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30 April 2008

ASX LIMITED

Dear Sir / Madam

The following summarises the exploration activity for the quarter ended 31 March 2008:

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

- **Altered Breccia and pyrite intersected in drilling at Neola.**

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 (57km^2). 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.

Liberty Star also located and re-entered 7 of 14 existing drill holes drilled by previous explorers in the 1970's and 1980's in search of uranium mineralisation. Holes have been re-opened to variable depths of between 50ft and 1800ft and in some cases spot core has been extracted from the edges of existing holes giving some indication of the lithogies encountered. The re-opening of the drill holes is twofold, one to give indications of the lithogical environment and to potentially locate breccia material and secondly to clean the hole for down-hole geophysics testing for conductive material such as the pyrite caps that are associated with mineralised breccia pipes.

Exploration During Quarter

As a result of exploration carried out by Liberty Star, three new targets were identified as high priority targets. During the quarter the Neola, Helvia and Hafsa targets were transferred to the joint venture. The joint venture now has 7 targets. Neola forms part of the Rock South West complex (figure 1 & 2) located outside the Elle JV area of mutual interest ("AMI"), and Helvia and Hafsa form part of the Galaxy complex, located within the AMI.

The following is a summary of explanation as advised by the Joint Venture Manager, Liberty Star Uranium.

<u>Neola Target</u>

Four low angle holes were completed at Neola (NEOL 01 - 04) during the quarter. The purpose of this drilling was to probe part of the Neola area where multiple geoscientific indicators suggest potential for a pipe feature within the Neola collapse structure. The four holes were inclined –45 degrees, and were drilled in the east, west, northwest and north-northwest directions. A total of 1,093 feet were drilled.

Breccia was intersected in all four holes and indicated an arcuate feature. The breccia fragments, matrix and surrounding rock was altered, silicified and mineralised with fine pyrite.

Following the successful intersection of breccia in the first four holes, the drill rig was moved 300 feet east (NEOL – 05) to close off the circular feature. This hole also intersected breccia.

The surface projection and the depth of NEOL 05 has a length and depth of 360 feet. The fragmental breccia is moderately to strongly altered and infused with finely disseminated pyrite (iron sulphide) in the breccia matrix, in the breccia fragments and in cross cutting veinlets.

No uranium or other metals of economic interest was intersected in Neola 1-5, however based on the geological modelling uranium mineralisation is normally located deeper in the breccia pipes proximal to the Hermit shale.

The drill core is being split in standard fashion and sent to a Certified assay laboratory in Vancouver BC Canada. The core is being assayed for 63 different elements, corresponding to surface geochemical assays and the results are expected in due course.

Diamond drill hole NEOL – 07 was drilled at an angle of – 76 degrees or 14 degrees off vertical. It was designed to test Neola interpreted breccia feature centre at 900 vertical feet in depth and to possibly penetrate the north wall of the breccia feature at 2,000 vertical feet below the surface. It was to intersect the portion of the pipe from (900 – 1,500 feet vertical depth) that, based on historical data from other ore bearing pipes, can contain uranium mineralisation.

After cutting shallow pyritic breccia the drill penetrated the Coconino sandstone at 823 feet and then entered the Hermit shale at 893 feet. Drilling continued within the Hermit Shale for a length of 390 feet. A small amount of finely disseminated pyrite, common in this environment, was encountered in the Hermit Shale. At that point the drill string twisted off. The string was fully recovered and the twist off found to be due to a defective pipe joint.

The rig was then moved to Neol 08 to further test for a down dropped block. Under suggestion by the Joint Venture all Neola data will be properly assessed (including assay data) before deciding whether to re-enter Neola 07.

Neol 08 was drilled to the top of the Fossil Mountain member of the Kaibab limestone to determine its depth related to potential down dropping in the area and to test a surface geochemical anomaly. Some brecciated rock was found in this hole as well and the Fossil Mountain member was intersected at a depth of 338 feet. To date no down dropped block has been identified. Further drilling on the Neola target may be warranted after all data is analysed.

<u>Other Targets</u>

In April the drill was moved on to the Loreto breccia pipe target. The Loreto, Helvia and Hafsa Pipes will be drilled with vertical holes to the top of the Fossil Mountain member of the Kaibab limestone to determine the characteristic is present. Core will be assayed and it will then be determined which targets to test with a deep hole.

Corporate

Given availability of significant cash reserves of $2.3 million within the Company, 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.

Figure 1

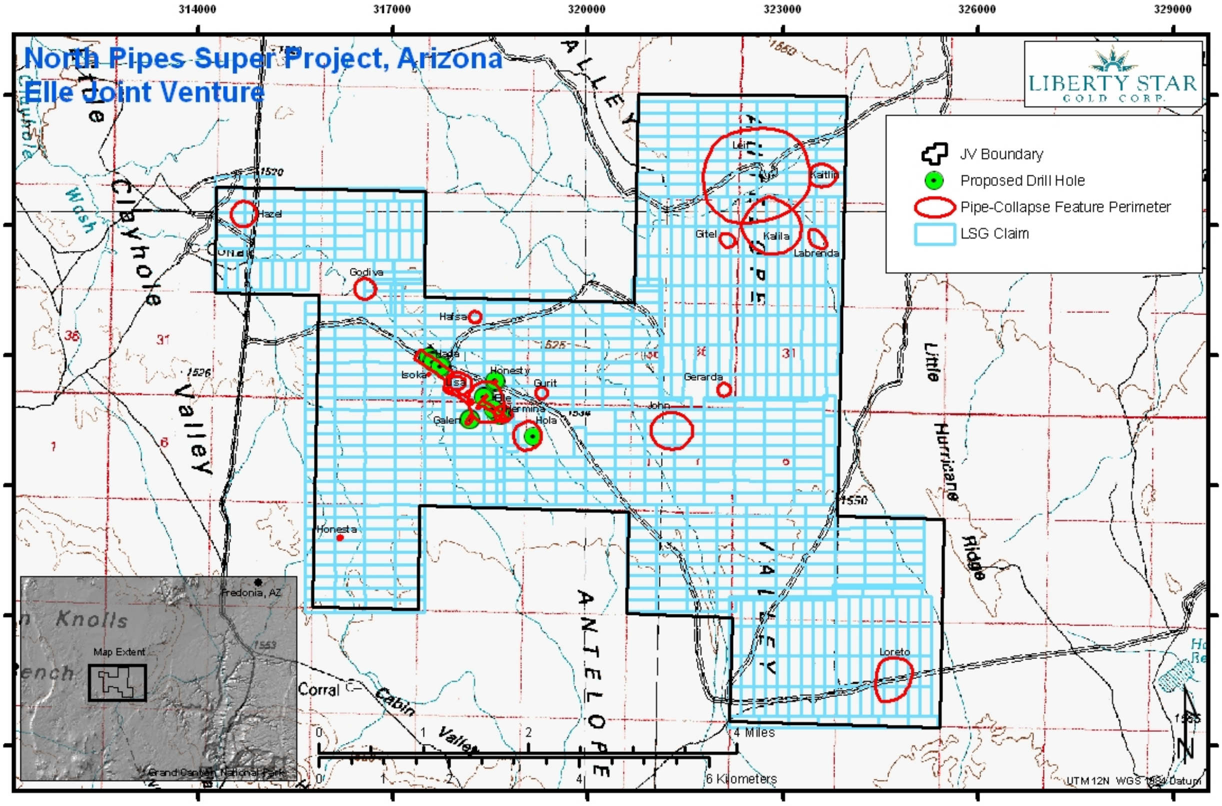


Figure 2

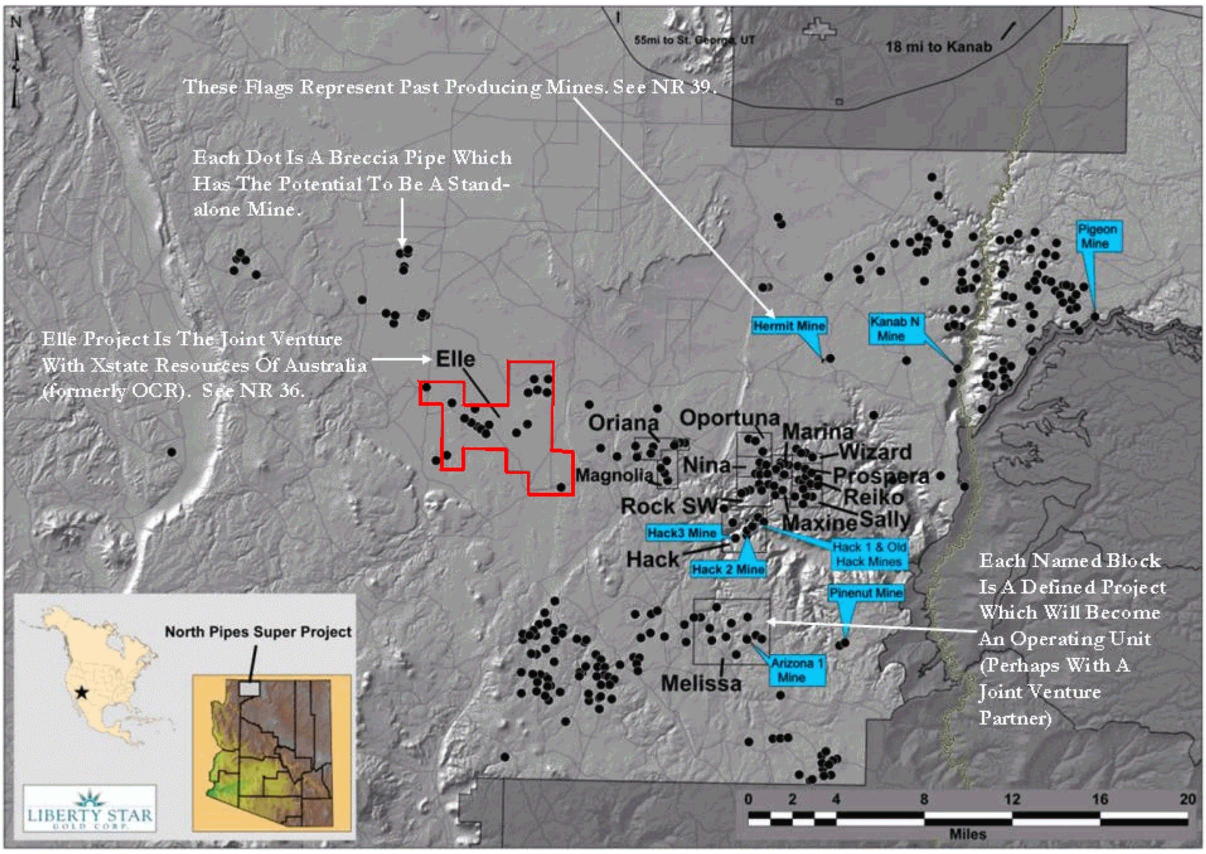
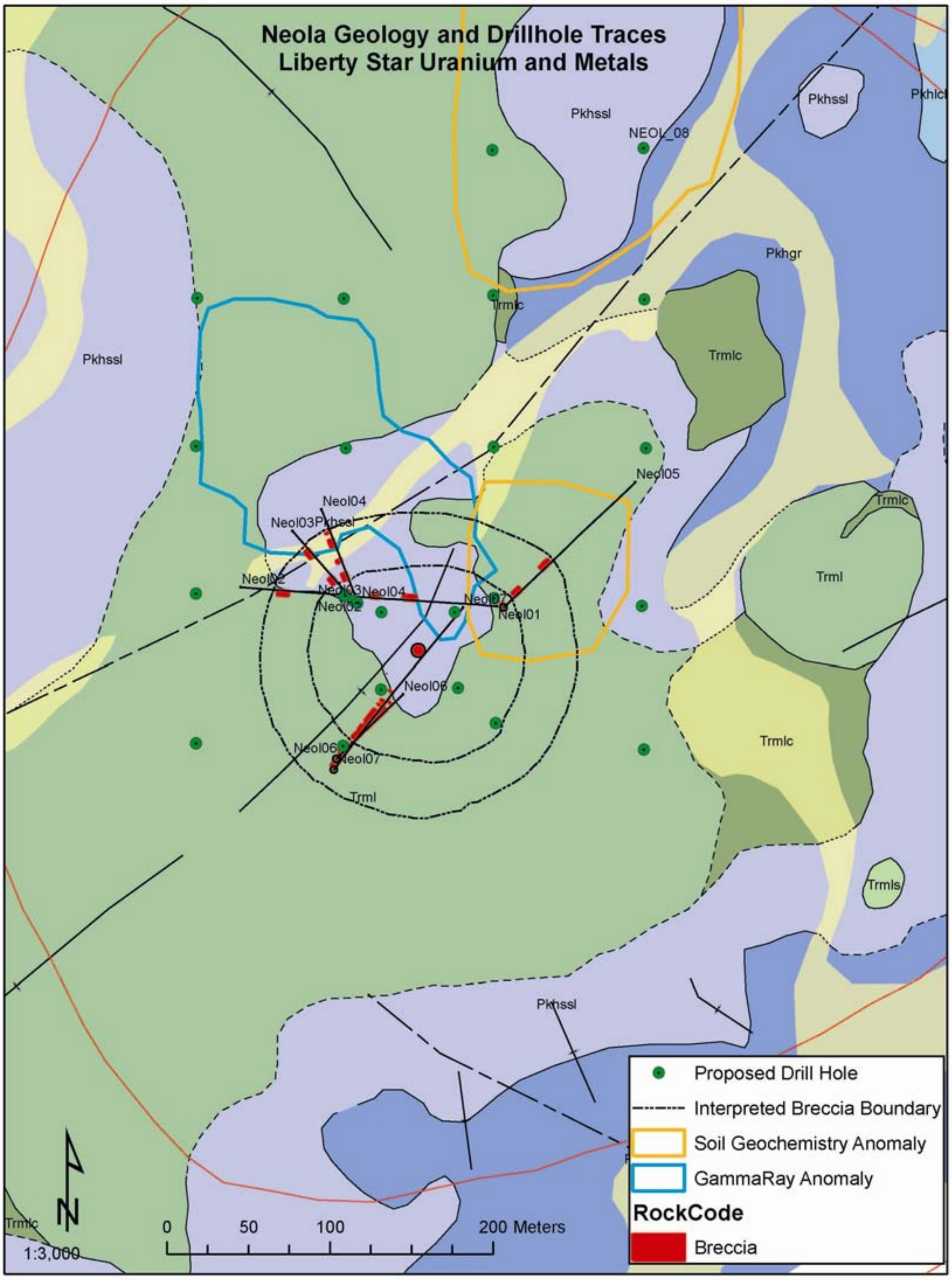


Figure 3


Neola Geology and Drillhole Traces
Liberty Star Uranium and Metals
Pkhssl
NEOL_08
Pkhssl
Pkhlct
Pkhgr
Trmlc
Trmlc
Pkhssl
Neol05
Neol04
Neol03Pkhssl
Trmlc
Trml
Neol02
Neol03
Neol04
Neol02
Neol07
Neol01
Neol06
Neol06
Neol07
Trml
Trmlc
Trmls
Pkhssl
Trmlc
1:3,000
0
50
100
200 Meters
Proposed Drill Hole
Interpreted Breccia Boundary
Soil Geochemistry Anomaly
GammaRay Anomaly
RockCode
Breccia

Rule 5.3

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	Quarter ended ("current quarter")
009 217 154	31 March 2008

Consolidated statement of cash flows

			Current quarter $A'000	Year to date (3 months) $A'000
Cash flows related to operating activities				
1.1	Receipts from product sales and related debtors		-	-
1.2	Payments for	(a) exploration and evaluation	-	-
		(b) development	-	-
		(c) production	-	-
		(d) administration	(102)	(102)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		37	37
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		(65)	(65)
	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)		(65)	(65)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(65)	(65)
	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	(65)	(65)
1.20	Cash at beginning of quarter/year to date	2,338	2,338
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	2,273	2,273

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	56
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	400
4.2	Development	-
	Total	**400**

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	2,273	2,338
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	2,273	2,338

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				

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	*Exercise price* N/A	*Expiry date* 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** *(totals only)*	Nil	N/A		
7.12	**Unsecured notes** *(totals only)*	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: 30 April 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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