

18 May 2026

Announcement to ASX

Electronic lodgement

Diona-1 well discovery

Highlights

- **Diona-1 testing confirms the presence of over-pressured hydrocarbons in Permian formations**
- **Hydrocarbons flowing at Diona-1 well with consistent flare**
- **Flow testing to continue whilst well cleans up**
- **JV to seek independently certified Contingent Resource**

The Board of Xstate Resources Limited (**ASX:XST**) (**Xstate** or **the Company**) provides the following update on operations at the Diona-1 well on ATP2077 (XST 51%/EXR 49%) located in the Surat-Bowen basin of South West Queensland.

Operations Update

The analysis of recent flowback and production testing data from the Diona-1 well has provided further key insights into reservoir performance and well behaviour for stimulated unconventional reservoirs at these shallow depths. The JV agree the well has met its exploration objectives confirming the presence of an over-pressured and recoverable Permian gas and condensate resource.

Over the past week, the operations at the well have focused on recovery of the completion fluids with approximately 45% of the ~6,400 barrels of completion fluids being recovered to date. Initial shut-in pressure data indicates an over-pressured reservoir system, with estimated reservoir pressure in the order of ~4,300 psi.

The well has consistently flowed against a column of stimulation fluid that we calculate to be at least 1,900m long (echometer readings indicate fluid levels at 400m from surface). It is the hydrostatic head from this column of fluid that is constraining the gas flow.

Following assisted unloading, the well has demonstrated a strong transient gas response, confirming reservoir connectivity and the presence of gas deliverability when hydrostatic head is reduced. These results are consistent with the tight gas play being developed within the Taroom Trough. Encouragingly, wellhead pressures have consistently built to over 1250psi throughout the testing with a stable flare maintained at site.

Moving Forward

The JV is confident that the well will continue to offload fluids and will ultimately yield a consistent flow rate.

Over the coming week, the JV will continue optimisation activities on the well with a focus on accelerating fluid recovery. The objective is to recover sufficient completion fluids (typically in the range of 50–60%) to reduce the hydrostatic backpressure on the reservoir, enabling the well to flow naturally and support improved sustained production rates.



Diona -1 wellsite testing during shut-in period

The Company, in conjunction with its JV Partner Elixir, is currently evaluating a range of immediate optimisation options, including:

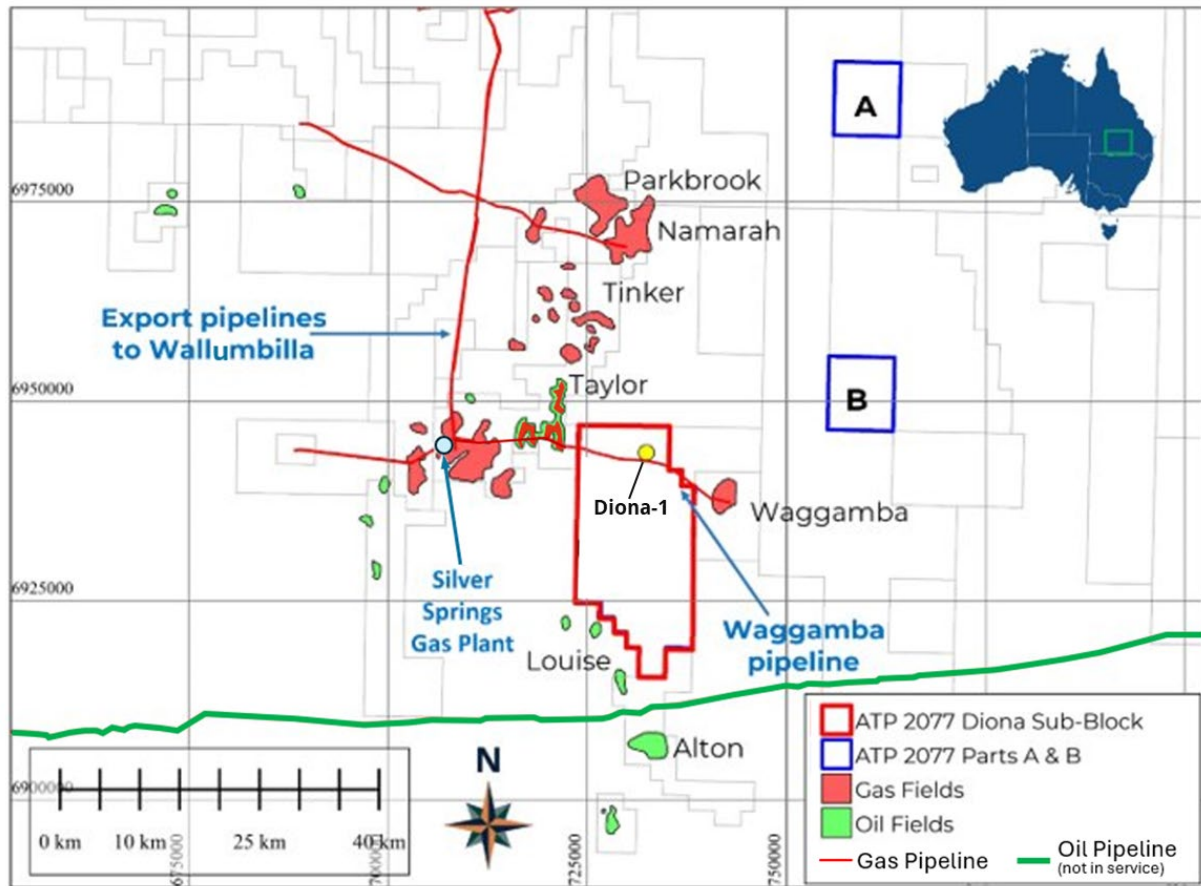
- Wellbore flow optimisation (e.g. velocity string installation, nitrogen lift and soap injection) to improve liquid lifting capability
- Ongoing monitoring and analysis to refine reservoir and completion performance

The JV will now commence the process of pursuing an independently certified Contingent Resource. In parallel, planning activities have commenced for tie-in and connection operations, as the Joint Venture progresses toward bringing the well into sustained production following completion of the clean-up phase.

Managing Director, Andrew Bald commented:

“This flow and testing period represents a genuine breakthrough for the Diona block (ATP2077) and the greater Taroom Trough. The Diona-1 discovery has provided the JV with tremendous insight into the nature of these over-pressured formations and we are confident that future wells can be designed to be more efficient.

The consistent gas flare, in combination with the significant over-pressure over a continuous gas column indicates the Basin Centred Gas play extends further to the west than previously recognized.”



Location Map of Diona-1

This announcement has been authorised for release by the Board of Directors.

Andrew Bald
Managing Director

About Xstate Resources Limited:

Xstate Resources (ASX Code: XST) is an ASX listed company focused on the oil and gas sector focusing on its Diona project located in Queensland, Australia. Xstate owns 51% of the Diona block within ATP 2077. The Company spudded its first well in the Diona block, Diona-1, on 27 September 2025. Elixir Energy Limited (ASX Code EXR) retains a 100% beneficial ownership in Blocks A and B.