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AUSTRALIAN STOCK EXCHANGE LIMITED

Electronic Lodgement

Dear Sir / Madam

EXPLORATION PROGRAM – ARIZONA – USA

Liberty Star Gold Corp, the company's joint venture partner in Arizona, USA has completed drilling and down hole geophysics on 2 of the 3 initial targets chosen for preliminary exploration. These were the Elle and Hada target areas. The third hole planned to test the Hermina target was postponed until geochemical and geophysical results are received on the first two holes.

The drill holes successfully encountered the expected flat stratigraphic horizons that are typical for this part of the Arizona Strip, including the Coconino sandstone and the Hermit shale. However the holes did not encounter brecciated material consistent with a collapsed pipe feature. Assay results from the downhole sampling has not been received.

The targets were chosen based upon surface CS/NS AMT geophysics anomalies coincident with surface expressions of circular features derived from the detailed interpretation of colour air photos. The drilling was completed to test the validity of the geophysical technique.

Downhole electrical geophysical surveys known as TEM were subsequently completed down both holes to locate any conductive bodies proximal to the drillholes. The downhole surveys did not identify any potential conductors. In addition the joint venture conducted an airborne VTEM survey over the three circular features with no obvious anomalous expressions recorded.

Although the geophysics and drilling comprising the first phase of exploration did not give a positive result, the region has excellent potential to host a number of new discoveries.

The joint venture area of mutual interest is strategically located within a large uranium bearing breccia pipe terrain which occurs on the Arizona Strip lying just south of the Utah border. Eight mines were brought into production during the 1970s and early 1980s on deposits discovered within the immediate area.

The uranium bearing pipes which were mined are the second highest grade uranium mineral deposits in the world and the highest grade in the United States. Previously mined mineralisation in these pipes has graded about 0.6% to 0.7% uranium or about 12 to 14 pounds per tonne. In addition to uranium they are 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.

The joint venture area hosts numerous visible collapsed features, and the joint venture partners will now assess alternative geophysical, geochemical and geological techniques to locate breccia pipes within the collapsed features. A number of other companies exploring along the Arizona Strip are utilising a number of geophysical techniques including the techniques trialled above with some encouraging reported results.

Yours faithfully

XSTATE RESOURCES LIMITED

A handwritten signature in cursive script, appearing to read 'D McArthur'.

DAVID McARTHUR

Director