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XSTATE RESOURCES LIMITED

ABN 96 009 217 154

INTERIM FINANCIAL REPORT

For the six months ended 30 June 2025

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CORPORATE DIRECTORY

Directors

Mr Andrew Childs

Mr Greg Channon

Mr Andrew Bald

Company Secretary

Mr Jordan McArthur

Registered and Principal Office

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Postal Address

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Fremantle WA 6959

Auditors

BDO Audit Pty Ltd
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

Telephone: 1300 288 664

ASX Code

Shares: XST

Country of Incorporation and Domicile

Australia

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of Xstate Resources Limited (**XST, XState** or the **Company**) and of the Group, being the Company and its subsidiaries for the six months ended 30 June 2025 and the auditor's review report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Name	Period of Directorship
Executive	
Andrew Bald *Managing Director*	Appointed 6 June 2022 to Board Appointed 4 April 2025 as Managing Director
Non-Executive	
Greg Channon *Chair – Audit & Risk Committee* *Member – Remuneration & Nomination Committee*	Appointed 17 August 2020
Andrew Childs *Chair - Remuneration & Nomination Committee* *Member - Audit & Risk Committee*	Appointed 22 April 2020 Executive Chair until 4 April 2025

2. OPERATING AND FINANCIAL REVIEW

The Company's operation during 6-months to 30 June 2025 were focused on:

- Acquisition of a 51% Working Interest in the Diona-1 Project [ATP 2077] (**Diona**), with Shareholders approving the transaction to acquire the Diona Project on 28 July 2025.
- Divestment of the Company's 25% working interest (**WI**) in the Crest Jinn assets in Alberta, Canada in exchange for a 3% overriding royalty over 25% of production at the Crest Jinn wells;
- Divestment of the Company's 20% WI in the Anshof Discovery Area in Austria to a subsidiary of ADX Energy Ltd. The consideration for the divestment was equivalent in value to the unpaid AFE's owing at disposal date.

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Canadian Asset Divestment – Crest Jinn (25% WI)

During the first half of 2025, the Company completed the divestment of its remaining Canadian oil production interests (**Crest Jinn**). The exit from Canada was finalised in February 2025 when the Company announced the sale of its 25% working interest in the Crest Jinn assets, effective 1 January 2025. The consideration received for the divestment was a 3% overriding royalty on gross production over its divested 25% Working Interest across the existing wells and any future developments within the 10,240 gross acres originally acquired in 2023. This royalty secures any potential long-term value for shareholders whilst at the same time reducing the Company's direct exposure to operating and capital costs in Canada. During the 2024 financial year, Crest Jinn production contributed 1,569 barrels (after royalty) to Xstate's net production.

The Crest Jinn divestment follows on from the sale of the Red Earth assets (July 2024) for US$2.73 million (approximately A$4.2 million) in cash proceeds. The successful sales of the Canadian assets repositioned the Company away from minority, non-operated positions toward projects with operational control, the first of these being the Diona project announced in April 2025.

Austrian Asset Divestment – Anshof-3 Discovery (20% WI)

In June 2025, the Company announced the divestment of its 20% Working Interest in ADX Energy Limited's (**ADX**) (ASX Code: ADX) Anshof Project in Austria. The disposal was effected by way of an assignment of XST's working interest and obligations to Kathari Energia GmbH (Kathari) a wholly owned subsidiary of ADX.

Under the terms of the assignment, XST assigned its production (which, at the time was currently equivalent to 14 bopd) to Kathari for the equivalent of EUR547,0751. This in turn was offset against the value of the accrued cash calls that total EUR547,075 which includes the contribution of EUR480,867 towards the 3,000 bopd permanent production facility. Under the terms of the Assignment Agreement, Kathari has agreed to assume all of Xstate's commitments and obligations to the Anshof project and Xstate has agreed to transfer its 20% equity interest in both the Anshof field and the 3,000 bopd production facility,

California Exploration and Production (Various WI's)

During the half year, we were made aware that the leases associated with the Alvares project had expired[1]. We have been advised by the Operator (Australian Oil Company Limited) that they are continuing to maintain the leases in the Sacramento Basin. Xstate has range of WIs in a number of oil and gas leases ranging between 10% and 33%.

Xstate share of Gas Flows in California	Six-months to 30 Jun 2025 (MCF)[1]	Six-months to 31 Dec 2024 (MCF)
Gross Gas Flow to JV (post Royalty)	34,131	46,279
Net to Xstate (post Royalty)	3,413	4,833

1 mcf = thousand cubic feet gas

[1] Refer to Australian Oil Company (ASX Code: AOK) 2024 Annual Report

Changes in Tenement / Project List Reporting Period:

During the immediate past half year, in addition to the notification that the Alvares leases had expired (see above) the Company pro-actively divested the following projects (and associated tenements):

Project	WI Disposed	Jurisdiction	Date of Announcement
Crest Jinn	25%	Canada	7 Feb 2025
Anshof	20%	Austria	4 Jun 2025

Leases Disclaimer

USA based exploration is conducted on leases grant 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). Leases are typically for 5 years and rentals are paid annually. There are no firm work commitments associated with the leases. Some leases are 'Held by Production' and royalties are paid to mineral right owners in lieu of rentals. Xstate has not listed all its leases as it is impractical and not meaningful for potential project value assessment in oil and natural gas plays. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to Xstate shareholders.

XSTATE RESOURCES LIMITED – TENEMENT LISTING AT 30 JUNE 2025			
Project name	**Category**	**Area**	**WI**
Dempsey 1-15 Well	Exploration & Appraisal	California	10%
Dempsey Trend	Active leasing 3 large prospects	California	33%
Rancho Capay Field	Production	California	10%
Malton field	Production	California	30%
Rice Creek, East Gas Fields	Production	California	10%
Los Medanos Gas Field	Production	California	10%
Dutch Slough Field	Production	California	30%

Future Strategy

The divestments of our Canadian and Austrian projects mark the pivot point in the Company's business model to one where it will, when possible, control and operate its own projects.

The objective is to create scale and deliver sustainable shareholder value through assets where Xstate can drive exploration, development and production outcomes. This objective leverages of the of the deep operating experience of all 3 Directors.

In April 2025, the Company announced its first majority controlled and operated project when it announced its agreement to acquire a 51% working interest in the Diona project currently owned by Elixir Energy Linted (ASX Code: EXR).

Following the close of its recent capital raising, the Company has now begun preparations for drilling which it expects to commence in late-September 2025.

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Corporate

As at 30 June 2025, the Company held cash and cash equivalents of $2.49m and had 321,519,150 shares on issue across 3,507 shareholders. The top 20 holders held 125,854,517 shares representing 39.14% of the Company's issued capital. There were 14,750,000 unlisted options on issue at period end, exercisable on or before 30 June 2026 at $0.03.

No options expired during the period.

Further information may be found in the Company's reports for the March 2025 and June 2025 quarters, released to the ASX on 30 April 2025 and 31 July 2025, respectively.

3. DIVIDENDS

The Directors recommend that no dividend be provided for the six months ended 30 June 2025 (2024: Nil).

4. EVENTS SUBSEQUENT TO REPORTING DATE

On 28 July 2025, Shareholders approved a 1 : 2.23 consolidation of capital that reduced the total number of shares on issue down from 321,519,150 to 144,180,863. Additionally, options on issue reduced from 14,750,000 exercisable at $0.03 per share to 6,614,351 exercisable at $0.067 per share.

On 20 August 2025, Xstate announced it had received indication of approval for the transfer of 51% of ATP 2077 by the Queensland Department of Natural Resources and Mines. This indication of approval marked another step towards commencement of operations at Diona and re-quotation of the Company's shares on ASX.

On 3 September 2025, the Company advised that it had completed its Re-compliance Prospectus offer, raising $2,144,000. Additionally on this date, the Company issued 107,200,000 fully paid ordinary shares.

There have been no matters or circumstances that have arisen since the end of the interim period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

5. 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.

Competent Persons Statement and Disclaimer

This document may contain forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that any expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Greg Channon, a Director of Xstate. He is a qualified geologist with over 35 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Channon is a member of the American Association of Petroleum Geologists. Mr Channon consents to the inclusion of the information in the form and context in which it appears.

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



Andrew Bald
Managing Director

Dated at Perth, Western Australia this 11th day of September 2025

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

As lead auditor for the review of Xstate Resources Limited for the half-year ended 30 June 2025, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

11 September 2025

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note	30 June 2025 $	31 December 2024 $
Assets			
Cash and cash equivalents		2,488,211	3,555,128
Trade and other receivables	9	62,641	10,524
Prepayments	10	214,437	26,405
Non-current assets held for sale		-	61,691
Current tax asset		17,728	-
Total current assets		**2,783,017**	**3,653,748**
Oil and gas assets		-	781,408
Financial assets		10,295	-
Deposits	11	250,000	-
Deferred tax asset		90,919	91,199
Total non-current assets		**351,214**	**872,607**
Total assets		**3,134,231**	**4,526,355**
Liabilities			
Trade and other payables	12	(436,920)	(893,393)
Current tax liability		-	(34,719)
Employee benefits		(5,000)	(1,547)
Liabilities associated with Non-current assets held for sale		-	(49,843)
Total current liabilities		**(441,920)**	**(979,502)**
Site restoration provision	13	(62,193)	(144,801)
Total non- current liabilities		**(62,193)**	**(144,801)**
Total liabilities		**(504,113)**	**(1,124,303)**
Net assets		**2,630,118**	**3,402,052**
Equity			
Share capital	14	58,083,830	58,083,830
Reserves		369,154	365,900
Accumulated losses		(55,822,866)	(55,047,678)
Total equity attributable to owners of the company		**2,630,118**	**3,402,052**

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Note	30 June 2025 $	30 June 2024 Reclassified $
Revenue from operating activities			
Other income		16,246	16,133
Interest income		47,805	18,227
Expenses			
Exploration expenditure		(189,874)	(75,151)
Personnel expenses		(148,194)	(108,078)
General and administrative expenses		(216,872)	(50,538)
Professional fees		(166,355)	(275,837)
Finance expenses		(656)	(979)
Foreign exchange gain		35,011	8,376
Other expenses		(3,717)	(35,674)
Loss before income tax		**(626,606)**	**(503,521)**
Income tax expense		-	-
Loss for the period from continuing operations		**(626,606)**	**(503,521)**
Discontinued operations			
(Loss) / profit for the period - Canada	7(b)	(44,960)	2,988,192
Loss for the period - Austria	7(e)	(103,622)	(6,182)
Total (loss) / profit from discontinued operations		**(148,582)**	**2,982,010**
(Loss) / profit for the period		**(775,188)**	**2,478,489**
Other Comprehensive Income			
Exchange differences on translation of foreign operations		3,254	(37,872)
Total Comprehensive (loss) / profit for the period		**(771,934)**	**2,440,616**
Total Comprehensive (loss) / profit for the period arises from:			
Continuing operations		(599,052)	**(606,309)**
Discontinued operations		(172,882)	**3,046,925**
		(771,934)	**2,440,616**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Note	30 June 2025 $	30 June 2024 Reclassified $
Loss per share (cents per share) – continuing operations			
Basic and diluted		(0.19)	(0.16)
(Loss) / profit per share (cents per share) – continuing and discontinued operations			
Basic		(0.24)	0.77
Diluted		(0.24)	0.72

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Attributable to equity holders of the Company				
		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 loss for the period						
Profit for the period		-	-	-	2,478,488	**2,478,488**
Other comprehensive income						
Foreign exchange translation difference on foreign operations		-	(37,872)	-	-	**(37,872)**
Total other comprehensive income for the period		**-**	**(37,872)**	**-**	**-**	**(37,872)**
Total comprehensive profit for the period		**-**	**(37,872)**	**-**	**2,478,488**	**2,440,616**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares		-	-	-	-	**-**
Capital raising costs		-	-	-	-	**-**
Lapse of options		-	-	(267,958)	267,958	**-**
Total contributions by and distributions to owners		**-**	**-**	**(267,958)**	**267,958**	**-**
Balance at 30 June 2024		**58,083,830**	**235,600**	**71,391**	**(53,753,275)**	**4,637,546**

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Note	Attributable to equity holders of the Company				
		Share capital $	Translation reserve $	Options reserve $	Accumulated losses $	Total $
Balance at 1 January 2025		58,083,830	294,509	71,391	(55,047,678)	**3,402,052**
Total comprehensive loss for the period						
Loss for the period		-	-	-	(775,188)	**(775,188)**
Other comprehensive income						
Foreign exchange translation difference on foreign operations		-	3,254	-	-	**3,254**
Total other comprehensive income for the period		**-**	**3,254**	**-**	**-**	**3,254**
Total comprehensive loss for the period		**-**	**3,254**	**-**	**(775,188)**	**(771,934)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares		-	-	-	-	**-**
Share-based payment transactions		-	-	-	-	**-**
Capital raising costs		-	-	-	-	**-**
Total contributions by and distributions to owners		**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2025		**58,083,830**	**297,763**	**71,391**	**(55,822,866)**	**2,630,118**

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2025

	30 June 2025 $	30 June 2024 $
Cash flow from operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(665,657)	(529,504)
Payments for exploration evaluation and development	(269,122)	(61,079)
Interest received	52,540	25,296
Income taxes paid	(52,410)	(178,318)
Net cash used in operating activities	**(934,649)**	**(743,605)**
Cash flows from investing activities		
Receipts for divestment of production interests	-	2,140,080
Net cash generated from / (used in) investing activities	**-**	**2,140,080**
Cash flow from financing activities		
Repayment of borrowings	-	(4,886)
Capital raising costs prepaid	(126,916)	-
Net cash used in financing activities	**(126,916)**	**(4,886)**
Net increase / (decrease) in cash and cash equivalents	(1,061,565)	1,391,589
Cash and cash equivalents at 1 January	3,555,128	995,260
Effect of exchange rate fluctuations on cash held	(5,352)	(18,188)
Cash and cash equivalents at 30 June	**2,488,211**	**2,368,661**

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025

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 consolidated interim financial report of the Company as at and for the six months ended 30 June 2025 comprises the Company and its subsidiaries (together referred to as "the Group"). The Group historically has primarily been involved in oil and natural gas exploration and oil production, having held oil production interests in Canada and Austria, along with oil and natural gas exploration interests in the United States of America. These production interests were divested during the period to 30 June 2025. In the period to 30 June 2025, the Company has entered into an agreement to acquire a 51% interest in onshore oil and gas exploration interests in Queensland.

The interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2024.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at the year ended 31 December 2024.

2 GENERAL INFORMATION

The consolidated interim financial report is a general-purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001 and with IAS 34 Interim Financial Reporting.

The consolidated interim financial report was approved by the Board of Directors on 11 September 2025.

3 MATERIAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied in its consolidated financial report as at and for the year ended 31 December 2024. The Group has adopted the following Amendments to Australian Accounting Standards with a date of initial application of 1 January 2025.

Adoption of new and revised standards:

Standards and interpretations applicable to 30 June 2025

For the half-year ended 30 June 2025, the Directors have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2025.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2025.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to Group accounting policies.

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4 JUDGEMENTS AND ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies. Key sources of estimation uncertainty were consistent with the consolidated financial statements as at and for the year ended 31 December 2024.

5 FOREIGN CURRENCIES

The financial report is presented in Australian dollars, which is the Company'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 end 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.

6 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates 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 $2,443,197 (31 December 2024: $3,402,052) and working capital of $2,404,176 (31 December 2024: $2,674,246). During the period ended 30 June 2025, the Group recorded overall cash outflows from Operating Activities of $934,613 (30 June 2024: $743,605).

Post period-end, the Company has concluded a public offer, raising capital of $2.144m as a component of its re-compliance with ASX Listing Rules 1 & 2 for re-quotation of its shares on ASX, and this contributes to the cash flows and operational requirements of the Group.

Under the terms of the acquisition agreement with Elixir, Xstate has a commitment to sole fund the Diona-1 exploration well. The Public Offer documents lodged on 27 June 2025 identified a cost estimate for the well of $2.65m. Xstate has provided a $2m conditional performance bond under the terms of the acquisition agreement as an obligation for drilling the well. The Company has the capability to draw down on this bond during the currency of the drilling campaign. There are no other material financial commitments under the terms of the acquisition agreement.

The Directors are confident of the Group's ability to continue as a going concern on the basis of its existing exploration operational cash flow requirements when assessed against cash reserves and in light of access to 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.

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7 DISCONTINUED OPERATIONS

(a) Disposal of Crest Jinn Assets

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 of 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 was effective as 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 separate major line of business operations, being production operations in Canada during the 2024 year. As such, the operations disclosed below represent Canadian production operations from Crest Jinn during the period ending 30 June 2024 and the costs incurred during the period ending 30 June 2025 winding up the subsidiary entity.

(b) Profit and loss from Canadian Discontinued Operations

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

	30 June 2025 $	30 June 2024 $
Production income	-	97,135
Interest income	4,735	7,069
Cost of sales	-	(22,492)
Administrative expenses	(586)	(686)
Professional fees	(49,109)	(37,315)
Depreciation and Amortisation	-	(17,738)
Gain on disposal of asset (Red Earth)	-	3,257,823
Finance expense	-	(723)
(Loss) / profit before income tax expense	**(44,960)**	**3,283,073**
Income tax expense	-	(294,881)
(Loss) / profit for the period from discontinued operations	**(44,960)**	**2,988,192**

(c) Cash flows from Canadian Discontinued Operations

	30 June 2025 $	30 June 2024 $
Net cash used in operating activities	(84,919)	(218,542)
Net cash generated from investing activities	-	2,140,080
Net cash used in financing activities	-	-

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7 DISCONTINUED OPERATIONS (*continued*)

(d) Disposal of Anshof Discovery Area Working Interest

On 4 June 2025, Xstate Resources Limited announced that it had entered into an agreement with Kathari Energia GmbH (**Kathari**), a wholly owned subsidiary of ADX Energy Limited (**ASX:ADX**), to dispose of and assign its 20% working interest in the Anshof Project to Kathari (**Assignment Agreement**). The effective date of the agreement was 31 March 2025, and as such, Xstate had rights to production income for Q1 of 2025.

The result of the Assignment Agreement was that Xstate assigned its production interests in the Anshof-3 production well to Kathari for the equivalent of €547,075 (approximately A$963,160 at the time of the agreement). This value was offset against the total value of accrued cash calls that Xstate was carrying in its balance sheet.

Under the terms of the Assignment Agreement, Kathari agreed to assume all of Xstate's commitments and obligations for the Anshof project and Xstate agreed to transfer its 20% equity interest in both the Anshof field and the 3,000 bopd production facility.

(e) Profit and loss from Austrian Discontinued Operations

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

	30 June 2025 $	30 June 2024 $
Production income	138,677	203,590
Cost of sales	(129,229)	(219,571)
Depreciation and Amortisation	(13,086)	(15,115)
Finance expense	(51,692)	-
Loss on disposal of asset	(25,921)	-
FX (loss) / gain	(22,371)	5,382
Loss before income tax expense	**(103,622)**	**(25,714)**
Income tax expense	-	19,532
Loss for the period from discontinued operations	**(103,622)**	**(6,182)**

(f) Cash flows from Austrian Discontinued Operations

	30 June 2025 $	30 June 2024 $
Net cash used in operating activities	-	-
Net cash generated from investing activities	-	-
Net cash used in financing activities	-	-

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8 OPERATING SEGMENTS

Information about reportable segments

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

- Oil & gas exploration activities on-shore Australia; and
- Oil & gas exploration activities on-shore United States of America;

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 falling outside of these segments are categorised as "Corporate".

There has been a change in the basis of segmentation since the 31 December 2024 annual report as a result of the divestment of the Group's Canadian and Austrian interests and commencement of exploration efforts in Australia. Accordingly, the Group no longer reports segments of oil production activities on-shore Canada or Austria and has a new segment for Australia. The segment notes disclosed below have been amended to identify the continuing and discontinued operations separately.

Segment information provided to the chief operating decision maker

	Continuing Operations			Discontinued Operations		Eliminations	Totals
30 June 2025	**O&G Exploration AUS**	**O&G Exploration USA**	**Corporate**	**Oil production CAN**	**Oil production AUT**		
Key segment P&L information							
Revenue	-	-	-	-	138,677	-	**138,677**
Other income	-	16,246	47,805	4,735	-	-	**68,786**
(Loss) / profit before tax	**(135,691)**	**(47,281)**	**(443,626)**	**(44,960)**	**(103,622)**	**-**	**(775,180)**
(Loss) / profit after tax	**(135,691)**	**(47,281)**	**(443,626)**	**(44,960)**	**(103,622)**	**-**	**(775,180)**
Exploration expenditure	(135,691)	(54,183)	-	-	-	-	**(189,874)**
Depreciation and amortisation	-	-	-	-	(13,085)	-	**(13,085)**
Debt forgiveness	-	-	-	-	749,143	-	**749,143**
Loss on asset disposal	-	-	-	-	(25,921)	-	**(25,921)**

8 OPERATING SEGMENTS (*continued*)

	Continuing Operations			Discontinued Operations		Eliminations	Totals
30 June 2025	**O&G Exploration AUS**	**O&G Exploration USA**	**Corporate**	**Oil production CAN**	**Oil production AUT**		
Segment balance sheet info							
Current assets	-	1,189	2,321,745	484,097	-	(24,014)	**2,783,017**
Non-current assets	250,000	-	10,295	90,919	-	-	**351,214**
Total Assets	**250,000**	**1,189**	**2,332,040**	**575,016**	**-**	**(24,014)**	**3,134,231**
Current liabilities	-	(142,672)	(293,065)	(30,197)	-	24,014	**(441,920)**
Non-current liabilities	-	(62,193)	-	-	-	-	**(62,193)**
Total Liabilities	**-**	**(204,865)**	**(293,065)**	**(30,197)**	**-**	**24,014**	**(504,113)**

	Continuing Operations		Discontinued Operations		Eliminations	Totals
30 June 2024	**O&G Exploration USA**	**Corporate**	**Oil production CAN**	**Oil production AUT**		
Key segment P&L information						
Revenue	-	-	97,135	203,590	-	**300,725**
Other income	16,133	25,296	7,069	-	-	**41,429**
(Loss) / profit before tax	**(66,738)**	**(413,572)**	**3,283,073**	**(25,714)**	**-**	**2,753,836**
(Loss) / profit after tax	**(66,738)**	**(424,335)**	**2,988,192**	**(6,182)**	**-**	**3,029,185**
Exploration expenditure	(75,151)	-	-	-	-	**(75,151)**
Depreciation and amortisation	-	-	(17,738)	(15,115)	-	**(32,853)**
Gain on asset disposal	-	-	3,257,823	-	-	**3,257,823**

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8 OPERATING SEGMENTS (*continued*)

	Continuing Operations		Discontinued Operations		Eliminations	Totals
	O&G Exploration USA	**Corporate**	**Oil production CAN**	**Oil production AUT**		
31 December 2024						
Segment balance sheet info						
Current assets	1,239	924,371	2,745,696	-	(17,558)	**3,653,748**
Non-current assets	-	-	91,199	781,408	-	**872,607**
Total Assets	**1,239**	**924,371**	**2,836,895**	**781,408**	**(17,558)**	**4,526,355**
Current liabilities	(110,606)	(150,986)	(102,378)	(633,090)	17,558	**(979,502)**
Non-current liabilities	(65,671)	-	-	(79,130)	-	**(144,801)**
Total Liabilities	**(176,277)**	**(150,986)**	**(102,378)**	**(712,220)**	**17,558**	**(1,124,303)**

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9 TRADE AND OTHER RECEIVABLES

	30 Jun 2025 $	31 Dec 2024 $
Current		
Authorised government agencies	62,641	10,524
	62,641	**10,524**

The Company has not recognised any loss allowance due to all funds being recovered subsequent to balance date.

10 PREPAYMENTS

	30 Jun 2025 $	31 Dec 2024 $
Capital raising costs paid in advance of re-compliance	186,921	-
Other prepayments	27,516	26,405
	214,437	**26,405**

11 DEPOSITS

	30 Jun 2025 $	31 Dec 2024 $
Non-current		
Deposit for Diona-1 Acquisition	250,000	-
	250,000	**250,000**

12 TRADE AND OTHER PAYABLES

	30 Jun 2025 $	31 Dec 2024 $
Current		
Trade payables	(342,911)	(151,428)
Net production operations payable (Austria)	-	(633,090)
Other payables and accrued expenses	(94,009)	(108,875)
	(436,920)	**(893,393)**

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13 SITE RESTORATION PROVISIONS

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

Judgements and estimates in relation to the site restoration provisions of the Company have remained consistent with the 31 December 2024 annual report. During the period, the provision for rehabilitation for each the Canadian and Austrian activities were de-recognised on disposal of the respective assets.

	30 Jun 2025 $	31 Dec 2024 $
Austrian asset retirement obligation	-	(79,129)
Californian site restoration provision	(62,193)	(65,672)
Total Provision	**(62,193)**	**(144,801)**
Movement in carrying amounts		
Opening balance	(144,801)	(10,081,642)
Discharge of liability on disposal	83,966	10,030,076
Unwinding of discount	(1,015)	(3,586)
Re-estimation of provision	-	1,494
Transfer to NCAHFS	-	49,843
Effects of foreign exchange	(343)	(140,986)
Closing balance	**(62,193)**	**(144,801)**

14 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	Number of shares[1]		Amount in $	
	30 Jun 2025	31 Dec 2024	30 Jun 2025	31 Dec 2024
Movements in ordinary shares on issue:				
On issue at start of period	**321,519,150**	**321,519,150**	**58,083,830**	**58,083,830**
Share movements during the period:				
Capital raising costs	-	-	-	-
On issue at end of period	**321,519,150**	**321,519,150**	**58,083,830**	**58,083,830**

[1] On 28 July 2025, Shareholders voted in favour of a 1 : 2.23 consolidation of capital. As a result, issued capital was reduced by 177,338,287 shares, after accounting for rounding.

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14 CAPITAL AND RESERVES (continued)

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 Group. Option holders cannot participate in any new share issues by the Group without exercising their options.

In the event of a winding up of the Group, 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[1]		Amount in $	
	30 Jun 2025	31 Dec 2024	30 Jun 2025	31 Dec 2024
Movements in options on issue:				
On issue at 1 January	**14,750,000**	**26,300,000**	**71,391**	**339,349**
Issue of options to Directors and Consultants	-		-	
Expiry of unlisted options	-	(11,550,000)	-	(267,958)
On issue at period close	**14,750,000**	**14,750,000**	**71,391**	**71,391**

[1] On 28 July 2025, Shareholders voted in favour of a 1 : 2.23 consolidation of capital. As a result, the options on issue were reduced by 8,135,649, after accounting for rounding. The exercise price of the options on issue was raised from $0.03 per share to $0.067 as a result of the consolidation of capital.

During the period, no shares were issued as a result of the exercise of options. 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 unexercised (2024: no options expired). Since the end of the reporting period, no options have expired.

15 RELATED PARTIES

During the period to 30 June 2025, the Directors of the Company have been undertaken significant additional work in performing due diligence on the acquisition of the Diona-1 project, in addition to substantial time commitments made for the re-compliance with ASX Listing Rules 1 and 2.

As is disclosed in the remuneration report contained within the 31 December 2024 financial report, Non-Executive Directors have a right to receive payment for consultancy services at $1,500 per day for services performed considered over and above or outside of those expected to be worked in consideration of Non-Executive Directors fees, in additional to being reimbursed for reasonable expenditures incurred for carrying out these duties. From time to time the Company will utilise the technical expertise of the Directors for technical consultancy on matters pertaining to the operations of the Company rather than procuring an external consultant, for which the Directors are contractually entitled to invoice costs to the Company at a rate of $1,500/day.

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:

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15 RELATED PARTIES (continued)

		Transaction value		Balance outstanding as at period end	
		30 Jun 2025	30 Jun 2024	30 Jun 2025	31 Dec 2024
KMP	***Transaction***	**$**	**$**	**$**	**$**
Andrew Bald	Consultancy fees[1]	36,000	19,800	22,535	30,800
Andrew Childs	Lease fees[2]	21,000	51,100	-	-
Greg Channon	Consultancy fees[3]	27,590	28,675	13,500	11,475
				36,035	**42,275**

[1] The Group incurred $36,000 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.

[2] The Group also incurred $21,000 for provision of an office lease by Resource Recruitment Pty Ltd. These amounts were billed based on normal market rates for such services and were due and payable under normal terms at the end of the period.

[3] The Group incurred $27,590 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.

16 SUBSEQUENT EVENTS

On 28 July 2025, Shareholders approved a 1 : 2.23 consolidation of capital that reduced the total number of shares on issue down from 321,519,150 to 144,180,863. Additionally, options on issue reduced from 14,750,000 exercisable at $0.03 per share to 6,614,351 exercisable at $0.067 per share.

On 20 August 2025, Xstate announced it had received indication of approval for the transfer of 51% of ATP 2077 by the Queensland Department of Natural Resources and Mines. This indication of approval marked another step towards commencement of operations at Diona and re-quotation of the Company's shares on ASX.

On 3 September 2025, the Company advised that it had completed its Re-compliance Prospectus offer, raising $2,144,000. Additionally on this date, the Company issued 107,200,000 fully paid ordinary shares.

There have been no matters or circumstances that have arisen since the end of the interim period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

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DIRECTORS' DECLARATION

In the opinion of the Directors of Xstate Resources Limited (the "Group"):

(a) the consolidated 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 30 June 2025 and of its performance for the six months ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(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.

Signed in accordance with a resolution of the Directors.

Dated at Perth this 11th day of September 2025



Andrew Bald
Managing Director

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Xstate Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Xstate Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2025, 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 half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

i. Giving a true and fair view of the Group's financial position as at 30 June 2025 and of its financial performance for the half-year ended on that date; and

ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001.*

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2025 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



Ashleigh Woodley

Director

Perth, 11 September 2025

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