



XState Resources Limited

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31 July 2008

ASX LIMITED

Dear Sir / Madam

The following summarises the exploration activity for the quarter ended 30 June 2008:

ELLE URANIUM JOINT VENTURE – ARIZONA USA (XSTATE 50%)

The Elle Joint Venture is owned 50% by XState and 50% by US listed Liberty Star Uranium and Metals Inc (“Liberty Star”). The joint venture area comprises 22 square miles (57km²). Within this area, there are numerous prospective uranium targets.

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 are assessing complementary 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.

Liberty Star have completed a major soil geochemical and geological mapping exploration program over targets within the Elle Joint Venture and outside the Joint Venture area.

During the quarter Liberty Star Uranium and Metals Corp have agreed to provide a further five exploration targets to the Elle Joint Venture. This brings the number of exploration targets now being explored by the joint venture to 13.

The five new targets have been chosen based upon geophysical and geological work carried out by Liberty Star.

A program of shallow drilling over all five targets will commence in an attempt to define geological indicators associated with breccia pipes.

Geophysical and geochemical analysis will follow the shallow drilling. Deep drilling will then be conducted on targets that yield favourable results.

The Helvia target, which has favourable indicators obtained from the most recent drilling program, is also being considered for deeper drilling.

CORPORATE

Given the availability of significant cash reserves, the directors continue to assess possible investment opportunities for the Company.

Yours faithfully

XSTATE RESOURCES LIMITED



DAVID McARTHUR

Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information provided by Liberty Star Uranium and Metals Corp and compiled by Mr R Grivas, MAIG, MAusIMM an employee of Goodheart Pty Ltd. Mr Grivas has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Grivas consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

XSTATE RESOURCES LIMITED

ACN or ARBN

009 217 154

Quarter ended ("current quarter")

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(123)	(225)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	75
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(85)	(150)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(85)	(150)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(85)	(150)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(85)	(150)
1.20	Cash at beginning of quarter/year to date	2,273	2,338
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,188	2,188

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	85
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Includes all management and consulting fees and salaries paid to directors and director-related entities during quarter, as well as superannuation paid on behalf of directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation paid via JV investment	150
4.2 Development	-
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.²

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,188	2,273
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,188	2,273

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

² See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter


Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	55,079,593	55,079,593	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options Listed options	0	0	<i>Exercise price</i> N/A	<i>Expiry date</i> N/A
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	0	0	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2008
Director

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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