



XState Resources Limited

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## **ASX LIMITED**

### **Electronic Lodgement**

Dear Sir / Madam

### **COMMENCEMENT OF DRILLING PROGRAM**

XState Resources Limited wishes to advise that drilling will commence at the Elle Joint Venture in Arizona, USA in mid February.

The Elle Joint Venture is owned 50% by XState and 50% by US listed Liberty Star Gold Inc. The joint venture area comprises 22 square miles (57km<sup>2</sup>). Within this area, there are 17 prospective uranium targets of which three have been allocated to the joint venture and the balance are subject to a first right of refusal.

The total program will consist of 4,500 feet (1370m) of reverse circulation drilling and 32,160 feet (9800m) of diamond drilling in order to test three breccia pipes for uranium and other metal mineralization, indicated by surface geology, geochemistry and geophysics. The target pipes are closely adjacent to a previously tested pipe held by a third party which has strongly anomalous mineralization. These breccia pipes are part of the large uranium bearing breccia pipe terrain which occurs on the Arizona Strip lying just south of the Utah border. Eight mines were discovered and brought into production during the late 1970's and early 1980's within the immediate area. Those uranium bearing pipes were considered the second highest grade uranium mineral deposits in the world and the highest grade in the United States. Previously mined mineralization has been in the 0.6% to 0.7% uranium or about 12 to 14 pounds U per tonne. In addition to uranium they were known to contain copper, zinc, silver, vanadium, cobalt, nickel, molybdenum, gallium, germanium and other metals. Past producers have recovered copper, silver and vanadium as by-products of uranium mining. Advances in hydrometallurgical extraction techniques as well as current high metal prices are important factors in the potential for important metal by-products or co-products of any defined uranium ore bodies.

The rotary holes are designed to penetrate the centre of each geophysical anomaly. Down hole electrical geophysics will be used to identify additional mineralization within a 200 to 300 foot (60 - 90m) radius out from the rotary holes. Each rotary hole will then be entered by an NQ size (2.2 inch diameter (5.5cm)) diamond core drill directional diamond core holes will be drilled toward the mineral targets defined by the in-hole geophysics. The budget plans for forty eight diamond core holes.

This program will be administered by Liberty Star for the joint venture. It is expected to cost less than half of standard drilling approaches and the intention is to define resources in the three pipes to be tested.

Yours faithfully

**XSTATE RESOURCES LIMITED**

A handwritten signature in black ink, appearing to read "D McArthur". The signature is written in a cursive style with a large initial "D".

**DAVID McARTHUR**

Director