XState Resources Limited ABN 96 009 217 154

Registered office
Level 2
45 Stirling Highway
Nedlands WA 6009

Tel: +61 8 9389 8799
Fax: +61 8 9389 8327

Postal address
PO Box 985
Nedlands WA 6909

Website
www.xstate.com.au

7 August 2009

ASX Limited

Electronic lodgement

Dear Sir / Madam

RE: INTERIM FINANCIAL REPORT

We attach the interim financial report for XState Resources Limited for the half year ended 30 June 2009.

Yours faithfully
XSTATE RESOURCES LIMITED

DAVID McARTHUR
Director

XSTATE RESOURCES LIMITED

ABN 96 009 217 154

INTERIM FINANCIAL REPORT

SIX MONTHS ENDED
30 JUNE 2009

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

CONTENTS

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

COMPANY DIRECTORY

DIRECTORS:	Ross Kestel David McArthur Rhod Grivas
COMPANY SECRETARY:	David McArthur
REGISTERED AND PRINCIPAL OFFICE:	Level 2, 45 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9423 3200 Facsimile: (08) 9389 8327
SHARE REGISTRY:	Advanced Share Registry Services 110 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871
BANKERS:	ANZ Banking Group Limited 31 Broadway NEDLANDS WA 6009
AUDITORS:	KPMG Level 8 235 St George's Terrace PERTH WA 6000
SOLICITORS:	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
DOMICILE AND COUNTRY OF INCORPORATION:	Australia

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Directors present their report together with the consolidated financial report for the six months ended 30 June 2009 and the review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	**Period of Directorship**
Ross Kestel *Non-executive chairman*	Director since 6 September 2006
Rhod Grivas *Non-executive director*	Director since 29 March 2007
David McArthur *Executive director*	Director since 6 September 2006

REVIEW OF OPERATIONS

The net loss for the Group for the half year after income tax expense of $nil (2008: $nil) was $187,885 (2008 loss restated: $2,354,017).

At 30 June 2009 XState has uncommitted cash funds totalling $3,177,470. Minimal exploration will be carried out given the current economic and market environment.

With strong cash reserves, XState will continue to assess possible investment opportunities.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the six months ended 30 June 2009.

Dated at Perth, Western Australia this 6th day of August 2009.

Signed in accordance with a resolution of the directors.

D M McARTHUR
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The directors of Xstate Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner

Perth

6 August 2009

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 $	31 December 2008 $
Assets			
Exploration and evaluation expenditure	7	-	-
Total non-current assets		-	-
Trade and other receivables		22,408	29,977
Cash and cash equivalents		3,177,470	3,347,890
Total current assets		3,199,878	3,377,867
Total assets		3,199,878	3,377,867
Equity			
Share capital		31,884,265	31,884,265
Reserves		(349,952)	(356,013)
Retained earnings		(28,380,856)	(28,192,971)
Total equity attributable to equity holders of the company		3,153,457	3,335,281
Liabilities			
Trade and other payables		46,951	41,208
Provisions		(530)	1,378
Total current liabilities		46,421	42,586
Total liabilities		46,421	42,586
Total equity and liabilities		3,199,878	3,377,867

The notes on pages 11 to 14 are an integral part of these financial statements.

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE

	2009	2008 Re-stated
	$	$
Continuing operations		
Other income	289	-
Administrative expenses	(127,488)	(194,308)
Other expenses	(72,589)	(76,687)
Impairment of exploration expenditure	-	(1,789,351)
Results from operating activities	(199,788)	(2,060,346)
Finance income	41,207	77,483
Finance expenses	(29,304)	(371,154)
Net finance income / (expense)	11,903	(293,671)
Loss before income tax	(187,885)	(2,354,017)
Income tax expense	-	-
Loss from continuing operations	(187,885)	(2,354,017)
Loss for the period	(187,885)	(2,354,017)
Other comprehensive income		
Foreign currency translation difference of foreign operations	-	121,671
Income tax on other comprehensive income	-	-
Other comprehensive income for the period, net of income tax	-	121,671
Total comprehensive loss for the period	(187,885)	(2,232,346)
Loss attributable to owners of the Company	(187,885)	(2,354,017)
Total comprehensive loss attributable to owners of the Company	(187,885)	(2,232,346)
Loss per share		
Basic and diluted (cents per share)	(0.34)	(4.27)

The notes on pages 11 to 14 are an integral part of these financial statements.

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Attributable to equity holders of the Company				
				Equity-based		
		Share	Translation	benefits	Accumulated	
		capital	reserve	reserve	losses	Total
		Re-stated	Re-stated	Re-stated	Re-stated	Re-stated
	Notes	$	$	$	$	$
Balance at 1 January 2008		31,884,265	19,998	91,918	(26,217,124)	5,779,057
Total comprehensive income for the period						
Loss for the period		-	-	-	(2,354,017)	(2,354,017)
Other comprehensive income						
Foreign currency translation differences		-	121,671	-	-	121,671
Total other comprehensive income		-	121,671	-	-	121,671
Total comprehensive loss for the period		-	121,671	-	(2,354,017)	(2,232,346)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share-based payment transactions		-	-	26,298	-	26,298
Total contributions by and distributions to owners		-	-	26,298	-	26,298
Total changes in ownership interests in subsidiaries		-	-	-	-	-
Total transactions with owners		-	-	26,298	-	26,298
Balance at 30 June 2008		31,884,265	141,669	118,216	(28,571,141)	3,573,009

The notes on pages 11 to 14 are an integral part of these financial statements.

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Attributable to equity holders of the Company				
	Notes	Share capital $	Translation reserve $	Equity-based benefits reserve $	Accumulated losses $	Total $
Balance at 1 January 2009		31,884,265	(486,352)	130,339	(28,192,971)	3,335,281
Total comprehensive income for the period						
Loss for the period		-	-	-	(187,885)	(187,885)
Other comprehensive income						
Foreign currency translation differences		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
Total comprehensive loss for the period		-	-	-	(187,885)	(187,885)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share-based payment transactions		-	-	6,061	-	6,061
Total contributions by and distributions to owners		-	-	6,061	-	6,061
Total changes in ownership interests in subsidiaries		-	-	-	-	-
Total transactions with owners		-	-	6,061	-	6,061
Balance at 30 June 2009		31,884,265	(486,352)	136,400	(28,380,856)	3,153,457

The notes on pages 11 to 14 are an integral part of these financial statements.

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE

	Notes	2009 $	2008 Re-stated $
Cash flows from operating activities			
Loss for the period		(187,885)	(2,354,017)
Adjustments for:			
Net loss on foreign exchange translation		28,813	354,851
Finance income		(41,207)	(77,483)
Equity-settled share-based payment transactions		6,061	26,298
Exploration expenditure written off		-	1,789,351
		(194,218)	(261,000)
Change in trade and other receivables		1,000	(584)
Change in trade and other payables		5,743	(1,030)
Change in prepayments		3,602	(7,716)
Change in provisions and employee benefits		(1,908)	(10,061)
Net cash used in operating activities		(185,781)	(280,391)
Cash flows from investing activities			
Interest received		44,174	77,740
Payments for exploration, evaluation and development		-	(801,681)
Net cash from / (used in) investing activities		44,174	(723,941)
Cash flows from financing activities			
Receipts from environmental bonds		-	8,025
Net cash from financing activities		-	8,025
Net decrease in cash and cash equivalents		(141,607)	(996,307)
Cash and cash equivalents at 1 January		3,347,890	4,684,429
Effect of exchange rate fluctuations on cash held		(28,813)	(233,180)
Cash and cash equivalents at 30 June		3,177,470	3,454,942

The notes on pages 11 to 14 are an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. REPORTING ENTITY

XState Resources Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2009 comprises the Company and its subsidiary (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from the Company's registered office at Level 2, 45 Stirling Highway, Nedlands, WA, 6009.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

These condensed consolidated interim financial statements were approved by the Board of the Directors on 6 August 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008.

Change in accounting policy

(i) ***Determination and presentation of operating segments***

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments.* Previously, operating segments were determined and presented in accordance with AASB 114 *Segment Reporting.* The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy (continued)

(ii) ***Presentation of financial statements***

The Group applies revised AASB 101 *Presentation of Financial Statements (2007),* which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2008.

6. OPERATING SEGMENTS

The Group has an interest in the uranium exploration areas in Arizona, USA.

Information about reportable segments
For the six months ended 30 June

	Uranium		Total	
	2009	2008 Re-stated	2009	2008 Re-stated
	$	$	$	$
Reportable segment loss before income tax	(490)	(1,805,655)	(490)	(1,805,655)
Reportable segment assets - corporate			3,199,878	3,606,956

Reconciliation of reportable segment loss

Total loss for reportable segments	(490)	(1,805,655)
Unallocated amounts:-		
Other corporate expenses, including foreign currency translation difference	(187,395)	(548,362)
	(187,885)	(2,354,017)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2008.

7. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2009	31 December 2008
	$	$
Costs carried forward in respect of areas of interest - Exploration phase	-	-
Opening balance	-	987,670
Exploration for the period	-	996,754
Impairment loss on exploration tenements	-	(1,984,424)
	-	-

8. SUBSEQUENT EVENT

There has not been any matter of circumstance that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

9. CORRECTION OF ERROR

The impairment of exploration expenditure reported in the 30 June 2008 interim financial report was calculated as the difference between the initial investment in Xstate Arizona (XSTAI) and the cash balance of XSTAI at 30 June 2008. The subsequent quantification of the actual exploration expenditure at 30 June 2008 reflected that the impairment was overstated by $970,232. Further, a foreign exchange loss has been recognised on the intercompany debt payable and a translation difference recognised to translate the results and financial position of XSTAI into AUD.

The statement of comprehensive income effect is:

	30 June 2008 $	30 June 2008 Restated $
Continuing operations		
Other income	-	-
Administrative expenses	(178,167)	(194,308)
Other expenses	(76,687)	(76,687)
Impairment of exploration expenditure	(2,759,583)	(1,789,351)
Results from operating activities	(3,014,437)	(2,060,346)
Finance income	76,275	77,483
Finance expenses	-	(371,154)
Net finance income / (expense)	76,275	(293,671)
Loss before income tax	(2,938,162)	(2,354,017)
Income tax expense	-	-
Loss from continuing operations	(2,938,162)	(2,354,017)
Loss for the period	(2,938,162)	(2,354,017)
Other comprehensive income		
Foreign currency translation difference of foreign operations	-	121,671
Income tax on other comprehensive income	-	-
Other comprehensive income for the period, net of income tax	-	121,671
Total comprehensive loss for the period	(2,938,162)	(2,232,346)
Loss attributable to owners of the Company	(2,938,162)	(2,354,017)
Loss per share		
Basic and diluted (cents per share)	(5.33)	(4.27)

XSTATE RESOURCES LIMITED
ABN 96 009 217 154

DIRECTORS' DECLARATION

In the opinion of the directors of XState Resources Limited ("the Company"):

1. the financial statements and notes set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the Group's financial position as at 30 June 2009 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

D M McARTHUR
Director

Dated at Perth this 6th day of August 2009.

KPMG

Independent auditor's review report to the members of Xstate Resources Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Xstate Resources Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 9 to the condensed consolidated interim financial statements and the directors' declaration set out on page 15 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Xstate Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Xstate Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2009 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

6 August 2009