24	5	11,550,000	-	(11,550,000)	-	-
31-May-23	31-May-23	30-Jun-26	3	14,750,000	-	-	14,750,000	14,750,000
Total				26,300,000	-	(11,550,000)	14,750,000	14,750,000
Weighted Average Exercise Price (cents)				3.89	-	5	3	3

The weighted average remaining contractual life of options outstanding at year end was 1.50 years.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Accounting Policy

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement categories in the statement of financial position in accordance with AASB 9 *Financial Instruments*:

- Fair value through Profit or Loss (FVTPL)
- Amortised Cost
- Fair value through Other Comprehensive Income (FVTOCI)

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Overview

The Group has exposure through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Principal Financial Instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and Cash Equivalents (note 14)
- Trade and other payables (note 16)
- Current tax liability
- Borrowings

Financial Assets

	Amortised cost	
	2024	2023
	\$	\$
Cash and cash equivalents	3,555,128	995,260
Trade and other receivables	10,524	6,439
Total Financial Assets	3,565,652	1,001,699

Financial Liabilities

	Amortised cost	
	2024	2023
	\$	\$
Trade and other payables	(893,393)	(232,034)
Current tax liability	(34,719)	(217,039)
Borrowings	-	(4,886)
Total Financial Assets	(928,112)	(453,959)

Financial Instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their value.

Due to the nature of the agreements for borrowings, the carrying value approximates their value.

General objectives, processes and policies

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Credit risk arises principally from the Group's receivables from joint operations.

As the Group currently has a minimal amount of transactions, outside of its joint operation in Canada, that result in receivables, the Risk Management Committee has determined it not necessary to establish a credit policy for assessing creditworthiness of customers at this stage.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Group held cash and cash equivalents of \$3,555,128 at 31 December 2024 (2023: \$995,260). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Liquidity risk

Liquidity risk arises from the Group's management of working capital, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's objective is to ensure, so far as is possible, that it will always have sufficient cash and cash equivalents to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The information on the following page represents the contractual maturities of financial liabilities excluding the impact of netting arrangements:

The balances above will not always agree to the financial statements as the contractual cash flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position.

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

	Carrying amount \$	Contractual cash flows \$	12 months or less \$
31 December 2024			
Non-derivative financial liabilities			
Trade and other payables	(893,393)	(893,393)	(893,393)
Current tax liability	(34,719)	(34,719)	(34,719)
	(928,112)	(928,112)	(928,112)
31 December 2023			
Non-derivative financial liabilities			
Trade and other payables	(232,034)	(232,034)	(232,034)
Current tax liability	(217,039)	(217,039)	(217,039)
Finance lease liability	(4,886)	(4,886)	(4,886)
	(453,959)	(453,959)	(453,959)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change to the manner in which the Group manages market risk from the previous year.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group operates internationally and is exposed to currency risk on exploration and evaluation activities in the USA and Austria (Euro), and oil and gas production operations in Canada.

The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than Australian dollars and ensuring that adequate foreign currency balances are maintained or provided for. The objective of the Group's foreign exchange risk management is to ensure its financial viability despite potential periods of unfavourable exchange rates.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows (denominated below in AUD equivalent as at respective period end exchange rates):

	Assets		Liabilities	
	2024 \$	2023 \$	2024 \$	2023 \$
US dollar	1,239	1,422	(110,605)	(44,238)
Canadian dollar	2,684,005	65,987	(34,719)	(197,508)
Euro	-	-	(633,090)	(19,532)

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

The Group is predominantly exposed to US dollar (**USD**), Canadian dollar (**CAD**) and Euro (**EUR**) foreign exchange risk. A sensitivity analysis has been performed, assessing outstanding foreign currency denominated monetary items and adjusting their translation at the year-end for a 2% (31 December 2023: 2%) change in foreign currency rates. This analysis has identified that the impact on profit and loss in the current and prior financial period would not be a material impact to the Company and the Group.

		Impact on profit or loss	
		2024	2023
		\$	\$
AUD strengthens by 2% (31 December 2023: 2%)			
CAD		(52,986)	2,918
USD		2,187	1,258
EUR		12,662	431
AUD weakens by 2% (31 December 2023: 2%)			
CAD		52,986	(1,258)
USD		(2,187)	(2,917)
EUR		(12,662)	(431)

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market commodity prices for crude oil and natural gas.

The objective of the Group's commodity price risk management is to ensure its financial viability despite potential periods of unfavourable prices. Sensitivity analyses are conducted to evaluate the potential impact of unfavourable prices on the Group's future financial position. The results of these evaluations are used to determine the most appropriate risk mitigation tool to be used.

Commodity price sensitivity analysis

The Group is exposed to movements in commodity prices for crude oil and for natural gas. The sensitivity analysis below summarises the impact of increases or decreases on the Group's pre-tax loss for the period based upon movements in commodity prices. A positive number indicates a decrease to loss where the commodity price has increased and a negative number indicates an increase in loss for the year where the commodity price has decreased.

		Impact on profit or loss	
		2024	2023
		\$	\$
Increase in oil price by 20% (31 December 2023: 20%)			
		151,851	1,503,671
Decrease in oil price by 20% (31 December 2023: 20%)			
		(151,851)	(1,503,671)

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group only has interest rate risk relating to its funds on deposit with banking institutions. All current loans payable by the Group are on terms agreed between the parties and are not subject to change during the life of the agreements. Accordingly, the Group does not hedge its interest rate risk exposure.

Market risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

		Carrying amount	
		2024	2023
		\$	\$
Variable rate instruments			
Cash and cash equivalents		3,555,128	995,260
		3,555,128	995,260

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date has been analysed for potential impact upon the Company and the Group. This analysis assumes that all other variables remain constant. The analysis identified that the impact of a change in interest rates on variable rate instruments would not have a material impact on the Company or the Group.

At the reporting date the Group did not hold any variable rate financial liabilities.

22 RELATED PARTIES

Key management personnel compensation included in "Directors' remuneration" (note 12), comprises the following:

	Note	2024 \$	2023 \$
Short term employee benefits		206,525	217,926
Post-employment benefits		6,067	5,823
Share-based payments	20	-	58,080
	12	212,592	281,829

Individual Director's and Executives' compensation disclosures

Information regarding individual Director's and Executive's compensation and some equity instruments disclosures as required by s300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration report section of the Directors' Report in section 14.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to Key Management Personnel and entities over which they have control or significant influence were as follows:

		Transactions value year ended 31 December		Balance outstanding as at 31 December	
		2024 \$	2023 \$	2024 \$	2023 \$
KMP	Transaction				
Andrew Childs	Consultancy fees ¹	79,600	25,500	-	25,500
	Rental fees ²	21,000	-	-	-
Andrew Bald	Consultancy fees ³	58,900	4,500	30,800	4,500
Greg Channon	Consultancy fees ⁴	55,800	1,500	11,475	1,500
				42,275	31,500

¹ The Group incurred \$79,600 for consultancy services to Resource Recruitment Pty Ltd, a company associated with Mr Childs, in relation to technical oil and gas analysis services provided to the Group, services considered outside the scope of Mr Childs' Director commitments. Amounts were billed based on normal market rates for such services and were due and payable under normal terms.

² The Group incurred \$21,000 in rent expenses paid to Resources Recruitment Pty Ltd, for utilisation of office space during the 2024 year. Amounts were billed based on normal market rates and were due and payable under normal terms.

22 RELATED PARTIES (continued)

Other key management personnel transactions (*continued*)

- ³ The Group incurred \$58,900 for consultancy services to Panthea Capital Pty Ltd, a company associated with Mr Bald, in relation to analysis and consulting services provided to the Group, services considered outside the scope of Mr Bald's Director commitments. Amounts were billed based on normal market rates for such services and were due and payable under normal terms at the end of the financial year.
- ⁴ The Group incurred \$55,800 for consultancy services of Ruby Lloyd Pty Ltd, a company associated with Mr Channon, in relation to technical oil and gas analysis services provided to the Group, services considered outside the scope of Mr Channon's Director commitments. Amounts were billed based on normal market rates for such services and were due and payable under normal terms at the end of the financial year.

23 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2024 %	2023 %
CalX SELA LLC	Oil and gas exploration	California, USA	31 December	100	100
Xstate (USA) Corp	Oil and gas exploration	California, USA	31 December	100	100
XGas LLC	Oil and gas exploration	California, USA	31 December	100	100
Xstate Energy Ltd	Oil production	Alberta, Canada	31 December	100	100
XST Diona Pty Ltd	Oil and gas exploration	WA, Australia	31 December	100	-
XST Diona Ops Pty Ltd	Oil and gas exploration	WA, Australia	31 December	100	-

Joint operations

Xstate Energy Limited ("**Xstate Energy**") holds working interests in assets owned and operated by Blue Sky Resources Limited ("**BSRL**"), a Canadian oil and gas production entity. Xstate Energy holds a 25% working interest in the Crest Jinn oil producing assets and lands. BSRL is the operator of the oil production assets and identifies the proportional share of income, expenditure, assets and liabilities attributable to Xstate Energy as a result of operations. The operation is considered a joint arrangement for accounting purposes. The principal place of business is Alberta, Canada.

Post year-end, Xstate divested of its 25% working interest in the Crest Jinn assets.

Xstate Resources Limited ("**Xstate**") holds a 20% working interest in the Anshof Discovery Area in Austria, operated by ADX Energy Limited ("**ADX**"). ADX is the operator of the production assets and identifies the proportional share of income, expenditure, assets and liabilities attributable to Xstate as a result of operations. The operation is considered a joint arrangement for accounting purposes.

The principal place of business is Molasse Basin, Austria.

24 SUBSEQUENT EVENTS

On 7 February 2025, the Company announced that it has divested its 25% working interest in the producing Crest Jinn assets in Alberta, Canada, for a 3% overriding royalty on a 25% interest of the Crest Jinn producing wells and the Crest Jinn acreage.

Other than the matters identified above, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

25 PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 31 December 2024, the parent entity of the Group was Xstate Resources Limited. Refer to note 26 for contingent liabilities that impact the parent entity.

	2024 \$	2023 \$
Results of the parent entity		
Total comprehensive profit / (loss) for the year	(163,004)	87,741
Financial position of parent entity at year end		
Current assets	954,370	990,106
Total assets	1,735,778	1,240,555
Current liabilities	(896,007)	(244,118)
Total liabilities	(1,040,807)	(382,580)
Total equity of the parent entity comprising of:		
Share capital	58,083,830	58,083,830
Reserves	71,391	339,349
Accumulated losses	(57,460,250)	(57,565,204)
Total equity	694,971	857,975

26 CONTINGENT LIABILITIES

As at the end of the reporting period, the Company has no identifiable contingent liabilities.

27 AUDITORS' REMUNERATION

During the financial year, the following fees were paid or payable for services provided by BDO, the auditor of the Company, and its network firms:

	2024 \$	2023 \$
BDO Audit Pty Ltd		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	84,538	99,040
Total remuneration for audit and other assurance services	84,538	99,040
<i>Taxation services</i>		
Tax compliance services	11,366	10,166
Total remuneration for taxation services	11,366	10,166
BDO Vienna GmbH		
<i>Taxation services</i>		
Tax compliance services	2,418	-
Total remuneration for taxation services	2,418	-
Total remuneration of BDO Audit Pty Ltd and its related parties	98,322	109,206

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice, or where BDO is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

The BDO entity performing the audit of the group transitioned from BDO Audit (WA) Pty Ltd to BDO Audit Pty Ltd on 27 May 2024. The disclosures include amounts received or due and receivable by BDO Audit (WA) Pty Ltd, BDO Audit Pty Ltd and their respective related entities.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

As of 31 December 2024

Name of entity	Type of entity	Country of incorporation	Percentage owned	Australian or foreign tax resident	Foreign tax jurisdiction (if applicable)
Xstate Resources Limited	Body corporate	Australia	N/A	Australian	N/A
CalX SELA, LLC	Body corporate	USA	100%	Foreign ¹	USA
Xstate (USA) Corp.	Body corporate	USA	100%	Foreign ¹	USA
Xgas, LLC	Body corporate	USA	100%	Foreign ¹	USA
Xstate Energy Ltd	Body corporate	Canada	100%	Foreign	Canada
XST Diona Pty Ltd	Body corporate	Australia	100%	Australian	N/A
XST Diona Ops Pty Ltd	Body corporate	Australia	100%	Australian	N/A

At the end of the financial year, no entity within the consolidated entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

¹ Xstate’s USA based subsidiaries are considered to also be Australian Tax Resident on the basis that central management and control of the entities reside in Australia. Under Australian financial reporting standards, an entity cannot be classified as a dual resident until year ends commencing after 1 July 2024.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Xstate Resources Limited (the "Company"):
 - (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2024.
3. The Consolidated Entity Disclosure Statement on page 66 is true and correct.

This declaration is signed in accordance with a resolution of the Board of Directors.



ANDREW CHILDS

Executive Chairman

Dated at Perth, Western Australia this 28th day of March 2025

INDEPENDENT AUDITOR'S REPORT

To the members of Xstate Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xstate Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Oil and Gas Properties – Austrian on-shore assets

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2024, the carrying value of the Group's on-shore oil and gas assets in Austria, as disclosed in Note 16, represents a significant balance to the group. In accordance with Australian Accounting Standards, the Group must assess whether there are any indicators of impairment for these assets.</p> <p>This assessment requires judgement in evaluating a range of external and internal factors to determine whether an impairment test was necessary under Australian Accounting Standard AASB 136 Impairment of Assets.</p> <p>Given the judgement involved in assessing impairment indicators, we considered this to be a key audit matter.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Benchmarking and analysing management's oil and gas price assumptions against external market data, to determine whether they indicate a significant change that would impact the value of the asset; • Assessing the appropriateness and accuracy of the capitalised oil and gas amounts as a result of the acquisition and disposal of working interests in producing assets during the year; • Reviewing the Directors' minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value; • Considering whether there were any other facts and circumstances that existed to indicate impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 16 to the financial report.

Disposal of Oil and Gas Property and Assets Held for Sale – Canadian on-shore assets

Key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2024, the Group disposed of its 25% working interest in the Red Earth Assets as disclosed in Note 16. Further, after year end the Group disposed of its 25% working interest in the Crest Jinn assets. This sale of the Crest Jinn asset resulted in an impairment on the asset as it was evident that the recoverable amount was less than carrying amount. The sale resulted in the asset being disclosed as an asset held for sale and a discontinued operation at 31 December 24 (Note 9).</p> <p>The audit of the accounting for these disposals is a key audit matter due to the significant judgement and complexity involved in assessing the determination of the fair value of the consideration it received, the carrying value of the assets and liabilities disposed of, the effective date of the transaction and the implications of the asset being classified as held for sale.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the sale agreements to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Comparing the assets and liabilities derecognised on disposal against the executed agreement; • Recalculating the impairment charge on the Crest Jinn asset by comparing the recoverable amount, which was deemed to be the consideration of the transaction, to the carrying amount at year end; • Assessing the appropriateness of the transaction date in consideration with the applicable reporting framework; • Assessing the criteria under the relevant accounting standard to ensure that the Crest Jinn transaction met the definition of an asset being held for sale as at year end; and • Assessing the adequacy of the related disclosures in Note 9 and Note 16 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/media/bwjcgcre/ar1_2024.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of Xstate Resources Limited, for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in black ink. The signature starts with 'BDO' in a stylized, blocky font, followed by a large, fluid, cursive signature that appears to be 'Ashleigh Woodley'.

Ashleigh Woodley

Director

Perth, 28 March 2025

STOCK EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 15 March 2025:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	880	88,092	0.03
1,001 - 5,000	545	1,871,419	0.58
5,001 - 10,000	461	3,743,153	1.16
10,001 - 100,000	1,218	46,505,600	14.47
100,001 and over	403	269,310,886	83.76
Total	3,507	321,519,150	100.00

There were 2,851 holders of less than a marketable parcel of ordinary shares.

2. Substantial shareholders

Shareholders	Number held	Percentage held
Blue Sky Resources Ltd.	24,308,160	7.56%
Mr Christopher Whitehead	21,091,553	6.56%

3. Voting rights

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options and rights

No voting rights.

4. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
31-May-23	14,750,000	4	30-Jun-2026	3

XSTATE RESOURCES LIMITED
STOCK EXCHANGE INFORMATION

5. Twenty largest shareholders

Shareholders	Ordinary shares	
	Number held	% of issued shares
BLUE SKY RESOURCES LTD	24,308,160	7.56
WHEAD PTY LTD <CJ HOLDINGS A/C>	17,864,370	5.56
MR ALAN GEORGE BROOKS & MRS PHILIPPA CLAIRE BROOKS <A G & P C BROOKS S/FUND A/C>	10,713,973	3.33
MR RIKI DAVID WYLIE	10,530,939	3.28
TALEX INVESTMENTS PTY LTD	9,900,000	3.08
SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	5,937,129	1.85
AUSTRALIAN OIL COMPANY LIMITED	4,309,087	1.34
MS XING LIU	4,224,000	1.31
MR DAMIAN ARTHUR FURNELL	4,000,000	1.24
MR TEIK TATT OH	3,800,000	1.18
ENDLESS SUMMER (WA) PTY LTD <PETER NELSON SUPER FUND A/C>	3,400,000	1.06
HERA INVESTMENTS PTY LTD	3,166,108	0.98
MANDALARI PTY LTD <APAFI SF A/C>	3,030,682	0.94
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	2,508,067	0.78
MR CHUNHANG LI	2,500,000	0.78
DR JOHN TOMASICH	2,300,000	0.72
STILL CAPITAL PTY LTD	2,273,183	0.71
MR DAVID MAXWELL MCARTHUR	2,125,557	0.66
MR DAVID JOHN ALLEN & MRS MARY BERNADETTE ALLEN <ALLEN SUPERFUND A/C>	2,000,000	0.62
D & R FURNELL PTY LTD	2,000,000	0.62

6. Petroleum lease interests at 15 March 2025

Project name	Location	Working interest
Anshof 3 Discovery Area ¹	Molasse Basin, Northern Austria	0-20%
Alvares Appraisal Well	Sacramento Basin Onshore Northern California	25%
Alvares Project	Sacramento Basin Onshore Northern California	30%
Dempsey 1-15 Well	Sacramento Basin Onshore Northern California	10%
Dempsey AMI	Sacramento Basin Onshore Northern California	24%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	10%
Malton Field	Sacramento Basin Onshore Northern California	30%
East Rice East Creek Field	Sacramento Basin Onshore Northern California	10%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	10%
Dutch Slough Field	Sacramento Basin Onshore Northern California	30%
Crest Jinn Oil Field ²	Northern Alberta, Canada	Nil

¹ As a result of Xstate's election for non-participation in the Anshof-2 and Anshof-2A wells, it holds a nil working interest for that component of the Anshof Discovery Area.

² Crest Jinn assets have been agreed to be divested, as identified to investors on 7 February 2025.

7. Gold tenements listing at 15 March 2025

Tenement description	Tenement number	Status	Percentage interest
King Brown	M24/705	Granted	12%