

EXTERRA RESOURCES LIMITED

ABN 26 138 222 705

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Exterra Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

Contents	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	18
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	19

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

DIRECTORS' REPORT

Your directors are pleased to present their report on Exterra Resources Limited for the half-year ended 31 December 2016.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

John Davis

Justin Brown

Geoff Laing (appointed 22 August 2016)

Peter Cole (resigned 4 October 2016)

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the period is set out below:

	2016	
	Revenues	Results
	\$	\$
Exterra Resources Limited	38,370	(702,314)

Exterra Resources Limited is an Australian Securities Exchange (ASX: EXC) listed junior resource company focused on exploring and developing its gold projects in Western Australia.

During the half year ended 31 December 2016 the Company continued its exploration, acquisition and related operational activities with a focus on a development strategy for the Second Fortune underground gold mine at the Linden Project.

1.0 PROJECT DEVELOPMENT

1.1 LINDEN GOLD PROJECT, Western Australia (100% EXC)

The Company's major focus during the half year was on regulatory approvals for development of the Second Fortune high grade underground gold mine at Linden with all key approvals in place and project development achievements including:

- Exterra signed a Management and Services Agreement with the Mitchell River Group to develop the Second Fortune underground gold mine.
- Project Management Plan (PMP) for commencement of mining operations at Second Fortune was approved by the Department of Mines and Petroleum (DMP) on 12 October 2016 for initial site works including evaporation dam construction, mine dewatering, camp refurbishment and site maintenance.

1.1.1 Second Fortune Mine Design, schedule and contract

Significant work has been undertaken during the period with respect to optimising the mine design, based on updated geotechnical assessments and a strategy to minimising working capital requirements. In addition, the impact of integrating ore sorting into the operation has been modelled with respect to increasing mining rates and efficiencies and reducing marginal cut off grades. On the back of the updated mine design, schedules and physicals have been generated for financial modelling and contractor negotiations.

Proposals from a number of mining contractors have been received and the adjudication process is ongoing.

DIRECTORS' REPORT (continued)

1.1.2 Second Fortune Ore Sorting

Optical sorting trials involving the processing of multiple bulk samples of Second Fortune ore have been successfully completed using a Tomra ore sorting plant. The test work has demonstrated the effectiveness of the technology in pre-concentrating the gold bearing quartz by eliminating waste material and thereby improving project economics.

Ore sorting technology is currently used in numerous mining operations to pre-concentrate ore prior to processing. Recent work undertaken by Exterra has utilised optical (colour) technology which has proved to be highly effective in recovering quartz from the host waste rock. The impact of effective sorting is significant, not only with respect to the reduction of haulage and treatment costs but also with respect to the mining operation. The results show that in excess of 60% of "ore mass" can be rejected on site prior to haulage and processing.

An ore sorting circuit is being constructed at the mine site to process run of mine (ROM) material and local historic gold bearing stockpiles. Ore stockpiles will be crushed and screened prior to sorting. The significantly upgraded sorted product will be dispatched to third party processing facilities while the waste will be stockpiled at site.

1.1.3 Project Management Approval and Commencement of Surface Works

The Project Management Plan (PMP), PM-796-216114, in relation to the commencement of mining operations at Second Fortune was approved by the DMP on the 12 October 2016. Site works commenced starting with the construction of the evaporation ponds. Mining Rehabilitation Services were awarded the contract to construct the ponds which are located to the north of the existing pit. It is expected that construction will be completed in the March Quarter 2017. Dewatering of the open pit and remnant underground workings will commence on completion of construction.

Other site works have commenced on the back of the PMP approval, including the camp upgrade and preparation of the mining contractor laydown area. The \$4.025M capital raising ensures that funding for the pre-production activities is in place and that critical path items can be addressed immediately. The haul road construction will commence as soon as relevant clearing approvals have been obtained.

1.1.4 Ore Sales Agreement

Ore sales and Toll Treating agreement discussions are at an advanced stage with the focus on sampling protocols.

1.2 ZELICA GOLD PROJECT, Western Australia (100% EXC)

Continued to assess the Zelica scoping study, based on using the vat leach infrastructure on site. The vat leach studies demonstrated positive cash flows and Exterra continued to pursue development in parallel with the Second Fortune underground mine to use common facilities and management teams.

2.0 EXPLORATION ACTIVITIES

2.1 LINDEN GOLD PROJECT, Western Australia (100% EXC)

Reverse Circulation drilling programmes were completed at:

- Second Fortune as stope definition in the upper levels of the mine to aid in mine design.
- Linden Star, Second Fortune Extended and Mt Linden to follow up on RC drilling completed earlier in the year.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

DIRECTORS' REPORT (continued)

2.2 GRASS FLAT GOLD PROJECT, Western Australia (100% EXC)

Exterra applied for 5 Prospecting Licences (P77/4351 – P77/4355, which were granted on the 30 September 2016), and 2 Exploration Licences (E77/2355, granted and E77/2365, granted), located in the Marda-Diemals Greenstone Belt, north east of the Diemals Mining Centre, 150 km north of Southern Cross in WA.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'John Davis', with a stylized, cursive script.

John Davis

Executive Chairman

Perth, 10 March 2017



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

The Directors
Exterra Resources Limited
PO Box 1153
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2016 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda (Lead auditor)

Rothsay Auditing

Dated 10 March 2017



Chartered Accountants

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	\$	\$
REVENUE	18,370	4,523
Other income	20,000	-
 EXPENDITURE		
Administration and corporate expenses	(172,573)	(85,237)
Depreciation expense	(8,588)	(8,763)
Employee benefits expense	(31,764)	-
Exploration expenses	(413,995)	(550,885)
Fair value losses on financial assets at fair value through profit or loss	-	(20,753)
Share-based payments expense	(113,764)	-
 LOSS BEFORE INCOME TAX	(702,314)	(661,115)
Income tax benefit/(expense)	-	-
 TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF EXTERRA RESOURCES LIMITED	(702,314)	(661,115)
 Basic and diluted loss per share (cents)	(0.2)	(0.3)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		4,313,130	1,574,517
Trade and other receivables		66,323	25,808
TOTAL CURRENT ASSETS		4,379,453	1,600,325
NON-CURRENT ASSETS			
Plant and equipment		218,335	226,924
Capitalised exploration and evaluation expenditure	3	1,475,000	3,785,000
Capitalised mine development	4	4,383,322	-
TOTAL NON-CURRENT ASSETS		6,076,657	4,011,924
TOTAL ASSETS		10,456,110	5,612,249
CURRENT LIABILITIES			
Trade and other payables		666,075	311,618
TOTAL CURRENT LIABILITIES		666,075	311,618
NON-CURRENT LIABILITIES			
Provisions	5	319,329	-
TOTAL NON-CURRENT LIABILITIES		319,329	-
TOTAL LIABILITIES		985,404	311,618
NET ASSETS		9,470,706	5,300,631
EQUITY			
Contributed equity	6	19,579,654	15,065,529
Reserves		791,114	432,850
Accumulated losses		(10,900,062)	(10,197,748)
TOTAL EQUITY		9,470,706	5,300,631

The above statement of financial position should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Contributed Equity \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2015	13,317,529	393,350	(9,065,999)	4,644,880
Loss for the period	-	-	(661,115)	(661,115)
TOTAL COMPREHENSIVE LOSS	-	-	(661,115)	(661,115)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	250,000	-	-	250,000
BALANCE AT 31 DECEMBER 2015	13,567,529	393,350	(9,727,114)	4,233,765
BALANCE AT 1 JULY 2016	15,065,529	432,850	(10,197,748)	5,300,631
Loss for the period	-	-	(702,314)	(702,314)
TOTAL COMPREHENSIVE LOSS	-	-	(702,314)	(702,314)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	5,034,875	-	-	5,034,875
Share issue transaction costs	(520,750)	-	-	(520,750)
Employee, consultant and supplier share-based payments	-	358,264	-	358,264
BALANCE AT 31 DECEMBER 2016	19,579,654	791,114	(10,900,062)	9,470,706

The above statement of changes in equity should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments for exploration expenditure	(632,771)	(400,843)
Payments for administration and other expenses	(210,478)	(90,582)
Proceeds on sale of financial assets at fair value through profit or loss	-	196,088
Interest received	14,888	4,009
Net cash outflow from operating activities	(828,361)	(291,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of property, plant and equipment	20,000	-
Payments for mine development	(1,211,651)	-
Net cash outflow from investing activities	(1,191,651)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	5,034,875	250,000
Payments of share issue transaction costs	(276,250)	-
Net cash inflow from financing activities	4,758,625	250,000
Net increase/(decrease) in cash and cash equivalents	2,738,613	(41,328)
Cash and cash equivalents at the beginning of the half-year	1,574,517	405,220
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	4,313,130	363,892

The above statement of cash flows should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Exterra Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Company

The Company has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company during the interim reporting period.

The Company has also adopted the following new accounting policies for events and transactions that occurred during the period:

Capitalised Mine Development

Once technical feasibility and commercial viability of extraction of mineral resources in a particular area of interest become demonstrable, the capitalised tenement acquisition costs attributable to that area of interest are reclassified as mine development.

Capitalised mine development represents the costs incurred in preparing mines for production and includes plant and equipment under construction, stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent that they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs will be amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Amortisation of capitalised mine development will commence at the point when production from geological area of interest commences.

Provision for Rehabilitation

The Company records the present value of the estimated cost to rehabilitate operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the dismantling and removing of structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Typically, the obligation arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recorded, the present value of the estimated cost of eventual rehabilitation is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value of that eventual rehabilitation cost based on a discount rate appropriate to the market assessments and the risks inherent in the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred. The unwinding of the effect of discounting the provision is recorded as a finance cost in the statement of comprehensive income. The capitalised carrying amount is depreciated over the useful life of the related asset.

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed as incurred.

Impact of standards issued but not yet applied by the Company

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2016.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

For management purposes, the Company has identified only one reportable segment being exploration and development activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, and development of mining operations from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

	Half-year	
	2016	2015
	\$	\$
Exploration and Development Segment		
Segment revenue	20,000	-
Reconciliation of segment revenue to total revenue and other income before tax:		
Interest revenue	18,370	4,523
Total revenue and other income	38,370	4,523
Segment results	(393,995)	(550,885)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	(308,319)	(110,230)
Net loss before tax	(702,314)	(661,115)
	31 December	30 June 2016
	2016	2016
	\$	\$
Segment operating assets	6,125,950	4,033,058
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	4,330,160	1,579,191
Total assets	10,456,110	5,612,249
Segment operating liabilities	954,697	283,642
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	30,707	27,976
Total liabilities	985,404	311,618

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 \$	30 June 2016 \$
Tenement acquisition costs carried forward in respect of mining areas of interest		
At 1 July, at cost	3,785,000	3,785,000
Reclassification to capitalised mine development ⁽¹⁾	(2,310,000)	-
At 31 December, at cost	1,475,000	3,785,000

- (1) Once technical feasibility and commercial viability of extraction of mineral resources in a particular area of interest become demonstrable, the capitalised tenement acquisition costs attributable to that area of interest is first tested for impairment and then reclassified to capitalised mine development. During the period, capitalised tenement acquisition costs were reclassified to capitalised mine development following the Company's decision to commence mining at the Second Fortune Mine.

NOTE 4: CAPITALISED MINE DEVELOPMENT

	31 December 2016 \$	30 June 2016 \$
Development costs carried forward in respect of mining areas of interest		
At 1 July, at cost	-	-
Capitalised mine development	2,073,322	-
Reclassification from capitalised exploration and evaluation expenditure	2,310,000	-
At 31 December, at cost	4,383,322	-

Capitalised mine development represents the costs incurred in preparing mines for production and includes plant and equipment under construction, stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent that they are expected to be recouped through the successful exploitation of the related mining leases. Refer to note 1 for the Company's policy on Capitalised Mine Development.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5: PROVISIONS

	31 December 2016 \$	30 June 2016 \$
Mine rehabilitation		
At 1 July	-	-
Increase in provision	319,329	-
At 31 December	319,329	-

The Company records the present value of the estimated cost to rehabilitate operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the dismantling and removing of structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. Refer to note 1 for the Company's policy on Provision for Rehabilitation. The provision includes rehabilitation costs associated with the Second Fortune Mine based on the latest estimated future costs assessed by the Government of Western Australia Department of Mines and Petroleum, and is determined on a discounted basis.

NOTE 6: CHANGES IN EQUITY SECURITIES ON ISSUE

	2016 Shares	2016 \$	2015 Shares	2015 \$
As at 1 July	237,462,516	15,065,529	181,152,994	13,317,529
Issues of ordinary shares during the half-year				
Issued for cash at \$0.0125 per share	-	-	20,000,000	250,000
Issued for cash at \$0.04 per share ⁽¹⁾	37,500,000	920,000	-	-
Issued for cash at \$0.07 per share	57,500,000	4,025,000	-	-
Issued upon exercise of \$0.0215 options	3,000,000	64,500	-	-
Issued upon exercise of \$0.035 options	725,000	25,375		
Transaction costs	-	(520,750)	-	-
As at 31 December	336,187,516	19,579,654	201,152,994	13,567,529

- (1) This share issued occurred on 1 July 2016. \$580,000 of the proceeds from this share issue were received during the financial year ended 30 June 2016.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)

	Number of options	
	2016	2015
As at 1 July	32,029,761	12,500,000
Movements of options during the half-year		
Issued, exercisable at \$0.06, on or before 4 July 2018 ⁽¹⁾	5,000,000	-
Issued, exercisable at \$0.06, on or before 1 July 2019 ⁽²⁾	9,375,000	-
Issued, exercisable at \$0.06, on or before 29 July 2019 ⁽³⁾	17,853,737	-
Issued, exercisable at \$0.08, on or before 29 July 2019 ⁽³⁾	17,853,737	-
Issued, exercisable at \$0.10, on or before 26 August 2019 ⁽¹⁾	2,500,000	-
Issued, exercisable at \$0.10, on or before 1 December 2019 ⁽³⁾	1,000,000	-
Issued, exercisable at \$0.10, on or before 28 November 2021 ⁽³⁾	2,750,000	-
Issued, exercisable at \$0.125, on or before 26 August 2019 ⁽¹⁾	2,500,000	-
Exercised at \$0.0215, expiring 19 June 2020	(3,000,000)	-
Exercised at \$0.035, expiring 21 April 2017	(725,000)	-
As at 31 December	87,137,235	12,500,000

- (1) During the 2016 half-year, 5,000,000 options with an exercise price of 6 cents and expiring on 4 July 2018, 2,500,000 options with an exercise price of 10 cents and expiring on 26 August 2019, and 2,500,000 options with an exercise price of 12 cents and expiring on 26 August 2019 were issued as part consideration for corporate services in relation to capital raisings. The weighted average fair value of the options granted during the half-year was 2.4 cents, for a total value of \$244,500 included within share issue costs as part of contributed equity. The prices were calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price (cents)	8.6	-
Weighted average life of the option (years)	2.5	-
Weighted average underlying share price (cents)	6.7	-
Weighted average expected share price volatility	70.0%	-
Weighted average risk free interest rate	1.5%	-

- (2) These were issued as free attaching options to a capital raising on the basis of 1 option for every 4 shares acquired.
- (3) During the 2016 half-year, the following options were issued:
- 2,750,000 options with an exercise price of 10 cents and expiring on 28 November 2021 to Directors following approval at the Annual General Meeting of the Company held on 28 November 2016;
 - 1,000,000 options with an exercise price of 10 cents and expiring on 1 December 2019 to contractors;

EXTERRA RESOURCES LIMITED**31 DECEMBER 2016****NOTES TO THE FINANCIAL STATEMENTS (continued)****NOTE 6: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)**

- iii. 17,853,737 options with an exercise price of 6 cents and expiring on 29 July 2019 to contractors (Tranche 1); and
- iv. 17,853,737 options with an exercise price of 8 cents and expiring on 29 July 2019 to contractors (Tranche 2).

The Tranche 1 options have a performance vesting condition being first commercial gold production at Second Fortune, and the Tranche 2 options have a performance vesting condition being production of 15,000 ounces of gold at Second Fortune Project. The weighted average fair value of the options granted during the half-year was 2.3 cents, for a total value of \$113,764 included within share-based payments expense. The prices were calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price (cents)	7.3	-
Weighted average life of the option (years)	2.9	-
Weighted average underlying share price (cents)	5.7	-
Weighted average expected share price volatility	70.0%	-
Weighted average risk free interest rate	2.1%	-

NOTE 7: CONTINGENCIES

There has been no material change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 8: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2016

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Exterra Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



John Davis

Executive Chairman

Perth, 10 March 2017



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

Independent Review Report to the Members of Exterra Resources Limited

The financial report and directors' responsibility

The interim financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Exterra Resources Limited for the half-year ended 31 December 2016.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report 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 financial position as at 31 December 2016 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Exterra Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an 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 Exterra Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position as at 31 December 2016 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

Dated 10 March 2017

Rolf Garda

Partner



Chartered Accountants