



XState Resources Limited

ABN 96 009 217 154

Registered office

Level 2
45 Stirling Highway
Nedlands WA 6009

Postal address

PO Box 985
Nedlands WA 6909

Tel: +61 8 9389 8799

Fax: +61 8 9389 8327

Website

www.xstate.com.au

2 July 2007

ASX LIMITED

Dear Sir / Madam

ZEUS RESOURCES PTY LTD

The Board of XState Resources Limited ("XState") wish to advise that the Company and the vendors of Zeus Resources Pty Ltd ("Zeus") have mutually agreed to discontinue the proposed acquisition by XState of Zeus.

Yours faithfully

XSTATE RESOURCES LIMITED

A handwritten signature in black ink, appearing to read "t. 17. | mt", written over a horizontal line.

ROSS KESTEL

Chairman