

June 2017 Quarterly Activities Report

31 July 2017

Exterra Resources Limited
ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares	345.2m
Options:	67.8m

Directors and Management:

John Davis
Executive Chairman

Geoff Laing
Executive Director

Justin Brown
Non-Executive Director

Dennis Wilkins
Company Secretary

Exterra Resources Limited ("Exterra" or "the Company") is pleased to provide a summary of activities undertaken by the Company during the June 2017 quarter which included initiating the proposed merger with Anova Metals Ltd, completion of the Second Fortune Feasibility Study, execution of the Bar Twenty earn in and joint venture agreement and the commencement of commercial sorting operations at the Second Fortune Mine site.

EXTERRA ANOVA MERGER HIGHLIGHTS:

- Exterra Resources Limited ("Exterra") (ASX: EXC) and Anova Metals Limited ("Company" or "Anova") (ASX: AWW) announced that they have entered into a Merger Implementation Agreement ("MIA") under which Anova has agreed to acquire all of the issued capital of Exterra by way of a Scheme of Arrangement ("Scheme").
- The merger will be implemented via a Scheme of Arrangement under the Australian Corporations Act 2001 (Cth), with Anova being the surviving entity.
- Exterra shareholders are to receive one (1) Anova share for every two (2) Exterra shares held.
- The combined entity to be a multi-jurisdictional gold producer with a project portfolio in Western Australia and Nevada, USA with a JORC compliant Mineral Resources totalling 1.23m oz gold and JORC compliant Ore Reserves totalling 65k oz gold (refer to 1.10 for details) across two advanced projects, with outstanding exploration upside:
- The Scheme is subject to approval by Exterra shareholders at a general meeting expected to be held 15 September 2017.
- The combined entity will have a strong balance sheet with pro forma cash as at 31 March 2017 of approximately A\$10.5 million and no debt.

SECOND FORTUNE FEASIBILITY HIGHLIGHTS

- Life-of-mine (LOM) production target of 392kt grading 5.8g/t Au for 73koz of gold.
- Reserve increase of 15% from 56koz of 65koz.
- Forecast LOM free cash-flow of \$25m before financing costs and Capital payback period of 13 months.

- First gold production targeted for Q1 2018 from underground.
- Initial mine life of 2 years, with significant resource potential at depth on the Main Lode and on the subsidiary Hanging wall, Footwall and West Lodes.
- Estimated funding requirement of \$9.4m (\$7.2 capital and \$2.2m working capital) An additional \$3m working capital contingency will be provisioned to mitigate operational risk.
- Estimated LOM C1 cash cost of \$989/oz and all-in sustaining cost (AISC) of \$1,176/oz.

BAR TWENTY JOINT VENTURE HIGHLIGHTS

- Exterra may acquire a 75%, joint venture interest in the Bar Twenty project through a farm-in agreement linked to the production of 5,000oz of gold.
- Includes a granted Mining Lease and DMP approved Mining Proposal for a Small Operation.
- Quartz hosted gold suitable for upgrading through the Exterra ore sorting plant.
- Historic gold workings at 5 prospects over 1,000 metres of strike with rock chip sampling up to 47.0 g/t Au.
- Reverse Circulation (RC) drilling at the South East (Main) workings intersecting ore grade gold including:
 - BTRC004 - 3m @ 9.7 g/t Au from 2 metres
 - BTRC008 - 6m @ 3.4 g/t Au from 10 metres
 - BTRC013 - 6m @ 3.6 g/t Au from 5 metres
 - BTRC034 - 2m @ 10.8 g/t Au from 2 metres
 - BTRC046 - 4m @ 7.5 g/t Au from 19 metres
 - BTRC054 - 4m @ 6.0 g/t Au from 22 metre

SECOND FORTUNE PROJECT HIGHLIGHTS

- Commercial scale sorting operations commenced at Second Fortune mine and Initial runs show sorted concentrates grading between 5.5g/t and 10g/t are recovered from feed stocks grading ~3g/t.
- Upgrade in excess of 2.3 times in line with design expectations.
- Existing mineralised dumps running 1-2 g/t will be processed to generate early cash flow over coming months, with all necessary permits now received.
- Results to date show sorting of ore will significantly reduce the cost of hauling and processing Second Fortune ore.
- Sorting will de-risk future underground mining at Second Fortune by rejecting waste dilution prior to haulage and processing, reducing one of the biggest risks in narrow vein mining.
- Other project opportunities being pursued where sorting may add value and utilise excess capacity in Exterra plant
- Second Fortune Mine dewatering to the evaporation dams now in progress with the pit floor, open stopes and old shaft collars to be exposed which will allow inspection for decline portal location, access to underground workings etc.

1. EXTERRA ANOVA MERGER TRANSACTION (refer ASX release 8 June 2017)

1.1 Transaction Rationale

The Boards of Anova and Exterra believe that the combination of the two companies has a clear strategic rationale and will generate significant value for shareholders of both companies.

Shareholders will have exposure to Exterra's production and exploration projects and will also benefit from the growth potential of Anova's near term production asset and exploration projects. Anova will also explore the benefits of utilising Exterra's ore sorting technology at its Big Springs Project.

The merged entity will have a pro forma market capitalisation of ~\$78 million (based on pricing on June 5 2017), with shareholders of both companies expected to benefit from the increased scale and liquidity associated with an investment in the merged entity. Further, the strengthened balance sheet together with cashflow expected to be generated from operations which should enable the merged entity to accelerate development of its projects and planned exploration programs.

In addition, the merged entity will have a diversified asset base with excellent leverage to the gold price, as well as a strengthened Board and management team with a proven track record of taking development assets into production.

1.2 Exterra Board Recommendation

The proposed merger has the full support of the boards of Exterra and Anova.

The directors of Exterra intend to unanimously recommend to Exterra shareholders that they vote in favour of approving the Scheme, subject to an independent expert report concluding that the Scheme is in the best interests of Exterra's shareholders and no superior proposal being received in relation to Exterra.

The reasons for the Exterra Board's unanimous recommendation include:

- provides access to short term funding for the development of the Linden gold project and working capital;
- provides Exterra shareholders with access to a larger and more liquid market through the increased scale of the merged entity; and
- the merged entity will have an additional 1,029,900oz of Mineral Resource (2012 JORC, refer to Table 1 for details) through Anova's Big Springs near-production project, with significantly greater exposure to exploration and development upside.

1.3 Shareholder Statement of Intentions

Exterra has received Statement of Intentions from three key shareholder groups (Bernard Stephens, Montezuma Mining Company and Seamus Cornelius, who collectively hold 19.92% of the ordinary shares in Exterra) stating that they intend to vote in favour of approving the Scheme, subject to an independent expert report concluding that the Scheme is in the best interests of Exterra's shareholders and no superior proposal being received in relation to Exterra.

1.4 Board of Merged Company

Following implementation of the MIA, existing Exterra directors Mr John Davis and Mr Geoff Laing will be invited to join to the Board of Anova with Mr Laing in the role of Executive Director.

As Exterra's Executive Director, Mr Laing has been instrumental to the development of the Second Fortune mine, including the recently completed Feasibility Study (refer ASX release 25 May 2017). Mr Davis has been a director of Exterra since its admission to the ASX and has been intimately involved in the strategic development of Exterra.

The skills, knowledge and expertise of Mr Laing and Mr Davis will complement the Anova board comprising Mr Mal James (Non-Executive Chair), Mr Bill Fry (Executive Director) and Mr Alasdair Cooke (Non-Executive Director).

1.5 Transaction Implementation

The merger will be implemented by way of a Court-approved scheme of arrangement under the Australian Corporations Act, under which Exterra shareholders are to receive 1 Anova share for every 2 Exterra shares they hold. To facilitate the proposed transaction, Exterra and Anova have entered into a Merger Implementation Agreement ("MIA").

The implementation of the proposed merger is subject to a number of conditions which are customary for a transaction of this type, including:

- the Exterra directors not changing or withdrawing their recommendation that Exterra shareholders vote in favour to approve the Scheme¹;

¹ Under the MIA, the recommendation of the Exterra directors is subject to the independent expert's report concluding that the Scheme is in the best interests of Exterra shareholder and to no "Superior Proposal" (as defined in the MIA) being made in relation to Exterra.

- an independent expert's report concluding that the Scheme is in the best interests of Exterra's shareholders;
- no material adverse change or prescribed event for either company occurring (as defined in MIA);
- Exterra shareholder approval for the merger to be implemented, a resolution in favour of the Scheme must pass by simple majority of Exterra shareholders present and voting in person or by proxy and by at least 75% of the votes cast on the resolution, at the meeting of Exterra's shareholders called to approve the Scheme;
- the aggregate of Anova's cash assets and receivables, less trade creditors, being above \$5.5 million at the final Court hearing date; and
- Court approval to the Scheme being received.

If the Scheme is approved, all shareholders of Exterra whose registered address is in Australia, New Zealand and Hong Kong on the relevant record date will be eligible to receive Anova shares under the Scheme. Shareholders with registered addresses in other countries whom Anova and Exterra determines are not able to receive Anova shares will receive the cash proceeds of the sale of the Anova shares that would otherwise be issued to them.

The MIA contains customary and reciprocal deal protection mechanisms, including no shop and no talk provisions, matching and notification rights in the event of a competing proposal and a reciprocal break fee payable in specified circumstances.

1.6 Treatment of Exterra Options

Exterra and Anova have agreed that they will cooperate to procure the agreement of all holders of Exterra options which remain unexercised and have not expired before the final Court hearing to approve the Scheme, to be cancelled or acquired by Anova, on terms whereby each holder of an eligible Exterra option will receive one (1) Anova option for every two (2) Exterra options cancelled or transferred to Anova, on the terms set out in the MIA. This will result in Anova issuing up to total 33,916,238 Anova options with varying exercise prices and expiry dates to Exterra optionholders.

1.7 Meeting of Exterra Shareholders

Exterra will convene a meeting of Exterra shareholders to approve the Scheme ("**Scheme Meeting**") following an order by the Court to do so.

In due course, Exterra shareholders will receive notice of the Scheme Meeting and a comprehensive explanatory statement that will contain full details of the proposed Scheme, the basis for Exterra's Board's recommendation and an independent expert's report ("**Scheme Booklet**").

1.8 Indicative Timetable for Completion

Note these dates have been updated from those included in the merger announcement based on the information currently available.

Announcement of proposed merger	8 June 2017
First Court Hearing to convene Scheme Meeting and approve Scheme Booklet	10 August 2017
Dispatch Scheme Booklet to Exterra Shareholders for the Scheme Meeting	16 August 2017
Exterra Scheme Meeting	15 September 2017
Final Court Hearing to approve the Scheme	20 September 2017
Implementation of merger	Late September 2017

1.9 Interim Funding Arrangements

To ensure that Exterra is able to continue to progress the development of the Second Fortune project whilst the Scheme is being implemented, Anova has agreed to advance up to \$2 million in loan funding to Exterra prior to completion of the Scheme. To date \$0.5 million of the loan has been drawn down.

The key terms of the Loan Facility are:

Principal	Up to \$2,000,000, able to be drawn up until the earlier of completion or termination of the Scheme.
Interest	8%, calculated daily and capitalised monthly until Maturity.
Maturity	18 months from first drawdown.
Drawdown	Initial drawdown amount of \$100,000, thereafter in minimum multiples of \$50,000. No further drawdown permitted if the Scheme is not implemented or terminated.
Repayment	Exterra can elect to prepay amounts drawn down under the facility in cash without penalty at any time prior to Maturity. There is no requirement to prepay amounts drawn down under the facility early if the Scheme does not proceed.
Conversion	If amounts drawn down under the facility have not been prepaid prior to Maturity, then outstanding amounts are to be converted into Exterra shares to be issued at the lower of (i) a 20% discount to the 30 day VWAP immediately prior to the date of Maturity; and (ii) 7 cents per share (subject always to Exterra having sufficient capacity to convert such amounts under ASX Listing Rule 7.1, and to Anova not acquiring voting power to more than 20% of Exterra). Any amounts not converted into Exterra shares are immediately repayable in cash.
Security	Secured – mining mortgage granted over the mining tenements and mining information comprising Exterra's Second Fortune mine.

The Loan Facility agreement contains terms for the repayment of all outstanding monies owed in the event of default, which are considered standard for agreements of this nature.

1.10 Combined AWW and EXC JORC Mineral Resource

Table 1: AWW and EXC Mineral Resources

Project	Measured			Indicated			Inferred			Combined		
	kT	Grade	Koz	kT	Grade	Koz	kT	Grade	Koz	kT	Grade	Koz
Anova Metals Limited												
Big Springs¹	641	5.6	116.1	4,762	2.2	343.3	10,630	1.7	570.4	16,032	2.0	1,029.9
Anova Metals Total	641	5.6	116.1	4,762	2.2	343.3	10,630	1.7	570.4	16,032	2.0	1,029.9
Exterra Resources Limited												
Second Fortune (Linden)												
Main Lode (JORC 2012) ²	-	-	-	211.8	9.8	66.7	35.4	8.0	9.1	247.2	9.5	75.8
Hangingwall Lode (JORC 2004) ^{3,4, 5}	-	-	-				58.2	8.2	15.3	58.2	8.2	15.3
Footwall Lode (JORC 2004) ^{3,4, 5}	-	-	-	18.5	8.9	5.4	52.9	7.4	12.5	71.4	7.8	17.9
West Lode (JORC 2004) ^{3,4, 5}	-	-	-	4.2	4.2	0.6	107.2	6.1	21.0	111.4	6.0	21.6
Second Fortune Sub-Total	-	-	-	234.5	9.6	72.7	253.7	7.1	57.9	488.2	8.3	130.6
Zelica (JORC 2004)^{3,6}	-	-	-	358.2	1.7	19.0	212.6	1.6	11.0	570.8	1.6	30.0
Malcolm (JORC 2004)^{3,7}	-	-	-	-	-	-	142.2	8.3	37.9	142.2	8.3	37.9
Exterra Resources Total⁸	-	-	-	593	4.8	91.7	608	5.5	106.8	1,201	5.1	198.5
Combined Total	641	5.6	116.1	5,355	2.5	435.0	11,238	1.9	677.2	17,233	2.2	1,228.4

Note: Appropriate rounding applied

1. Refer to Anova's ASX Announcement titled 1 Million Oz Measured, Indicated and Inferred Resource and dated 26 June 2014 for further information in relation to the Big Springs Mineral Resource. Anova confirms that it is not aware of any new information or data that materially affects the information included in this document in relation to the Big Springs Mineral Resource estimate and that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed. Big Springs weighted average of domains estimated with either 1.0 g/t and 0.8 g/t cut-off grades.
2. Refer to Exterra's ASX Announcement titled Feasibility Study Confirms Robust High Grade Gold Mine and dated 25 May 2017 for further information in relation to the Second Fortune Mineral Resource estimate for the Main Lode. Exterra confirms that it is not aware of any new information or data that materially affects the information included in this document in relation to the Second Fortune Mineral Resource estimate for the Main Lode and that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed. Second Fortune Main Lode (JORC 2012) - 1.0m Min Mining Width diluted resource at 4.0 g/t Au lower cut-off (minor rounding variations may occur).
3. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
4. Refer to Exterra's ASX Announcement titled Feasibility Study Confirms Robust High Grade Gold Mine and dated 25 May 2017 for further information in relation to the Second Fortune Mineral Resource estimates for the Hangingwall Lode, the Footwall Lode and the West Lode. Exterra confirms that it is not aware of any new information or data that materially affects the information included in this document in relation to those Mineral Resource estimates and that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed. The information was prepared and disclosed under the JORC Code 2004.
5. Second Fortune other veins - 4.0 g/t Au lower cut-off (minor rounding variations may occur)
6. Refer to Exterra's ASX Announcement titled Quarterly Activities and Cashflow Report and dated 30 July 2012 for further information in relation to the Zelica Mineral Resource. Exterra confirms that it is not aware of any new information or data that materially affects the information included in this document in relation to the Zelica Mineral Resource estimate and that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed. Zelica - reported above a 0.5 g/t Au block model grade with a 12.0 g/t Au top cut.
7. Refer to Exterra's ASX Announcement titled Increased Gold Resources Through Acquisition of High Grade Malcolm Project and dated 29 August 2012 for further information in relation to the Malcolm Mineral Resource. Exterra confirms that it is not aware of any new information or data that materially affects the information included in this document in relation to the Malcolm Mineral Resource estimate and that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed.
8. Excludes Eucalyptus - previously highlighted as subject to forfeiture action and forfeited on 2 June 2017

Table 2: Combined AWW and EXC JORC 2012 Mineral Reserve

Project	Proven			Probable			Combined		
	kT	Grade	Koz	kT	Grade	Koz	kT	Grade	Koz
Exterra Resources Limited									
Second Fortune¹	-	-	-	339.0	6.0	65.0	339.0	6.0	65.0
Exterra Resources Total	-	-	-	339.0	6.0	65.0	339.0	6.0	65.0
Combined Total	-	-	-	339.0	6.0	65.0	339.0	6.0	65.0

1. Refer to Exterra's ASX Announcement titled Feasibility Study Confirms Robust High Grade Gold Mine and dated 25 May 2017 for further information in relation to the Second Fortune Ore Reserve estimate for the Second Fortune project. Exterra confirms that it is not aware of any new information or data that materially affects the information included in this document in relation to this Ore Reserve estimate and that all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed.

2. SECOND FORTUNE FEASIBILITY STUDY (refer ASX release 25 May 2017)

The Feasibility Study (FS) concludes that the Second Fortune Gold Mine is financially and technically viable based on developing a mine below the existing open pit and generating a sorted concentrate for toll treating. The development strategy including a hybrid owner/contractor mining operation and limited onsite processing results in a robust free cash position of \$25m and modest funding requirements of \$9.4m and an additional \$3m contingency working capital facility.

The FS forecasts life-of-mine (LOM) production of 392kt grading 5.8g/t Au for approximately 73koz of gold. When sorted, forecast LOM production of pre-concentrates for haulage and treatment will amount to 198kt grading at 11.4g/t for approximately 71koz of gold.

Forecast LOM C1 cash costs are \$989/oz and all-in sustaining costs (AISC²) are \$1,176/oz. The proposed 24 month LOM production target contains 88.7% of Indicated Mineral Resources and 11.3% of Inferred Mineral Resources.

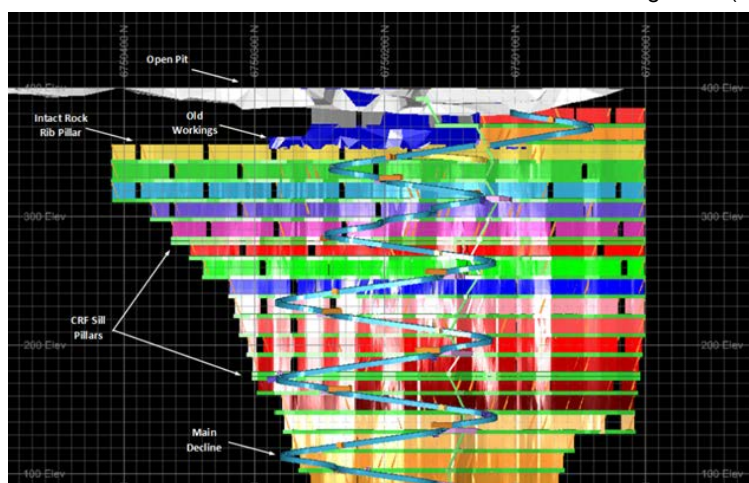


Figure 1: Long Section of the Mine Design Looking East

Based on these parameters, the Second Fortune Gold Mine delivers a [pre-tax](#) Net Present Value using an 8% discount rate of \$21.5 million and has an estimated capital payback period of 13 months. The Internal Rate of Return (IRR) of the project is 133%. The funding includes \$7.2m Capex and \$2.2m working capital. The \$3m contingency provides a working capital buffer which is to be funded in part (\$1m) through equity.

A gold price of US\$1,250/oz and an exchange rate (USD: AUD) of 76 cents, giving A\$1,645/oz gold price has been assumed for the FS.

Based on the strength of these results, Exterra will now work to secure financing and commence mining in Q4.

² ASIC = Cash Cost (C1) (site based mining, processing, site services operating costs & administration costs) + royalties + sustaining capital costs, this applies for the entire announcement

Table 2: Key Physicals

		Dec-2017	Dec-2018	Dec-2019	Total
Ore Mined	t	61,047	243,806	87,389	392,243
ROM Grade	g/t	5.35	5.42	7.20	5.81
Ounces Mined	oz	10,508	42,506	20,227	73,240
Sorted Ore Produced	t	25,577	100,000	47,681	173,257
Grade	g/t	12.05	12.20	14.19	12.73
Ounces	oz	9,908	39,239	21,750	70,896
Ounces Sold	oz	5,983	40,707	20,662	67,351
Cash Cost	A\$/oz	1,105	1,013	910	989
AISC	A\$/oz	1,498	1,238	960	1,176
Net Cashflow	A\$m	(6.3)	16.5	14.9	25.1
Cumulative Cashflow	A\$m	(6.3)	10.2	25.1	
NPV_{8%}	A\$m				21.5
IRR	%				133%

Table 3: Key Financials

Capex				A\$m
Mining - Equipment				2.6
- Development				2.3
Camp				1.2
Workshop				0.2
Exploration				0.6
Pre-Development Activities				0.3
Total Capex				7.2
Working Capital				2.2
Project Funding Requirement				9.4
Working Capital Contingency				3.0
Less: Equity Contribution				(1.0)
Total Funding Requirement				11.4
Opex	A\$/t	A\$/oz	A\$m	
Mining	112.4	655	44.1	
Ore Sorting	6.7	39	2.6	
Haulage and Processing	81.9	211	14.2	
Site Services	14.6	85	5.7	
Cash Costs	169.9	989	66.6	
Royalties		41	2.8	
Sustaining Capex		146	9.8	
AISC		1,176	79.2	
Project				
Initial LOM	Months			24
NPV (Pre-Tax) at discount rate of 8%	A\$m			21.5
IRR (Pre-Tax)	%			133%
Payback	Months			13

The Feasibility Study has been prepared by Mining Plus Pty Ltd, and a number of independent consultants in conjunction with Exterra employees and management. Contributors are described in more detail below:

Mineral Resource Estimate – QG Consulting Pty Ltd (Job, 2013) were contracted to complete a mineral resource estimate under JORC guidelines (2012) for the Second Fortune gold deposit, Main Lode only.

Following further diamond drilling during 2015 QG Consulting Pty Ltd updated this Resource (Job, 2016) to include the new data. Refer Figure 4 for DDH pierce point intercepts.

Environment Approvals – MBS Environmental Pty Ltd, various ongoing submissions.

Geotechnical Review – Turner Mining & Geotechnical Pty Ltd: 2nd Fortune Geotechnical Study, Additional Comments, December 2016 and 2nd Fortune Gold Mine Ground Control Management Plan December 2016.

Mining – Mining Plus Pty Ltd & Exterra Resources Ltd: Second Fortune Feasibility Study, May 2017.

Power Provision and HV Reticulation – Power Plant Hire, Aggreko Australia & Cost Estimate, May 2017, HV Reticulation, Hahn Electrical Cost Estimate May 2017.

Evaporation Dam – Exterra Resources Ltd completed construction details, May 2017.

Surface Infrastructure – Exterra Resources Ltd, May 2017.

Ore Sorter – Exterra Resources Ltd ore sorting trials were carried out in two phases including preliminary static bench scale tests followed by bulk plant piloting, Tomra Sorting Solutions 2016. An ore sorting plant has subsequently been built on site is in operation, May 2017.

Metallurgical Testwork – Exterra Resource Ltd, ALS Metallurgy Perth test work 2014 & 2017.

Financial Model – Costs were provided to Exterra Resources Ltd by Mining Plus Pty Ltd, two WA mining contractors and various suppliers of equipment and mining supplies. Exterra Resources Ltd constructed the Financial Model.

3. BAR TWENTY GOLD PROJECT (M39/1106, P39/5541, 5736, 5737, Exterra earning 75%)

Exterra announced on the 4 July 2017 that a Farm-in and Joint Venture Agreement (JV Agreement) had been executed, with Bar Twenty Pty Ltd, over the Bar Twenty Gold Project (Bar Twenty) which is located approximately 20km WNW of the Second Fortune Gold Mine at Linden. The Bar Twenty project development will be run in parallel with the Second Fortune Mine development and has the potential to generate a secondary source of ore to add to the planned production from the Second Fortune Mine.

The Agreement with Bar Twenty Pty Ltd includes a farm-in stage followed by a joint venture. Key terms of the agreement include:

- Exterra has the right to explore and develop Bar Twenty;
- Exterra can earn a 75% joint venture interest by producing 5,000 ounces of gold from Bar Twenty;
- On commencement of the joint venture, Exterra and Bar Twenty Pty Ltd must contribute to all ongoing expenditure on a 75/25 pro rata basis. Bar Twenty Pty Ltd may elect to:
 - have its joint venture contributions carried by Exterra to a maximum of \$1,000,000, and repaid from 50% of Bar Twenty Pty Ltd's entitlement to gold produced from Bar Twenty (secured against the tenements); or,
 - Convert its JV interest to a right to receive a 2.5% NSR Royalty

Gold mineralisation is associated with 15 - 20 degree northeast dipping quartz reefs located within metamorphosed felsic igneous rocks consisting of quartz feldspar schists with varying amounts of muscovite and biotite.

Bar Twenty consists of a granted mining lease and 3 granted prospecting licences and has been RC drilled by Bar Twenty Pty Ltd, with 80 holes completed for 1,785 metres of drilling (Table 4). At the South-East (Main) Workings 56 RC holes for 1,377m have been drilled to outline the gold mineralisation. (Figures 2 and 3).

Table 4 below summarises the significant intercepts (using 0.5g/t Au cut-off) for the drilling completed to date. Table 4 includes the hole type, locations and orientations.

Further RC drilling is planned to commence early in August 2017, which, when combined with the current data available, will be used to generate a JORC compliant mineral resource estimate which will form the basis of economic studies to determine the potential for mine development. Results will be announced when they become available.

Under the Bar Twenty JV Agreement Exterra has the first right of refusal to enter into an agreement with Bar Twenty Pty Ltd over a further 7 gold prospects consisting of 8 prospecting licences and 3 exploration licences, all located within 25km of Exterra's Second Fortune Gold Project at Linden.

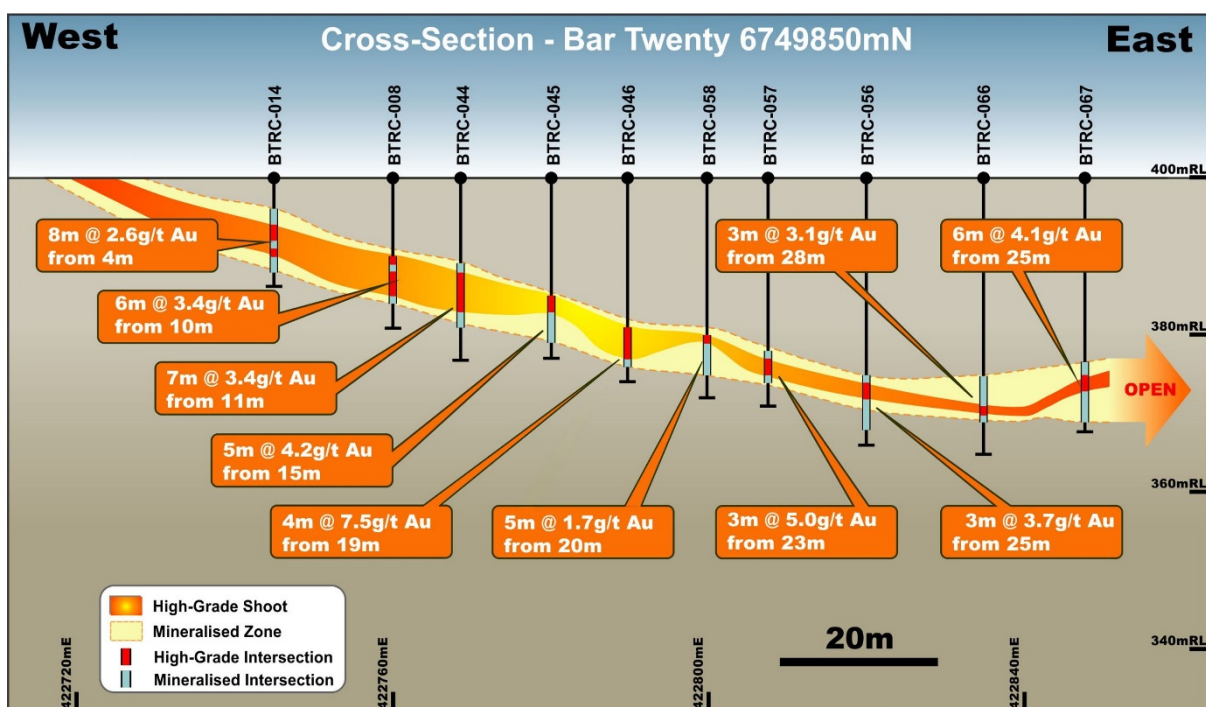


Figure 2 – Bar Twenty Cross Section

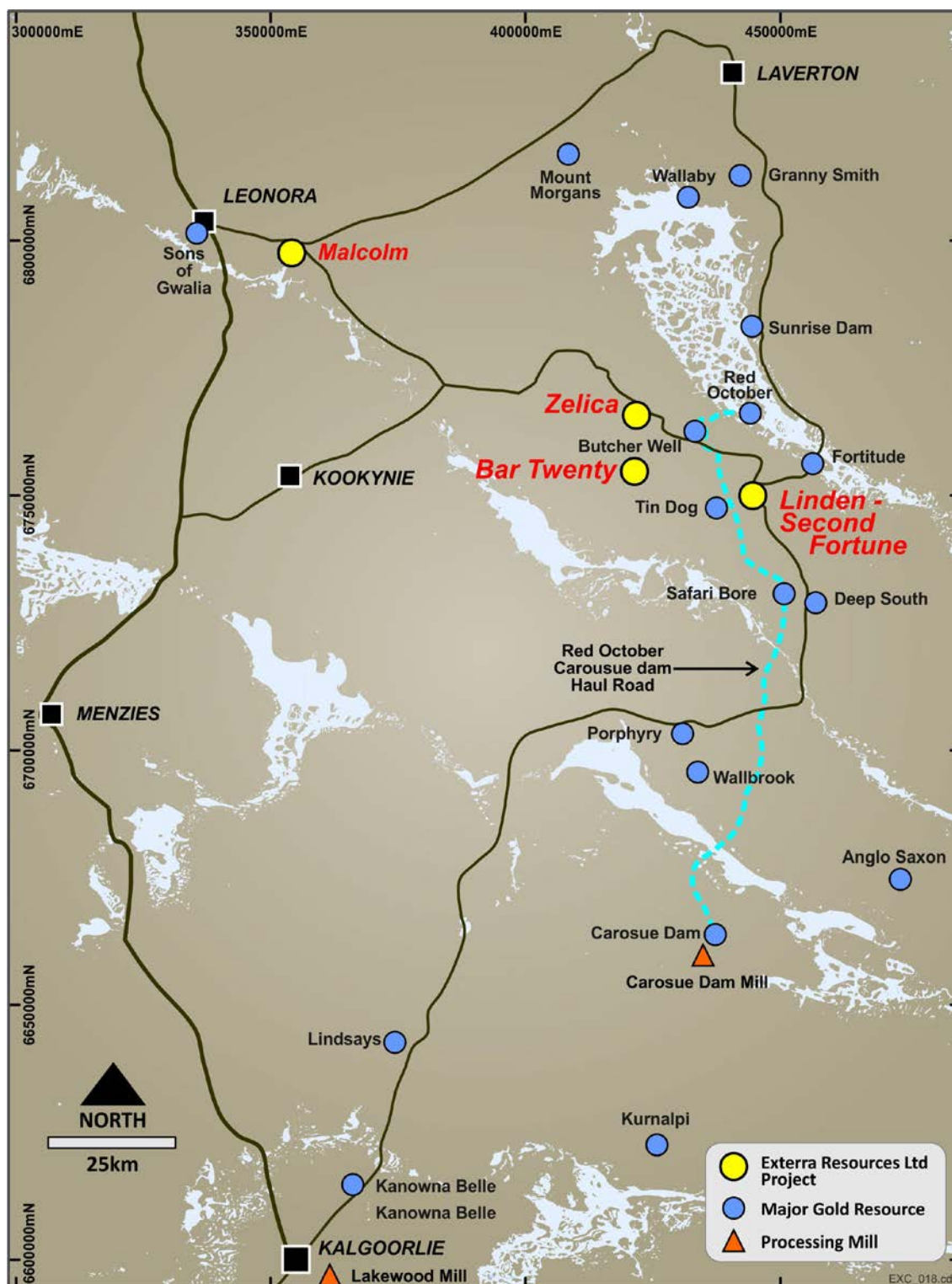


Figure 3 – Bar Twenty Project Location

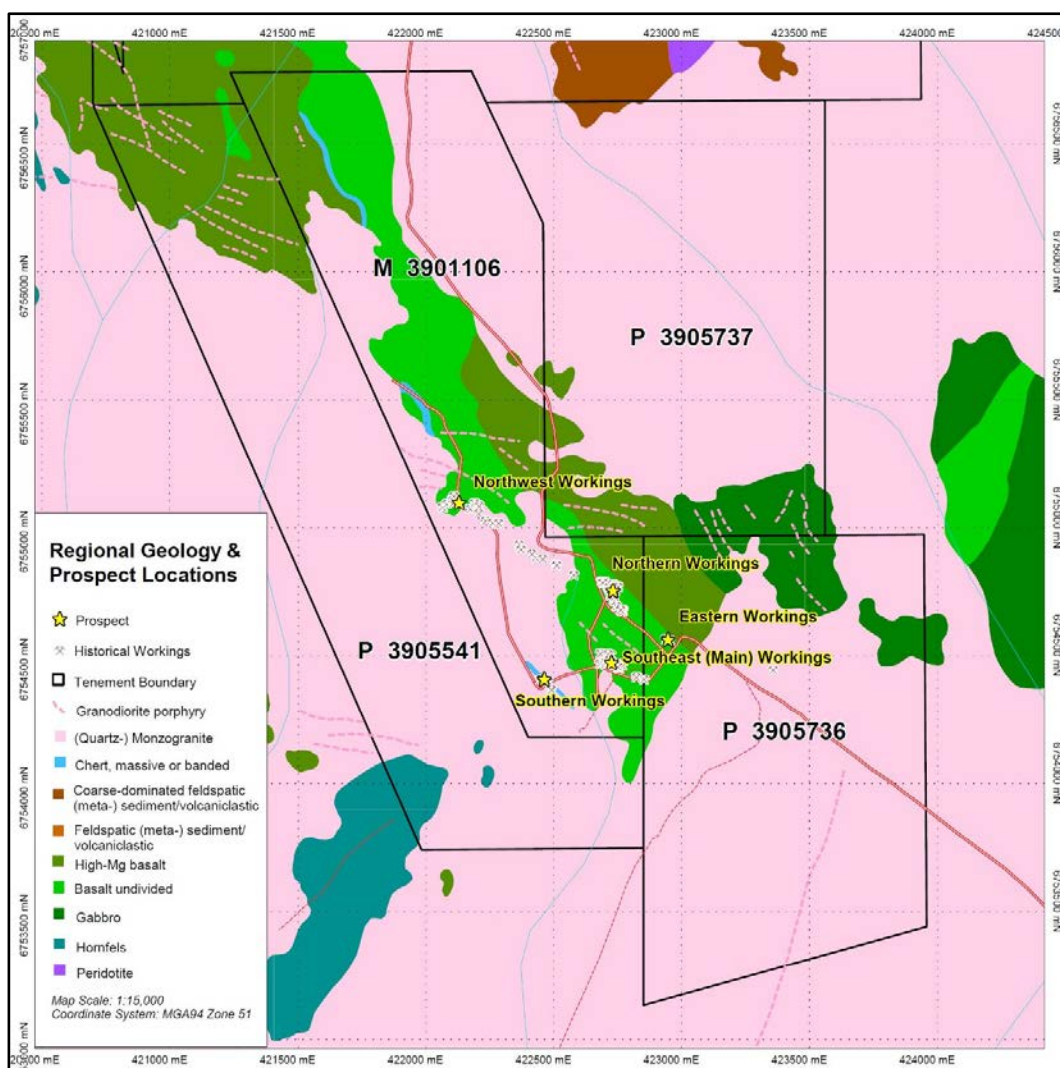


Figure 4 – Bar Twenty Project tenements and Prospects

Table 4: Summary of significant drilling intercepts using 0.5g/t Au cut-off

Hole ID	Hole Type	From (m)	To (m)	Interval (m)	Au g/t
BTRC004	RC	0	3	3	9.7
BTRC005	RC	0	2	2	2.7
BTRC006	RC	3	6	3	0.9
BTRC007	RC	6	11	5	0.6
BTRC008	RC	10	16	6	3.4
BTRC009	RC	13	16	3	1.5
BTRC010	RC	10	14	4	2.1
BTRC011	RC	9	11	2	1.3
BTRC013	RC	5	11	6	3.6
BTRC014	RC	4	12	8	2.6
BTRC015	RC	3	9	6	3.6
BTRC018	RC	24	29	5	1.2
BTRC019	RC	3	7	4	1.6
BTRC033	RC	4	10	6	3.4

Hole ID	Hole Type	From (m)	To (m)	Interval (m)	Au g/t
BTRC034	RC	2	4	2	10.8
BTRC039	RC	12	17	5	0.6
BTRC040	RC	8	11	3	1.3
BTRC041	RC	14	16	2	0.8
BTRC042	RC	10	13	3	1.6
BTRC044	RC	11	18	7	3.4
BTRC045	RC	15	20	5	4.2
BTRC046	RC	19	23	4	7.5
BTRC047	RC	12	18	6	1.1
BTRC048	RC	21	23	2	1.0
BTRC051	RC	22	24	2	6.6
BTRC052	RC	16	19	3	4.5
BTRC053	RC	20	24	4	5.8
BTRC054	RC	22	26	4	6.0
BTRC055	RC	22	28	6	1.7
BTRC056	RC	25	28	3	3.7
BTRC057	RC	23	26	3	5.0
BTRC058	RC	20	25	5	1.7
BTRC059	RC	19	23	4	1.5
BTRC060	RC	13	18	5	2.2
BTRC061	RC	11	13	2	2.4
BTRC063	RC	27	30	3	1.1
BTRC064	RC	22	25	3	3.8
BTRC066	RC	28	31	3	3.1
BTRC067	RC	25	31	6	4.1
BTRC068	RC	17	21	4	1.9
BTRC069	RC	12	21	9	1.5
BTRC070	RC	24	29	5	1.6
BTRC071	RC	28	31	3	6.3
BTRC072	RC	20	23	3	1.7
BTRC073	RC	9	17	8	3.8
BTRC074	RC	8	13	5	1.8
BTRC075	RC	22	27	5	2.0
BTRC076	RC	24	27	3	2.7
BTRC077	RC	26	29	3	2.1
BTRC078	RC	28	31	3	1.0
BTRC079	RC	26	33	7	1.7
BTRC080	RC	20	26	6	1.5
BTRC081	RC	25	27	2	1.8
BTRC082	RC	24	29	5	4.0

Note: 1. All intervals reported at cut-off grade of 0.5g/t Au.

2. Drill intercepts reported are down hole and are considered true width.

4. SECOND FORTUNE PROJECT DEVELOPMENT (Refer ASX releases 27 April and 2 May 2017)

4.1 Ore Sorting Plant and processing

Ore sorting technology is used in numerous mining operations to pre-concentrate ore in a process where dilution and low grade material are rejected post mining and before haulage and processing expenses are incurred. Exterra has installed an optical and near infra-red sorting circuit to recover mineralised quartz from the barren host material. Gold is associated with quartz mineralisation almost exclusively in the Second Fortune ore body making it highly amenable to the sorting technology.

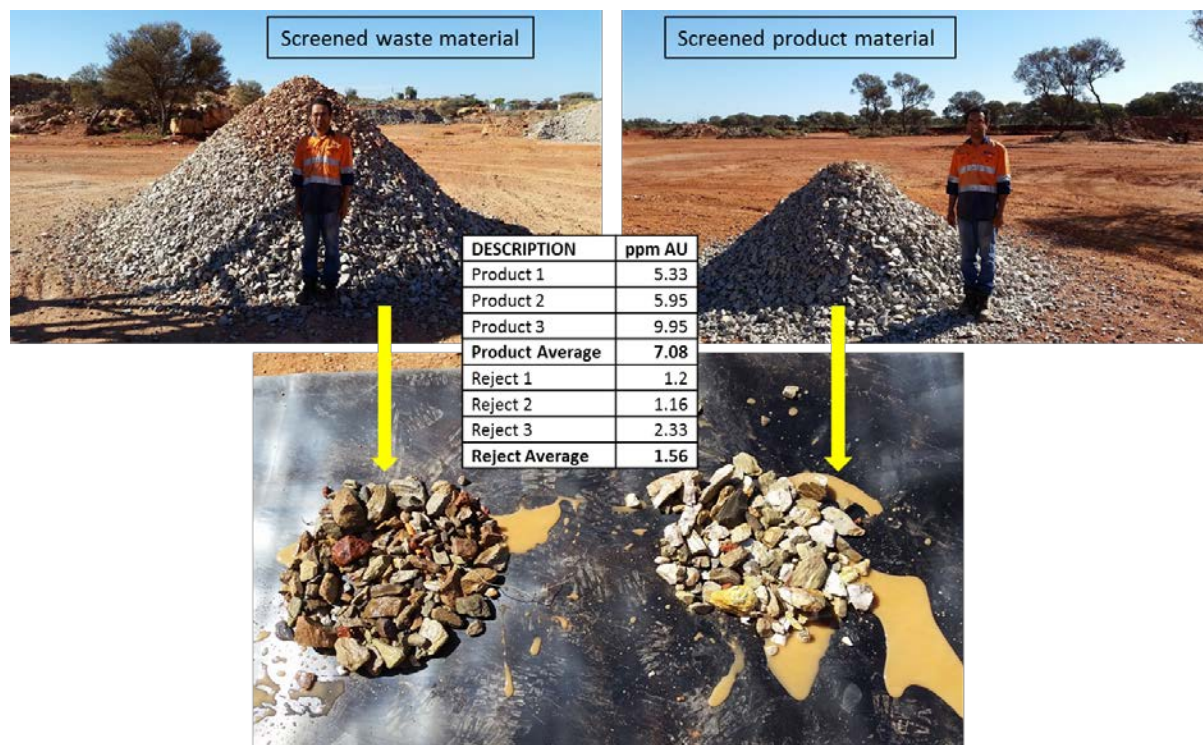


Figure 5: Sorted Product and waste

The plant is currently being operated on mullock material generated when the Second Fortune Mine was operated in the 1980's. Early indications of the circuit performance are very positive with sorted concentrate upgrades of 2 to 3 times the feed grade concentration. Ongoing technical work includes fine-tuning the sorting settings to achieve planned recoveries. The technology provides some significant flexibility with respect to yield and recovery and it is anticipated that the circuit will deliver outcomes in line with design expectations.

The installed process plant, which is 100% owned by Exterra, has significantly greater capacity than that required for the planned underground mining operation. Exterra continues to evaluate a number of opportunities that will utilise the spare capacity and provide production flexibility.



Figure 6: Sorting plant and Product slewing conveyor

4.2 Mineralised Dump Processing

Exterra retains a number of mineralised dumps at the Second Fortune site and to the north and north-west of the mine. It is anticipated that in excess of 40kt of material is readily accessible and sampling campaigns on the dumps indicate that dump grades may be in the range of 1-2g/t. Mineralised material will be recovered from the dumps and processed through the sorting circuit which will upgrade the material as required to viably haul and process it remotely. In the short term, large bulk samples from each dump will be processed (screened and sorted) to better quantify the value of the dumps as a revenue source pre underground mining at Second Fortune.

4.3 Sorting and Mining

Exterra continues to optimise the mine plan for the Second Fortune underground operation and the focus of the mine planning has shifted to a hybrid owner's contractor model which is expected to deliver significant benefits to the project. Sorting remains a key aspect with respect to the design and proposed operating philosophy.

The risk of operating costs escalation (particularly haulage and processing) are significantly reduced through the integration of the ore sorting circuit at the mine site. Uncontrolled dilution is always a risk in underground mining operations and particularly so for narrow vein operations such as Second Fortune. The installed sorting circuit at Second Fortune is designed to remove unplanned dilution thereby reducing mining operating risk.

In addition to mitigating the risk of unplanned dilution, the integration of sorting allows for the underground design and operating strategy to be adapted to a more cost effective model. The capacity to control/remove dilution at the mine site facilitates the use of more efficient mechanised mining methods that require larger development drives and can accommodate greater inter-level spacing. The mine design and operating philosophy are being finalised based on the benefits sorting delivers with respect to managing dilution, and recovery of marginal grade material.

5. MALCOLM GOLD PROJECT (M39/1101 Exterra 100%)

The Malcolm Project consists of granted Mining Lease M37/1164 (105 ha), over 2.0km in strike, and contains 37,900 ozs* at 8.3 g/t Au in Inferred Resources. The historic North Star and Richmond Gem gold mines produced **40,000 oz of gold at an average grade of 21.03 g/t Au and 28.00 g/t Au respectively** between 1894 and 1915. The project is located 18km to the east of Leonora and 70km to the NW of Zelica/Eucalyptus in the North Eastern Goldfields of Western Australia.

Exterra is reviewing data and planning further drilling to confirm and upgrade resources.

6. ZELICA GOLD PROJECT (M39/1101, E39/1897 Exterra 100%)

The Zelica gold project is located 20km to the NW of Linden, contains 30,000 ozs* in Indicated and Inferred Resources and represents a potential production centre to support the Linden Project development.

Exterra is currently assessing the on-site ore stockpiles and carrying out optimisation studies on the insitu gold Resources as potential sources of ore supply.



Figure 7: Zelica Gold Project Site Aerial Photo

7. MOOLYELLA LITHIUM PROJECT (E45/4766 Exterra 100%, E45/4622 Option to acquire 90%)

During the Quarter E45/4766 was granted to Exterra and Option to acquire E45/4622 was not exercised.

As previously reported, field work completed in the March Quarter 2017 located lithium bearing rock chip samples on E45/4766 with values including 1.19%, 1.06%, 0.96% and 0.54% Li₂O.

Aerial photography confirmed pegmatites up to 700m in strike extent on E45/4766.

8. EUCALYPTUS GOLD PROJECT

As noted previously, the Eucalyptus Project was subject to forfeiture taken against the tenements, while under management by the prior owners. The Warden subsequently recommended forfeiture of the leases which was referred to the Minister for Mines. The Minister supported the Warden's findings and the tenements were forfeited during the June Quarter.

*Refer Resources tabulation, Exterra Annual Report, June 2016, Review of Operations page 14.

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About Exterra Resources Limited

Exterra Resources Limited (ASX:EXC) is a gold exploration and development company based in Perth, Western Australia, with a focus on high grade, high margin gold projects with near term production potential to fund the future growth of the company.

The Company's projects are all located in the Archaean Yilgarn Craton in WA, a world class gold province which has been a prolific producer of gold since the late 1880's and includes the Kalgoorlie "Golden Mile" deposit which has produced over 50 million ounces of gold since discovery in 1893.

Exterra's focus is on the Linden gold project in the North Eastern Goldfields region, within the Laverton Tectonic Zone, which hosts multi million ounce deposits including Sunrise Dam (Anglo Gold) and Granny Smith/Wallaby (Barrick Gold).

The Second Fortune gold mine, at Linden, 220km by road, NNE of Kalgoorlie, is currently the subject of a development study, with all Regulatory approvals received to commence project development of an underground mining operation.

Competent Persons Statement

Competent Person Statement – Exterra Resources Limited, Second Fortune (Linden) Project

The information in this report that relates to the Second Fortune Main Lode Mineral Resource is extracted from the summary report entitled 'Second Fortune Feasibility Study' prepared by Mining Plus Pty Ltd included in the Company's ASX announcement dated 25 May 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

The information in this report that relates to the Second Fortune Hanging Wall, Footwall and West Lode Mineral Resources fairly represents information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists), who is a director of and consultant to the Company. Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. **The information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.** Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

The information in this report that relates to Ore Reserves is extracted from the summary report entitled 'Second Fortune Feasibility Study' prepared by Mining Plus Pty Ltd included in the Company's ASX announcement dated 25 May 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

The information in this report that relates to production targets and forecast financial information derived from the production target is extracted from the summary report entitled 'Second Fortune Feasibility Study' prepared by Mining Plus Pty Ltd included in the Company's ASX announcement dated 25 May 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement.

The information in this report that relates to Exploration Results is based on, and fairly represents, information and supporting documentation prepared by John Davis (Member of the Australasian Institute of Mining and Metallurgy and the AIG), who is a director of and consultant to the Company. Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Competent Person Statement – Exterra Resources Limited, Zelica Project

The information in this report that relates to Mineral Resources for the Zelica Project is based on and fairly represents information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists). Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. **The information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.** Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Information in this report that relates to the Zelica Mineral Resources is based on information compiled by Don Maclean (Member of the Australian Institute of Geoscientists). Mr Maclean is a principal consultant for Ravensgate Mining Industry Consultants Pty Ltd. Mr Maclean has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken 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 Maclean consents to the inclusion in the report of the statements based on his information in the form and context in which they appear.

Competent Person Statement – Exterra Resources Limited, Malcolm Project

The information in this report that relates to Mineral Resources for the Malcolm Project is based on and fairly represents information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists). Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. **The information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.** Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Competent Person Statement – Anova Metals Limited, Big Springs Project

The information in this report that relates to Exploration Results and Mineral Resources is based on and fairly represents information compiled by Mr Lauritz Barnes (Principal Consultant Geologist, Trepanier Pty Ltd). Mr Barnes is a shareholder of Anova Metals. Mr Barnes is a member of both the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barnes consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Forward Looking Statements

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding gold prices, exploration costs and other operating results, growth prospects and the outlook of Exterra Resources' operations contain or comprise certain forward looking statements regarding Exterra Resources' exploration operations, economic performance and financial condition. Although Exterra Resources believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, risks inherent in the ownership, exploration and operation of or investment in mining properties in foreign countries, fluctuations in gold prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. Exterra Resources undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated event.

Appendix 1

	Tenement reference	Location	Interest at beginning of quarter	Acquired / Disposed	Interest at end of quarter
Mining tenements	E39/1232	LINDEN	100%	N/A	100%
	E39/1539	LINDEN	100%	N/A	100%
	E39/1754	LINDEN	100%	N/A	100%
	E39/1977	LINDEN	100%	N/A	100%
	L39/0012	LINDEN	100%	N/A	100%
	L39/0013	LINDEN	100%	N/A	100%
	L39/0014	LINDEN	100%	N/A	100%
	L39/0230	LINDEN	100%	N/A	100%
	M39/0255	LINDEN	100%	N/A	100%
	M39/0386	LINDEN	100%	N/A	100%
	M39/0387	LINDEN	100%	N/A	100%
	M39/0500	LINDEN	90%	N/A	90%
	M39/0629	LINDEN	100%	N/A	100%
	M39/0649	LINDEN	100%	N/A	100%
	M39/0650	LINDEN	100%	N/A	100%
	M39/0780	LINDEN	100%	N/A	100%
	M39/0781	LINDEN	100%	N/A	100%
	M39/0794	LINDEN	100%	N/A	100%
	P39/5599	LINDEN	100%	N/A	100%
	E39/1897	ZELICA	100%	N/A	100%
	M39/1101	ZELICA	100%	N/A	100%
	M37/1164	MALCOLM	100%	N/A	100%

	Tenement reference	Location	Interest at beginning of quarter	Acquired / Disposed	Interest at end of quarter
	M39/0292	EUCALYPTUS	100%	Disposed	0%
	M39/0480	EUCALYPTUS	100%	Disposed	0%
	M39/0914	EUCALYPTUS	90%	Disposed	0%
	M39/0966	EUCALYPTUS	90%	Disposed	0%
	M39/0969	EUCALYPTUS	90%	Disposed	0%
	M39/0991	EUCALYPTUS	90%	Disposed	0%
	M39/1064	EUCALYPTUS	90%	Disposed	0%
	P77/4351	GRASS FLAT	100%	N/A	100%
	P77/4352	GRASS FLAT	100%	N/A	100%
	P77/4353	GRASS FLAT	100%	N/A	100%
	P77/4354	GRASS FLAT	100%	N/A	100%
	P77/4355	GRASS FLAT	100%	N/A	100%
	E77/2355	GRASS FLAT	100%	N/A	100%
	E77/2365	GRASS FLAT	100%	N/A	100%
	E45/4766	MOOLYELLA	0%	Acquired	100%