



OPTIONS OFFERS AND CLEANSING OFFERS PROSPECTUS

XSTATE RESOURCES LIMITED ACN 009 217 154

This Prospectus contains:

- (a) an offer of up to 1,000 new Shares at an issue price of \$0.033 per Share to raise up to \$33 (**Cleansing Offer**);
- (b) an offer of up to 17,070,707 New Options to Placement Participants (**Placement Options Offer**) on the basis of one (1) free New Option (\$0.06, expiry 30 April 2029) for every three (3) Shares subscribed for and issued under the Placement;
- (c) an offer of 12,803,030 New Options (\$0.06, expiry 30 April 2029) to PAC Partners and Veritas (**Joint Lead Managers**) or their nominees (**Broker Options Offer**);
- (d) an offer of up to 6,000,000 Consultant Options (\$0.04, expiry 10 March 2029) to certain Consultants of the Company in satisfaction of amounts or obligations owed by the Company (**Consultant Options Offer**),

(collectively, the **Offers**).

IMPORTANT NOTICE

This document is important and should be read in its entirety including the Application Form. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus are highly speculative.

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1. Timetable and Important Notes

1.1 Timetable and Important Dates

Event	Date
Lodgement of Prospectus with ASIC and release to ASX	Wednesday, 22 April 2026
Opening Date of the Offers	Wednesday, 22 April 2026
Closing Date of Offers*	5.00pm (WST) Friday, 24 April 2026
Expected date for the issue of Shares under the Cleansing Offer	Friday, 24 April 2026
Expected date for General Meeting to approve the New Options and Consultant Options	Friday, 29 May 2026
Expected date for the issue of New Options under the Placement Options Offer and Broker Options Offer and Consultant Options under the Consultant Options Offer	Tuesday, 2 June 2026

* Subject to the ASX Listing Rules, the Directors reserve the right to bring forward or extend the Closing Date or other dates above at any time in their discretion without notice.

1.2 Important Notes

This Prospectus is dated 22 April 2026 and was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Offers are only available to those who are personally invited to accept the relevant Offer. Applications for Securities offered pursuant to this Prospectus can only be submitted in accordance with an Application Form accompanying this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Certain capitalised words or expressions used in this Prospectus have defined meanings which are set out at the end of this Prospectus.

1.3 Application Forms

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus. Investors should only submit an Application Form in respect of the Offers if instructed to do so by the Company.

The Corporations Act prohibits any person passing onto another person an Application Form for Securities unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form for any reason, including from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus.

1.4 Risk Factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

1.5 Overseas Investors

The Offers do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such offers or to issue or circulate this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. This document does not constitute an offer of Options in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Options may not be offered or sold, in any country outside Australia except to the extent permitted below.

Thailand

This document is not intended to be an offer, sale or invitation (directly or indirectly) for subscription or purchase of securities to the public in Thailand. This document has not been registered as a prospectus and registration statement with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other document relating to the offer, sale or invitation for subscription or purchase, of the Options may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public of Thailand.

This document may be distributed in Thailand only to fewer than 50 investors in compliance with any applicable rule, notification and regulation regarding filing requirements.

1.6 Target Market Determination

In accordance with the design and distribution obligations under the Corporations Act, the Company has determined the target market for the offer of Options issued under this Prospectus. The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**) as set out on the Company's website (www.xstateresources.com). By making an application under the Placement Options Offer, Broker Options Offer or Consultant Options Offer, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

1.7 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offers described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offers. You should rely only on information in this Prospectus.

2. Corporate Directory

Directors

Greg Channon – Non-Executive Chairman

Andrew Bald – Managing Director

Andrew Childs – Non-Executive Director

Company Secretary

Jordan McArthur

Registered office

Level 1,
31 Cliff Street,
Fremantle, WA 6160

Principal Place of Business

Level 1,
31 Cliff Street,
Fremantle, WA 6160

Telephone: +61 8 9435 3200

Email:

companysecretary@xstateresources.com.au

Website: www.xstateresources.com.au

Share Registry*

Boardroom Pty Limited

Level 8, 210 George Street

Sydney, NSW 2000

Telephone: 1300 737 760 (within
Australia)

+61 2 9290 9600
(outside Australia)

Website:

<https://boardroomlimited.com.au>

Auditor*

BDO Audit Pty Ltd

Level 9, Mia Yellagonga Tower 2

5 Spring Street,

Perth, WA 6000

Solicitors

EMK Lawyers

Suite 1

519 Stirling Highway

Cottesloe WA 6012

* This entity has been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. Details of the Offers

3.1 Background to the Cleansing Offer, Placement Options Offer and Broker Options Offer

As announced to the ASX on 20 April 2026, the Company undertook a placement to sophisticated and professional investors (**Placement Participants**) through the issue of Shares at an issue price of \$0.033 per Share, together with, subject to Shareholder approval, one (1) free attaching Option for every three (3) Shares subscribed for and issued, with an exercise price of \$0.06 and a 3-year expiry (**New Options**), to raise approximately \$1,690,000 before costs (**Placement**). The final number of Placement Shares to be issued is 51,212,122 Shares and 17,070,707 free-attaching New Options.

The Placement Shares will be issued under the Company's existing placement capacity under ASX Listing Rule 7.1.

The Company engaged the services of PAC Partners Securities Pty Ltd (ACN 623 653 912) (**PAC Partners**) and Veritas Securities Limited (ACN 117 124 535) (**Veritas**) (together, the **Joint Lead Managers**) to act as joint lead managers to the Placement pursuant to an agreement dated 17 April 2026 (**Lead Manager Mandate**). Pursuant to the Lead Manager Mandate, the Company agreed:

- (a) to pay the Joint Lead Managers a management and capital raising fee of 6% of the funds raised under the Placement; and
- (b) subject to Shareholder approval, to issue New Options on the basis of one (1) New Option for every four (4) Placement Shares issued by the Company. In the event that Shareholder approval is not obtained, then a cash amount equal to the Black and Scholes valuation of the New Options will be payable.

The Joint Lead Managers will split the capital raising fee based on the proceeds raised from investors introduced and allocated to each Joint Lead Manager and the New Options equally.

The general meeting to approve the issue of the New Options to the Placement Participants and Joint Lead Managers is expected to be held on or about 29 May 2026 (**General Meeting**).

3.2 Summary of the Cleansing Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 Shares at an issue price of \$0.033 per Share to raise approximately \$33 (before expenses).

The Cleansing Offer may only be extended to specific parties on invitation from the Company. Application Forms will only be provided by the Company to such parties.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. Please refer to Section 5.1 for further information regarding the rights and liabilities attaching to the Shares.

3.3 Summary of the Placement Options Offer

The Placement Options Offer is an offer 17,070,707 New Options in respect of the Company's Shares to the Placement Participants on the basis of one (1) free attaching New Option for every three (3) Shares subscribed for and issued under the Placement.

The New Options offered will be exercisable at \$0.06 each on or before 30 April 2029 and otherwise on the terms set out in Section 5.2.

The Placement Options Offer is extended to the Placement Participants only. Accordingly, Application Forms will only be provided by the Company to these persons. No funds will be raised from the Placement Options Offer, as the New Options will be issued for nil consideration.

All of the Shares issued upon the future exercise of the New Options will rank equally with the Shares on issue as at the date of this Prospectus.

Please refer to Section 5.1 for further information regarding the rights and liabilities attaching to the Shares.

3.4 Summary of the Broker Options Offer

The Company may issue 12,803,030 New Options to the Joint Lead Managers or their nominees, on the basis of one (1) New Option for every four (4) Placement Shares issued by the Company, as consideration for its services as acting as joint lead managers to the Placement (**Broker Options Offer**).

The New Options offered will be exercisable at \$0.06 each on or before 30 April 2029 and otherwise on the terms set out in Section 5.2.

The Broker Options Offer is extended to the Joint Lead Managers or their nominees only. Accordingly, Application Forms will only be provided by the Company to these persons. No funds will be raised from the Broker Options Offer, as the New Options will be issued for nil consideration.

All of the Shares issued upon the future exercise of the New Options will rank equally with the Shares on issue as at the date of this Prospectus.

Please refer to Section 5.1 for further information regarding the rights and liabilities attaching to the Shares.

3.5 Background to the Consultant Options Offer

The Company may issue certain Consultants of the Company (**Consultants**) Options in satisfaction of amounts or obligations owed by the Company (**Consultant Options**). The issue of Consultant Options is subject to shareholder approval at the General Meeting.

The Consultant Options are being offered under this Prospectus to ensure there are no on-sale restrictions on Shares issued on exercise of the Consultant Options and to avoid the Company having to lodge a cleansing prospectus or cleansing notice in respect of any such Shares when issued.

The Consultant Options Offer does not raise any new funds for the Company.

The Consultant Options Offer is only extended to Consultants.

3.6 Summary of the Consultant Options Offer

The Consultant Options Offer is an offer of 6,000,000 Consultant Options in respect of the Company's Shares to the Consultants.

The Consultant Options offered will be exercisable at \$0.04 each on or before 10 March 2029 and otherwise on the terms set out in Section 5.3.

The Consultant Options Offer is extended to the Consultants only. Accordingly, Application Forms will only be provided by the Company to these persons. No funds will be raised from the Consultant Options Offer, as the Consultant Options will be issued for nil consideration.

All of the Shares issued upon the future exercise of the Consultant Options will rank equally with the Shares on issue as at the date of this Prospectus.

Please refer to Section 5.1 for further information regarding the rights and liabilities attaching to the Shares.

3.7 Opening and Closing Date of the Offers

The Opening Date of the Offers will be 11:00am WST on 22 April 2026 and the Closing Date for the Offers will be 5:00pm WST on 24 April 2026.

The Directors reserve the right to close the Offers early or extend the Closing Date (as the case may be), should they consider it necessary to do so.

3.8 Minimum Subscription

There is no minimum subscription in respect of the Offers.

3.9 Applications for Securities

Applications for Securities under the Offers must be made by completing the relevant Application Form accompanying this Prospectus (and making the appropriate payment if applying under the Cleansing Offer), so that they reach the Company's Share Registry no later than 5.00pm WST on the Closing Date.

No funds need to be paid in respect of the New Options offered under the Broker Options Offer as they are issued as consideration for services rendered. No funds need to be paid in respect of the Consultant Options offered under the Consultant Options Offer as they are issued in satisfaction of amounts or obligations owed. No funds need to be paid in respect of the New Options offered under the Placement Options Offer as they are free attaching to Shares purchased in the Placement.

Payment for the Shares under the Cleansing Offer must be made in full on application at the issue price of \$0.033 per Share.

Applicants wishing to provide application monies via BPAY® or electronic funds transfer (EFT) should follow the instructions on the Application Form or contact the Company.

Completed Application Forms and accompanying application monies must be received by or on behalf of the Company by no later than 5.00pm (WST) on the Closing Date.

3.10 Underwriter

The Offers are not underwritten.

3.11 ASX Listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within seven (7) days of the date of this Prospectus. If ASX does not grant Official Quotation of such Shares before the expiration of 3 months after the date of this Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for subscription.

The New Options and Consultant Options will not be quoted.

3.12 Issue of Shares under the Cleansing Offer

If the Directors decide to issue Shares under the Cleansing Offer, the Shares will be issued as soon as practicable after the Closing Date.

The Directors will determine the allottees (if any) of all the Shares issued under the Cleansing Offer. The Directors reserve the right to decline any applications received, or to issue a lesser number of Shares than that applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date of the Cleansing Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Cleansing Offer will be mailed as soon as practicable after the issue of the Shares.

3.13 Issue of New Options under the Broker Options Offer and the Placement Options Offer and Consultant Options under the Consultant Options Offer

The Company intends to issue the New Options to the Joint Lead Managers or their nominees, New Options under the Placement Options Offer and Consultant Options under the Consultant Options Offer as soon as practicable after the General Meeting.

3.14 Restriction on the distribution of the Prospectus

The distribution of this Prospectus to individuals outside Australia may be restricted by law. Persons into whose possession this document comes should seek advice on and

observe such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws.

This Prospectus does not, and is not, intended to constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisors as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application for Shares pursuant to this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

Thailand

This document is not intended to be an offer, sale or invitation (directly or indirectly) for subscription or purchase of securities to the public in Thailand. This document has not been registered as a prospectus and registration statement with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other document relating to the offer, sale or invitation for subscription or purchase, of the Options may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public of Thailand.

This document may be distributed in Thailand only to fewer than 50 investors in compliance with any applicable rule, notification and regulation regarding filing requirements.

3.15 Enquiries

Any questions concerning the Offers should be directed to the Company Secretary, Jordan McArthur, on companysecretary@xstateresources.com.au.

4. Purpose of the Offers

4.1 Purpose of the Offers

The purpose of this Prospectus is to remove any trading restrictions that may attach to Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act:

- (a) prior to the Closing Date, in particular the Shares to be issued under the Placement; and
- (b) on exercise of New Options issued under the Placement, New Options issued to the Joint Lead Managers or their nominees and Consultant Options issued to the Consultants.

In respect of the Placement Shares, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities were issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

As such, Shares issued under the Placement can be on-sold within 12 months of their issue, without requiring a disclosure document for the on-sale offer.

In respect of the New Options, by being issued under the Placement Options Offer and Broker Options Offer, and Consultant Options, by being issued under the Consultant Options Offer, Shares issued on exercise of the Options can be on-sold within 12 months of their issue without requiring a disclosure document.

The Company is seeking to raise only a nominal amount under the Cleansing Offer, and no funds under the Placement Options Offer, Broker Options Offer and Consultant Options Offer, and, accordingly, the purpose of this Prospectus is not to raise capital.

4.2 Use of Funds

Under the Cleansing Offer, an amount of up to \$33 (before expenses) may be raised. All of the funds raised from the Cleansing Offer will be applied toward the expenses of the Offers. No funds will be raised from the Broker Options Offer, Placement Options

Offer or Consultant Options Offer. Refer to section 7.10 for further details relating to the estimated expenses of the Offers.

4.3 Financial Effect of the Offers

Expenses of the Offers are expected to be approximately \$10,000 (plus GST), and will be greater than any proceeds received from the Offers. The expenses of the Offers will be met from the Company's cash reserves. The expenses of the Offers will reduce the Company's cash balance by \$9,967 (plus GST), being the receipt of funds of \$33 (assuming the Cleansing Offer is fully subscribed) less estimated expenses of the Offers of \$10,000. If the full amount is not raised, then the reduction of the Company's cash balance will be up to \$10,000 (less any amount raised under the Cleansing Offer).

4.4 Effect of the Offers on Capital Structure

The effect of the Offers on the capital structure of the Company, assuming the Offers are fully subscribed, is set out below.

Shares	Number
Shares currently on issue ¹	428,680,818
Shares to be issued under the Placement	51,212,122
Shares offered pursuant to the Cleansing Offer	1,000
Shares offered pursuant to the Broker Options Offer	Nil
Shares offered pursuant to the Consultant Options Offer	Nil
Total Shares on issue after completion of the Offers	479,893,940

Notes:

1. The rights and liabilities attaching to the Shares are summarised in Section 5.1 of this Prospectus.

Options	Number
Unquoted Options on issue (\$0.067 exercise price each, expiring 30 June 2026)	6,614,351
Unquoted Options on issue (\$0.04 exercise price each, expiring 5 March 2027)	16,440,000
Unquoted Options on issue (\$0.04 exercise price each, expiring 17 December 2029)	95,899,966
Options offered pursuant to the Cleansing Offer	Nil
New Options offered pursuant to the Placement Options Offer ¹	17,070,707
New Options offered pursuant to the Broker Options Offer ¹	12,803,030
Consultant Options offered pursuant to the Consultant Options Offer ²	6,000,000
Total options on issue after completion of the Offers	154,828,054

Notes:

1. The rights and liabilities attaching to the New Options are summarised in Section 5.2 of this Prospectus.

2. The actual number of Consultant Options issued to Consultants will depend on the agreements reached between the Company and Consultants. The rights and liabilities attaching to the Consultant Options are summarised in Section 5.3 of this Prospectus.

5. Rights attaching to Securities

5.1 Shares

The following is a summary of the material rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Fuller details of some of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. Other rights and liabilities relating to the Shares arise under the Corporations Act.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company (subject to various limited powers of the Chairman under the Constitution to refuse admission or to require a person to leave in certain specified circumstances (e.g. where the person is disruptive)).

Shareholders with at least 5% of the votes which may be cast in a general meeting may requisition general meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company (or may themselves convene a general meeting under section 249F of the Corporations Act).

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for each fully paid Share held, but in respect of each partly paid shares shall have such fraction of a vote equivalent to the proportion that the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to

all Shareholders entitled to the dividend. The dividend shall be payable in proportion to the total amounts paid and payable (excluding amounts credited) in respect of each Share.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine.

No dividend shall carry interest as against the Company.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit. The dividend reinvestment plan may provide for any dividend, which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

The Directors may pay special dividends or direct that any dividend be wholly or partially paid by the distribution of specific assets.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as they consider fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, provided that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) Shareholder liability

As the Shares issued under the Cleansing Offer will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) Transfer of shares

Shares in the Company are freely transferable, subject to formal requirements, provided that the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act and the ASX Listing Rules.

(g) Future increase in capital

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and

without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares or grant options over unissued shares as they think fit. This right is subject to specific limitations under the ASX Listing Rules as to the number of securities which can be issued by the Company in a 12 month period without Shareholders' approval in a general meeting.

(h) Variation of rights

Under section 246B of the Corporations Act, the Company may, by passing special resolution at a meeting of Shareholders, vary or cancel the rights attaching to a class of shares or the rights of members in a class (except where a different procedure applies under the Constitution).

If at any time the share capital is divided into different classes of shares, the rights attached to any class of shares or rights of members in a class, whether or not the Company is being wound up, may be varied or cancelled with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution, passed at a separate meeting of the holders of the shares of that class, unless otherwise provided for in the Constitution.

(i) Alteration of constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at a general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(j) Compliance with the ASX Listing Rules

As the Company is listed on ASX, the Company must comply with the ASX Listing Rules, notwithstanding anything contained in its Constitution.

5.2 Terms of New Options

The New Options entitle the holder (**Optionholder**) to subscribe for, and be issued Shares on and subject to the following terms and conditions:

- (a) The New Options will be issued with an exercise price of \$0.06 each (**"Exercise Price"**).
- (b) The New Options are exercisable at any time on or before 30 April 2029 (**"Expiry Date"**).
- (c) The New Options have no vesting conditions.
- (d) The New Options are not transferable.
- (e) Each New Option exercised will entitle the holder to one Share in the capital of the Company.

- (f) New Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise in a form approved by the Company and payment of the Exercise Price for each New Option being exercised prior to the Expiry Date.
- (g) The New Options do not confer voting rights upon the holder. Voting rights are obtained upon conversion of the New Options into Shares.
- (h) All Shares issued upon exercise of the New Options will rank pari passu in all respects with the Company's then existing Shares.
- (i) Shares issued pursuant to the exercise of New Options will be issued not more than 5 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each New Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of New Options, subject to the Company being listed on the ASX at that time.
- (j) The holder of New Options cannot participate in new issues of securities to holders of Shares unless the New Options have been exercised and the Shares have been issued and registered in respect of the New Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the New Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. New Options can only be exercised in accordance with these terms and conditions.
- (k) If the Company makes a bonus issue of Shares to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), then the number of Shares or other securities for which the holder of the New Options is entitled to subscribe on exercise of the New Options is increased by the number of Shares or other securities that the holder of the New Options would have received if the New Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (l) If the Company makes a pro-rata issue of Shares to existing shareholders (except a bonus issue), the Exercise Price of a New Option will be reduced according to the following formula:

$$\text{New Exercise Price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the New Option

E = the number of underlying Shares into which one option is exercisable

P = volume weighted average market price (as defined by ASX LRs) per share during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

- (m) If at any time the capital of the Company is reorganised, all rights of a New Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

5.3 Terms of Consultant Options

The Consultant Options entitle the holder (**Optionholder**) to subscribe for, and be issued Shares on and subject to the following terms and conditions:

- (a) The Consultant Options will be issued with an exercise price of \$0.04 each (**"Exercise Price"**).
- (b) The Consultant Options are exercisable at any time on or before 10 March 2029 (**"Expiry Date"**).
- (c) The Consultant Options have no vesting conditions.
- (d) The Consultant Options are not transferable.
- (e) Each Consultant Option exercised will entitle the holder to one Share in the capital of the Company.
- (f) Consultant Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise in a form approved by the Company and payment of the Exercise Price for each Consultant Option being exercised prior to the Expiry Date.
- (g) The Consultant Options do not confer voting rights upon the holder. Voting rights are obtained upon conversion of the Consultant Options into Shares.
- (h) All Shares issued upon exercise of the Consultant Options will rank pari passu in all respects with the Company's then existing Shares.
- (i) Shares issued pursuant to the exercise of Consultant Options will be issued not more than 5 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Consultant Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Consultant Options, subject to the Company being listed on the ASX at that time.
- (j) The holder of Consultant Options cannot participate in new issues of securities to holders of Shares unless the Consultant Options have been exercised and the Shares have been issued and registered in respect of the Consultant Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Consultant Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Consultant Options can only be exercised in accordance with these terms and conditions.
- (k) If the Company makes a bonus issue of Shares to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend

reinvestment), then the number of Shares or other securities for which the holder of the Consultant Options is entitled to subscribe on exercise of the Consultant Options is increased by the number of Shares or other securities that the holder of the Consultant Options would have received if the Consultant Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.

- (l) If the Company makes a pro-rata issue of Shares to existing shareholders (except a bonus issue), the Exercise Price of a Consultant Option will be reduced according to the following formula:

$$\text{New Exercise Price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Consultant Option

E = the number of underlying Shares into which one option is exercisable

P = volume weighted average market price (as defined by ASX LRs) per share during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

- (m) If at any time the capital of the Company is reorganised, all rights of a Consultant Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

6. Risk Factors

6.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Company specific risks

(a) Exploration and Development

Potential investors should understand that gas and oil exploration and development are high-risk undertakings. There can be no assurance that future exploration of the Company's interest in gas and oil projects, or any other working interest that may be acquired in the future, will result in the discovery of commercially viable oil or gas reserves or resources. Even if an apparently viable reserve or resources are identified, technical challenges or unfavourable subsurface conditions could render them uneconomic to develop. The future exploration activities of the Company may be affected by a range of factors including quality of geological data, the accuracy of resource modelling, the ability to effectively implement drilling and testing programs, geological conditions, limitations on activities due to seasonal weather patterns or adverse weather conditions, unanticipated operational and technical difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, industrial and environmental accidents, industrial disputes, unexpected shortages and increases in the costs of consumables, spare parts, plant, equipment and staff, native title process, changing government regulations and many other factors beyond the control of the Company. These uncertainties mean the Company may incur substantial exploration and appraisal costs without achieving a viable outcome.

(b) Reserves and Resource Estimates

Calculation of estimates 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 requiring 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 appropriate qualified Board representatives.

(c) Additional Funding

The Company will generate losses for the foreseeable future and the Company will require additional funding for its activities.

In particular, if the Diona-1 well is successfully completed and production tested, the Company will need to raise additional funds to bring the Diona-1 well into production and to drill any further wells at the Diona Project.

There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company.

The Company's ability to effectively implement its business and operational plans in the future, to take advantage of opportunities for future acquisitions or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds.

The Company may seek to raise additional funds through equity or debt financing or other means.

There can be no assurance that additional funding will be available when needed or, if available, the terms of the funding may not be favourable to the Company and might involve substantial dilution to Shareholders.

Inability to obtain sufficient funding for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

Loan agreements and other financing arrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration.

(d) Key Personnel

The Company is substantially reliant on the expertise and abilities of its key personnel in overseeing the day-to-day operations of its exploration Projects. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees or Consultants cease their relationship with the Company. In such a circumstance it may be difficult to recruit a suitable replacement in the time required by the Company,

especially given the current shortages in the New South Wales mining industry.

(e) Completion, Counterparty and Contractual risk

The ability of the Company to achieve its stated objectives will depend in part on the performance by Elixir Energy Limited (ACN 108 230 995) (**Elixir**) in delivering upon the agreed terms of the agreement dated 4 April 2025 between the Company and Elixir for the joint operating agreement with Elixir. If Elixir defaults in its performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

(f) Operating Risk

Sustained, unplanned interruption to production operations for either operator that the Company is currently 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 currently 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.

6.3 Industry specific risks

(a) Commodity Price

Changes in the market price of a range of commodities but in particular, oil and gas, which in the past have been subject to material fluctuations, will affect the profitability of the Company's operations and its financial condition in the future, if the Company is able to develop and commences production, oil and gas prices are affected by numerous industry and market factors and events that are beyond the control of the Company including expectations

with respect to the rate of inflation, interest rates, currency exchange rates (particularly the strength of the US dollar), the demand for products containing oil and gas, production levels, inventories, cost of substitutes, changes in global or regional investment or consumption patterns and sales by central banks and other holders of oil and gas in response to the above factors as well as general global economic conditions and political trends.

(b) Foreign Exchange Rate

Xstate has Australian based operations, and as such, exposure to foreign exchange fluctuations is minimal. However, certain elements of equipment required in oil and gas exploration is denominated in foreign currencies. Furthermore, commodity prices can also be denominated in foreign currencies, which together presents a financial risk. 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 requisite equipment acquisitions from overseas jurisdictions or services from overseas counterparties. An appreciation of the Australian dollar would cause a reversal in the abovementioned occurrences.

(c) 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 their 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.

(d) Pandemic

The global COVID-19 (Novel Coronavirus) pandemic demonstrated that pandemics can have a significant impact on global capital markets, commodity prices and foreign exchange rates. Should a pandemic arise, and any Company personnel or Consultants are infected, it could result in the Company's operations being suspended or otherwise disrupted for an unknown period of time, which may have an adverse impact on the Company's operations as well as an adverse impact on the financial condition of the Company. Supply chain disruptions resulting from a pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by a pandemic, continue to adversely impact the Company's operations, financial position and prospects.

(e) Tenure and Title

The ability of the Company to carry out successful exploration and production activities will depend on the ability to maintain or obtain tenure to titles. The

maintenance or issue of any such titles must be in accordance with the laws of the relevant jurisdiction and in particular, the relevant legislation. Conditions imposed by such legislation must also be complied with.

All of the Company's existing petroleum titles are subject to resources acts and regulations in the applicable country, pursuant to which production, and exploration titles are subject to periodic renewal. There is no guarantee that current or future titles or future applications for production titles will be approved. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the titles comprising the Company's Projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position or performance of the Company.

It is the Company's intention to satisfy the conditions that apply to the titles. However, no guarantee can be given that titles will be maintained or granted, or if they are maintained or granted, that the Company and any other holders will be in a position to comply with all conditions that are imposed or that they will not be plagued by third parties.

If the conditions that apply to a title are not satisfied, it may be subject to additional conditions, penalties, objections or forfeiture applications. Any of these events could have a materially adverse effect on the Company's prospects and the value of its assets.

The renewal of the term of granted titles is subject to compliance with the relevant legislation, conditions of title for the prior term, and the discretion of the relevant authority. Whilst the risk of title forfeiture may be considered relatively low, a number of the risks identified in this section of the Prospectus, both within and beyond the Company's control, have the ability to impact the Company's compliance.

Titles are subject to periodic renewal or extension of term. There is no guarantee that any renewal or extension applications will be approved, or that future applications for renewal or extension will be approved. The consequence of failure to renew or involuntary surrender of all or part of a granted titles could be significant.

Although the Company has investigated title to the Diona Project (as detailed in the Independent Solicitor's Report), the Company cannot give any assurance that such title will not be challenged or impugned. The title may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects or native title claims.

Titles may overlap third party interests, such as Crown land, reserves, pastoral leases, private land and native title, which can limit the Company's potential to conduct exploration and any future production activities on the land. The relevant holder's title relies on the formulation of access arrangements with landholders, made in accordance with the relevant legislation and regulations. The terms and conditions of such, including agreed terms regarding compensation for potential loss incurred, must be adhered to ensure that access is able to be retained. Failure to adhere to

access arrangement conditions may result in an inability or delay in accessing the land, which can impact production capabilities.

(f) Native Title and Aboriginal Heritage

In relation to the Diona Project, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to the Diona Project (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and production phases of operations may be adversely affected. Considerable expense may be incurred in negotiating and resolving issues, including any compensation arrangements reached in settling Native Title claims lodged over any of the titles held or acquired by the Company.

The Directors will closely monitor the potential effect of native title claims involving the Diona Project.

The presence of Aboriginal sacred sites and cultural heritage artefacts on the Diona Project is protected by State and Commonwealth laws. Any destruction or harming of such sites and artefacts may result in the Company incurring significant fines and Court injunctions, which may adversely impact on exploration and production activities. The Company will review and, as required, conduct surveys before conducting work which could disturb the surface of the land. The title may contain, sites of cultural significance which will need to be avoided during field programs and resulting production operations. The existence of such sites may limit or preclude exploration or production activities on those sites and delays and expenses may be experienced in obtaining clearances.

(g) Sovereign Risk

Exploration for, and development and exploitation of, oil and gas in Australia 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 Australia is 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.

(h) Environmental (including permitting)

Exploration and development activities for oil and gas are subject to strict environmental regulations. These include requirements to manage emissions, mitigate ecological impacts and rehabilitate disturbed areas. Breaches of environmental laws, accidental spills or other environmental incidents could result in significant financial penalties, reputational harm and operations delays. In addition, there is a growing emphasis on emissions reporting requirements, which may lead to further regulatory scrutiny and more stringent reporting requirements imposed upon the entity. As with most exploration project operations, the Company's activities are expected to impact the environment. As such, the Company's activities will be subject to the environmental laws inherent in the petroleum industry. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability. The occurrence of any such environmental incident could delay future production or increase production costs. Incidents also have the potential to affect the compliance record of the Company and may result in penalties of varying degrees, subject to the nature of the incident and extent of harm caused.

In addition, environmental approvals will be required from relevant government or regulatory authorities before certain activities may be undertaken which are likely to impact the environment, including for land clearing and ground disturbing activities. Failure or delay in obtaining such approvals will prevent the Company from undertaking its planned activities.

Oil and Gas operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Natural events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or noncompliance with environmental laws or regulations.

The disposal of oil and gas process waste and discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive. The Company is also liable for rehabilitation costs even after production has ceased. Rehabilitation liability is only absolved following confirmation from the relevant government department and any security deposit for same has been returned to the title holder.

The Company is unable to predict the impact of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

(i) Community relations and landowners

The Company's ability to undertake exploration on its titles will depend in part on its ability to maintain good relations with relevant local communities. Any failure to adequately manage community and social expectations with respect to compensation for land access, employment opportunities, impact on local business and other expectations may lead to local dissatisfaction with the Company, which in turn may lead to disruptions in the exploration and production (if relevant at the time) programs for the titles and potentially losses.

Generally, the holder of a title may not access land unless in accordance with a land access arrangement between the title holder and the landholder. In the case of changes to either party to a land access arrangement, there is a risk of significant delay, and increased costs, associated with amending or acquiring land access rights. This is subject to any terms contained within existing land access arrangements relating to transfer or assignment of rights.

The title holder is usually responsible for paying reasonable costs of landholders in connection with the making of access arrangements. Generally, as the level of disturbance caused by operations increases, so too do the consultation requirements with the greater community under the relevant legislation. The costs associated with these requirements are dependent on the location of the project, level of disturbance, and any engagement as a result of notification of the community.

(j) Regulatory Risk

Xstate operates in a highly regulated industry where compliance with applicable laws, regulations and governmental policies is instrumental in the success of its operations. Changes to, or non-compliance with, these regulatory requirements have the potential for a material adverse effect on the Company's capability to execute its exploration and development strategy. It is the intention of Xstate to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Company is required to obtain and maintain a range of permits and approvals in order to conduct exploration and development activities on its Project. The process of securing these approvals may be subject to delays, additional conditions, or in some cases, refusal by the relevant regulatory authorities. Such outcomes could materially delay or impair the Company's ability to progress its operations or require additional capital to meet regulatory requirements.

(k) Acquisition Risk

The Company's objectives include the pursuit of new projects in the resources sector, by way of acquisition or investment. The Directors will use their expertise and experience in the resources sector to assess the value of potential projects that have characteristics that are likely to provide returns to Shareholders. There can be no guarantee that any new project acquisition

or investment will eventuate from these pursuits, or that any acquisitions will result in a return for Shareholders.

(l) Exploration Costs

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainty, and accordingly, the actual costs may materially differ from the estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely impact the Company's viability.

(m) Failure to Satisfy Expenditure Commitments

Exploration and production titles are granted for a specific term and carry with them annual expenditure and reporting commitments, as well as other conditions requiring compliance. Failure to comply with an approved program in a given term may pose a security of tenure risk insofar as the relevant department is not satisfied with the Company's performance, justification statement, or capacity to carry out future programs. There is a risk that failure to meet an expenditure commitment may result in future area reduction, term length reduction, or in certain circumstances, loss of tenure.

Given the Company has extended its portfolio into other non-Australian jurisdictions, the importance of the expenditure commitment differs. There is a risk the Company could lose title to or its interest in its permits if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(n) Safety

Safety is a fundamental risk for any exploration and production company with regard to personal injury, damage to property and equipment and other losses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage or destruction of property, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

(o) Equipment Availability

The Company's ability to undertake exploration activities is dependent upon its ability to source appropriate contractors with access to relevant drilling and other exploration equipment. Equipment is not always available and the market for exploration equipment experiences fluctuations in supply and demand. If the Company is unable to source appropriate equipment economically or at all then this would have a material adverse effect on the Company's financial or trading position.

(p) Climate Change Risk

There are several climate-related factors that may affect the operations and proposed activities of the Company. One of the climate change risks particularly attributable to the Company is the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its potential future profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences.

Furthermore, climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

6.4 General risks

(a) Share market risk

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. General share market conditions are affected by many factors such as:

- general economic and political outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of the Company's Shares may fluctuate significantly based on a number of factors including the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Company's Shares or the shares of other companies in the oil and gas exploration sector, changes in general economic conditions, the number of the Company's Shares publicly traded and the arrival or departure of key

personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's Shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Company's Shares, and the attractiveness of alternative investments.

(b) Taxation

The acquisition and disposal of Shares will have tax consequences which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(c) Agents and Consultants

The Directors are unable to predict the risk of insolvency or managerial failure by any of the Consultants used (or to be used in the future) by the Company in any of its activities or the insolvency or other managerial failures by any of the other service providers used (or to be used by the Company in the future) for any activity.

(d) Force Majeure

The Company and its exploration Projects, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(e) Unforeseen Expenditure Risk

Expenditure may need to be incurred that has not been taken into account. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the financial performance of the Company.

(f) Management of Growth

There is a risk that the Company's management may not be able to implement the Company's growth strategy. The capacity of the Company's management to properly implement the strategic direction of the Company may affect the Company's financial and operating performance.

(g) Litigation Risk

The Company in the future may be exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. It may also in the ordinary course of business become involved in litigation and disputes with, for example, competing title holders or applicants, government departments affecting or overseeing the Company's activities or proposed activities, service providers and customers. Any such litigation or dispute could involve significant economic costs and adversely affect the Company's operations and cause damage to relationships with contractors, customers or other stakeholders. Such outcomes may have an adverse impact on the Company's business, reputation and financial performance.

(h) Competition

The Company intends to compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's exploration Projects and business. There can be no assurance that the Company can compete effectively with these companies.

(i) Insurance

The Company intends to maintain adequate insurance over its operations within the ranges that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, the Company may not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(j) Changes to Laws and Regulations and Policy

The Company may be affected by changes to laws, regulations and policy (in Australia and other countries in which the Company operates) concerning exploration and production, property, the environment, superannuation, taxation trade practices and competition, government grants, incentive schemes, accounting standards and other matters. Such changes could have adverse impacts on the Company from a financial and operational perspective.

(k) Global Conflicts

Ongoing geopolitical conflicts, including the conflicts between Russia and Ukraine and in the Middle East involving the United States, Israel, Palestine and Iran (**Current Conflicts**), have contributed to volatility and uncertainty in global financial and commodity markets. The nature and extent of the

potential impact of the Current Conflicts on global economic conditions and capital markets remains uncertain and may adversely affect investor sentiment and the market price of the Company's Shares.

The Current Conflicts may also give rise to broader macroeconomic impacts, including fluctuations in commodity and energy prices, supply chain disruptions, inflationary pressures, increased cybersecurity risks and changes in global trade or financial market conditions. In addition, government or industry responses to the Current Conflicts, including sanctions, trade restrictions, export controls or other regulatory measures, may impact global economic activity and business operations more broadly.

While the Company does not currently have direct operations or material exposure in the jurisdictions directly affected by the Current Conflicts, any deterioration in global economic conditions, financial markets or supply chains may adversely affect the Company's business, financial position and operating results. The situation remains fluid and the extent and duration of any impacts are inherently uncertain and largely outside the control of the Company.

(I) Fuel Supply and Availability Risk

The Company's exploration and production activities, and those of its operators, are dependent on the availability and affordability of fuel and energy. Fuel costs represent a significant component of the operating costs associated with drilling, exploration and production activities. Fluctuations in the price of fuel, whether driven by global oil price movements, supply chain disruptions, geopolitical events or regulatory changes, may materially increase the cost of the Company's operations and those of its operators.

Any significant increase in fuel costs, or any interruption to the supply of fuel required for drilling rigs, vehicles, generators and other equipment used in exploration and production activities, could result in delays to planned work programs, increased operating expenditure and an adverse impact on the Company's financial position and performance. There is no assurance that the Company or its operators will be able to adequately mitigate the impact of fuel price increases or supply constraints, and any such occurrences may adversely affect the Company's operations and financial performance.

6.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities under this Prospectus.

7. Additional Information

7.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.2 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is issued in circumstances where significant publicly available information in relation to the Company exists by virtue of disclosures to ASX. This Prospectus does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors are encouraged to have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus. These disclosure requirements require the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information about the Company that is already in the public domain has not generally been included in this Prospectus other than certain information required to be included in this Prospectus by the Corporations Act.

The Company, as a ‘disclosing entity’ under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act or any document lodged in relation to the Company under section 675 of the Corporations Act which are given or lodged with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC or ASX in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
20/04/2026	Update - Proposed issue of securities - XST
20/04/2026	Update - Proposed issue of securities - XST
20/04/2026	Proposed issue of securities - XST
20/04/2026	Proposed issue of securities - XST
20/04/2026	Proposed issue of securities - XST
20/04/2026	Diona-1 Stimulation Update and Placement
20/04/2026	Proposed issue of securities - XST
17/04/2026	Trading Halt
31/03/2026	Appendix 4G
31/03/2026	2025 Corporate Governance Statement
31/03/2026	31 December 2025 Annual Financial Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours or via ASX's website at www.asx.com.au.

The announcements are also available through the Company's website <https://www.xstateresources.com/>.

7.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on the ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Type	Price	Date
Highest	\$0.04	14 April 2026
Lowest	\$0.018	27, 29, 30 January 2026, 4 - 5 February 2026, 2, 3, 23 and 24 March 2026
Last	\$0.033	21 April 2026

7.4 Substantial Shareholders

Based on public information as at the date of this Prospectus, the Company does not have any shareholders who (together with their associates) have a Relevant Interest in 5% or more of the Shares on issue.

There will be no material change to the substantial holders as a result of the issue of any Shares offered pursuant to the Offers.

7.5 Interests of Directors

Other than as set out in this Prospectus, no Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

7.6 Security holdings

The Relevant Interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Shares	Options ¹
Andrew Childs ²	2,787,743	1,793,722
Andrew Bald ³	3,219,780	1,793,722
Greg Channon ⁴	516,993	1,793,722

Notes:

1. Exercisable at \$0.067 each, expiring 30 June 2026.
2. 1,448,431 Shares and all of his Options are held by Brazell Pty Ltd, a related party to Mr Childs. The balance of Mr Childs' Shares is held in his personal name.
3. Held by Hera Investments Pty Ltd, a related party of Mr Bald.
4. Held by Ruby Lloyd Pty Ltd, a related party of Mr Channon.

7.7 Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration will be made by the Board, having regard to the inputs and value of the respective contributions made by each non-executive Director. The current amount has been set at an amount not to exceed \$400,000 per annum.

A Director may be paid a fee or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2024 ¹	2025 ²	2026 ³
Greg Channon	\$60,000	\$60,000	\$60,000
Andrew Childs	\$60,000	\$60,000	\$60,000
Andrew Bald	\$60,000	\$191,250	\$235,000

Notes:

1. Does not include amounts paid for Directors and Officers insurance premiums in 2024 on behalf of Directors, amounting to \$10,864 per director.
2. Does not include amounts paid for Directors and Officers insurance premiums in 2025 on behalf of Directors, amounting to \$8,954 per director.
3. Includes compulsory superannuation (currently 12.0% per annum) and reasonable expenses incurred. Excludes amounts to be paid for Directors and Officers insurance premiums in 2026.

The Directors (via their controlled entities) receive consultancy fees for additional services provided to the Company exceeding their directors' obligations, as disclosed in the Company's annual reports and as permitted by the Constitution. For period from 31 December 2024 to 31 December 2025:

- (a) Andrew Bald (via Panthea Capital Partners Pty Ltd) has been paid consultancy fees totalling \$107,500 plus GST; and

- (b) Greg Channon (via Ruby Lloyd Pty Ltd) has been paid consultancy fees totalling \$112,995 plus GST.
- (c) Andrew Childs (trading as Resources Recruitment) has been paid consultancy fees totalling \$15,000 plus GST.

Additionally, Director Andrew Childs (trading as Resources Recruitment) leases office space to the Company under a monthly tenancy and has received rent as disclosed in the Company's annual reports. For the 12-month period from 31 December 2024 to 31 December 2025, rent totalling \$39,000 plus GST has been paid.

7.8 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offers.

EMK Lawyers has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay EMK Lawyers \$7,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, EMK Lawyers has been paid fees totalling \$124,692 (excluding GST and disbursements) for legal services provided to the Company and its subsidiaries.

7.9 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) has not authorised or caused the issue of this Prospectus;
- (c) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and any statement included in this Prospectus with the consent of that party as specified in this Section;

EMK Lawyers has given its written consent to being named as the solicitors to the Company in this Prospectus. EMK Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

7.10 Estimated Expenses of Offers

The expenses of the Offers are estimated to be approximately \$10,000 (excluding GST) and primarily comprise legal fees, ASX listing fees and ASIC fees. The estimated expenses will be paid out of the Company's existing working capital plus the extent of any funds raised from Applications received in respect of the Offers.

7.11 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 9435 3200 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.xstateresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

7.12 Clearing House Electronic Sub-Register System ("CHES") and Issuer Sponsorship

The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

As a result of utilising electronic registers, the Company will not be issuing share certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification

Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

7.13 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by such words as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risks factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6.

7.14 Privacy Act

If you complete an application for Shares, you will be providing your personal information to the Company (either directly or through the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments, send corporate communications to you as a Shareholder and carry out administrative duties.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies (including the Australian Taxation Office), authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act

and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

8. Directors' Consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Prospectus with the ASIC.



Jordan McArthur
Company Secretary

9. Glossary

Applicant means an investor that applies for Securities under an Offer using an Application Form pursuant to this Prospectus.

Application Form means an Application Form (accompanying this Prospectus).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Broker Options Offer means the offer of New Options to the Joint Lead Managers or their nominees pursuant to this Prospectus.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Cleansing Offer means the offer of 1,000 Shares at an issue price of \$0.033 per Share in order to raise up to \$33 pursuant to this Prospectus.

Closing Date means closing date for receipt of Application Forms as set out in Section 1.1.

Company or **Xstate** means Xstate Resources Limited (ACN 009 217 154).

Constitution means the Company's Constitution.

Consultant means a service provider of the Company who the Company may issue Consultant Options in satisfaction of amounts or obligations owed by the Company.

Consultant Options Offer means the offer of Consultant Options to Consultants pursuant to this Prospectus.

Consultant Options means the Options offered under this Prospectus on the terms and conditions set out in section 5.3 of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means directors of the Company at the date of this Prospectus.

Dollar or **"\$"** means Australian dollars.

General Meeting has the meaning given in section 3.1.

Joint Lead Managers has the meaning given in section 3.1.

New Options means the Options offered under this Prospectus on the terms and conditions set out in section 5.2 of this Prospectus.

Offers means the Cleansing Offer, Placement Options Offer, Broker Options Offer and Consultant Options Offer.

Official Quotation means official quotation on ASX.

Opening Date means the opening date for receipt of an Application Form under this Prospectus as set out in Section 1.1.

Option means an option to acquire a Share.

PAC Partners means PAC Partners Securities Pty Ltd (ACN 623 653 912).

Placement has the meaning given in Section 3.1.

Placement Options Offer means the offer of New Options to Placement Participants pursuant to this Prospectus.

Placement Participants has the meaning given in Section 3.1.

Prospectus means this Prospectus.

Relevant Interest bears the meaning attributed to that expression in section 9 of the Corporations Act.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Share Registry means Boardroom Pty Limited (ABN 14 003 209 836).

Veritas means Veritas Securities Limited (ACN 117 124 535).

WST means Western Standard Time as observed in Perth, Western Australia.