

28 May 2026

Announcement to ASX

Electronic lodgement

## Diona-1 Gas Discovery – Operations Update

### Highlights

- Diona-1 flowed hydrocarbons to surface with flare consistently over the test period
- Gas flow hampered by large column of wellbore stimulation fluid
- Joint Venture meeting this week to review options for accelerating recovery of remaining stimulation fluid

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

Further to this week's announcement by Elixir Energy Limited, the Operator of the Joint Venture, Xstate has convened a meeting of the Joint Venture Technical Committee. The objective of the meeting will be to determine and implement a suitable, cost effective and timely solution to remove the column of completion fluid remaining in the wellbore with utmost urgency.

The previous process adopted to recover the completion fluid (shutting in and opening the well, known as "rocking" and using surfactants to reduce the surface tension) although successful, has not been efficient in reducing the column of completion fluids in the wellbore. Whilst gas has been flowing consistently throughout the production testing operations, fluid column heights varied considerably throughout the test.

The Board of Xstate has consulted with our team of expert advisors and we remain highly confident that when completion fluids are recovered, the well will flow at rates required to be connected to the pipeline for long-term production testing.

We have prepared below a few short answers to questions from shareholders that we hope will clarify the situation. What we can confirm is:

1. The Diona-1 well is a discovery.
2. The drilling of the Diona-1 well demonstrates that the Taroom Trough unconventional play may extend further west than previously identified and lies to the west of Diona-1.
3. The Board of Xstate remains confident that:
  - a. the completion fluids can be removed to allow the well to flow unimpeded.
  - b. the well can be connected to the nearby pipeline.

### Shareholder Questions and Answers

The following questions and answers summarise some of the calls that we have received over the past 24 hours.

### Why is the well shut in?

The well has been shut in for 2 reasons. Firstly, during the flow testing program which has run for a little over 2 weeks, the well has been consistently shut in. This allows us to monitor the pressure build up and allow data to be gathered for further analysis - this is typical during flow back and production testing operations. The surface well head pressure has consistently built up to circa 1,600psi, confirming strong reservoir pressure.

The second reason is that the adopted methodology for unloading completion fluids, whilst successfully unloading circa 46% of the completion fluids, has been slow and will not achieve the target percentage of over 50% in a timely manner.

### How long will the well be shut in?

The well will remain shut in for pressure buildup until an alternative solution for offloading the fluids is agreed and implemented. Xstate considers returning to this well is imperative, and operations should recommence as soon as practical.

### What is being done to resolve the issue?

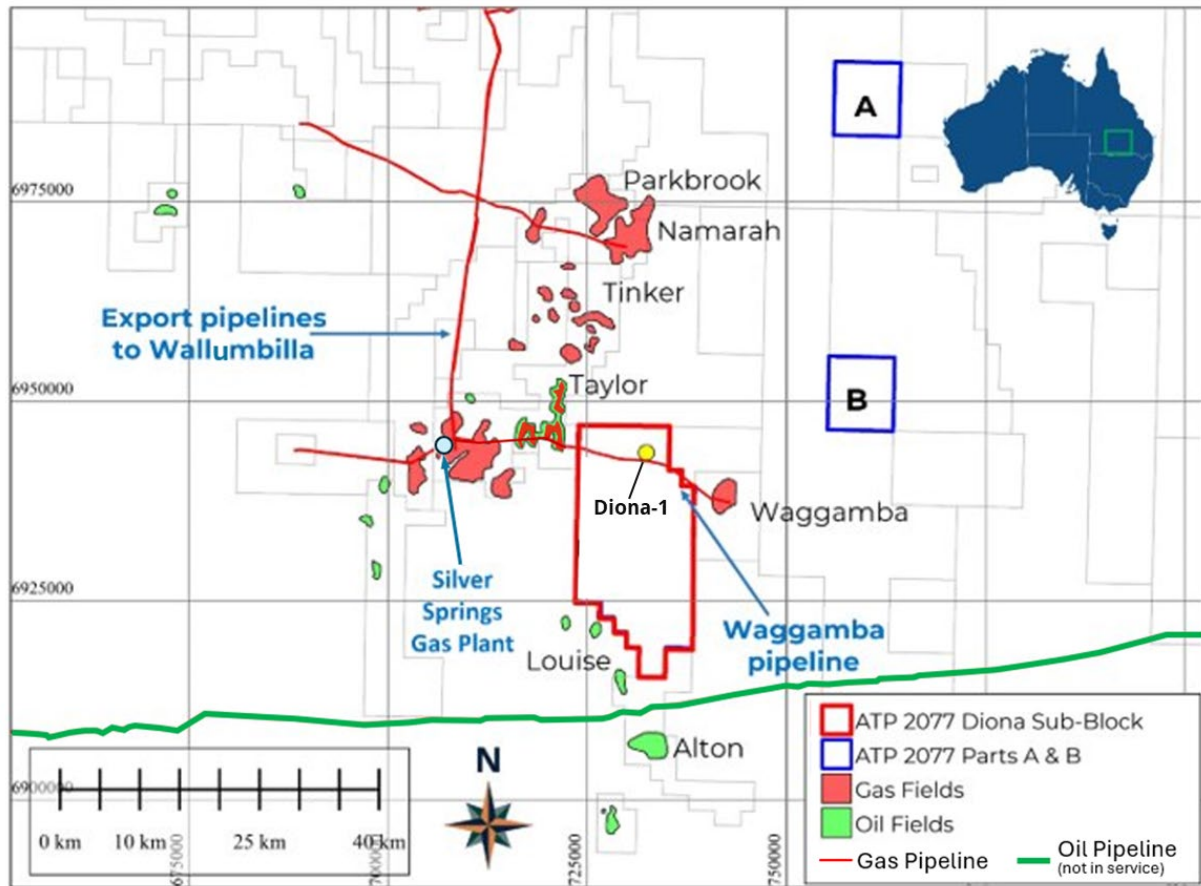
Xstate has convened a meeting of the Technical Committee at which it will discuss several alternatives for unloading the remaining completion fluids, including:

1. Capillary Tubing installation – a small-diameter tube is inserted inside the production tubing to continuously inject surfactant (soap) directly into the wellbore. The injected surfactant reduces surface tension, enabling liquids to foam and would more effectively lift the gas (due to reduced hydrostatic pressure) thereby improving fluid removal from the formation.
2. Nitrogen and/or Foam Lift - involves running a coiled tubing string into the well and injecting nitrogen gas at depth to aerate or lighten the fluid column, reducing its effective density and hydrostatic head. This facilitates a rapid unloading of liquids, allowing gas to flow and potentially enabling a temporary increase in production until a sustained gas flow is achieved. Foam may also be used in this application for more effective fluid lift.
3. Siphon Tubing or Velocity String installation - A velocity (or siphon) string installation involves running a smaller-diameter tubing string (typically coil tubing) inside the existing production tubing to increase gas velocity (by reducing the flow area that the gas travels through) at lower flow rates. This higher velocity facilitates more effective lifting of liquids from the wellbore, supporting sustained gas flow.

Diagnostic tools are also being investigated for their application to identify flow paths behind pipe in order to assist the decision making on the most effective solutions to achieve sustained gas flow from Diona 1. All the above operations are routine in the oil and gas industry.

Managing Director, Andrew Bald commented:

*“The Diona-1 well remains a significant discovery for Xstate, extending the western boundary of the Taroom Trough unconventional play. The gas is there, its flaring, we simply have to offload the fluids and reduce the column to the point where gas will flow unrestricted at which point we will know what this well is capable of producing.”*



**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.