

SECOND FORTUNE DEVELOPMENT STRATEGY REFINED TO TAKE ADVANTAGE OF IMPROVED MARKET CONDITIONS

Exterra Resources Limited
ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares: 237.5m
Options: 24.4m

Directors and Management:

John Davis
Managing Director

Justin Brown
Non-Executive Director

Peter Cole
Non-Executive Director

Dennis Wilkins
Company Secretary

4 July 2016

- Existing joint development strategy with Pybar terminated to take advantage of improved market conditions.
- Pybar to remain as preferred contractor subject to agreement on suitable mining contract terms.
- Exterra and MRG to source conventional debt funding in addition to existing capital for Second Fortune Gold Mine development.

Exterra Resources Limited ("Exterra" or "the Company") (ASX:EXC) advises that Exterra and Pybar Mining Services Pty Ltd ("PYBAR") have agreed to terminate the current joint development strategy for the Second Fortune Gold Mine in favour of pursuing a more conventional debt/equity financing arrangement given improved market conditions and the new operational arrangements with the Mitchell River Group ("MRG") as recently announced.

Given the positive relationship developed through the negotiations to date as well as the operational synergies with PYBAR's other operations in the region, Pybar remain as Preferred Contractor to establish the Underground Mining and Services Contract at Second Fortune.

Pybar currently have underground mining contracts with Saracen at the Red October and Deep South operations immediately north and south respectively from the Second Fortune project which provides logistical benefits to the project.

As announced on the 28 June 2016 Exterra and Mitchell River Group (MRG) have executed a Term Sheet which contemplates the parties entering into a Management Agreement whereby MRG brings the technical and commercial personnel, experienced in project development, to the Linden Project on a cost plus basis to ensure a smooth development pathway for the Second Fortune Mine. On this basis MRG will be working closely with Pybar to finalise financing and an Underground Mining and Services Contract going forward.

Exterra will now pursue debt funding in a very strong gold market, using the experience of MRG, to fund development of the Second Fortune mine and with all profits from gold production remaining 100% Exterra. This also reduces dilution to shareholders and preserves the upside exposure in relation to the mine.

As announced on the 28 June Exterra received commitments from professional and sophisticated investors, including the **Mitchell River Group (MRG)**, an independent mining investment partnership and technical services consultancy in the minerals and energy sector in Australia and overseas, **to raise A\$1.5 million at \$0.04 per share.**

All funds under this capital raising have been received.

The additional capital in tandem with access to MRG's experienced technical and commercial personnel means that Exterra is well placed to ensure that the Second Fortune Gold Mine progresses smoothly towards production in the near term.

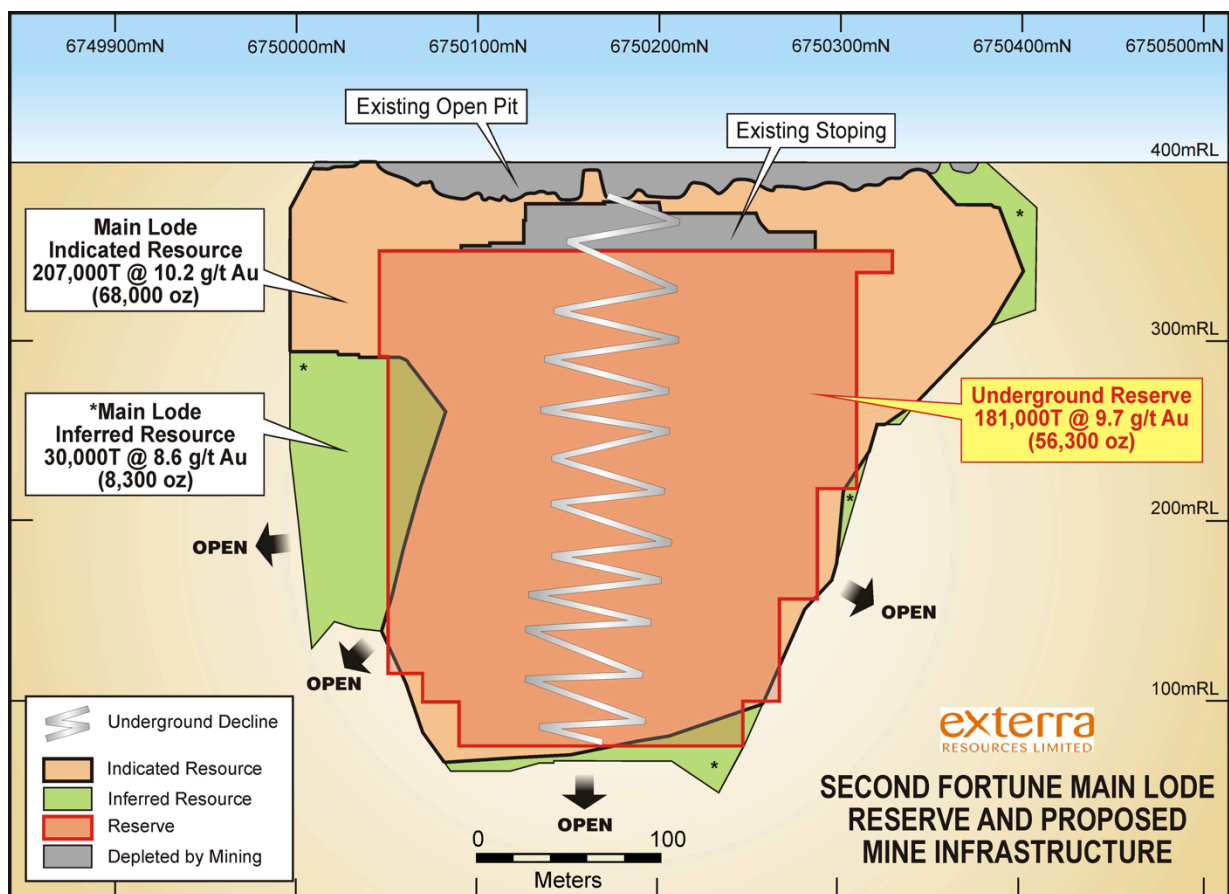


Figure 1: Second Fortune Main Lode long section showing mineralised zones, Resource and Probable Reserve¹ outlines and schematic decline design from existing Feasibility Study.

¹ http://www.exterrarresources.com.au/images/uploads/Second_Fortune_PFS_ASX_Release_July_2014.pdf

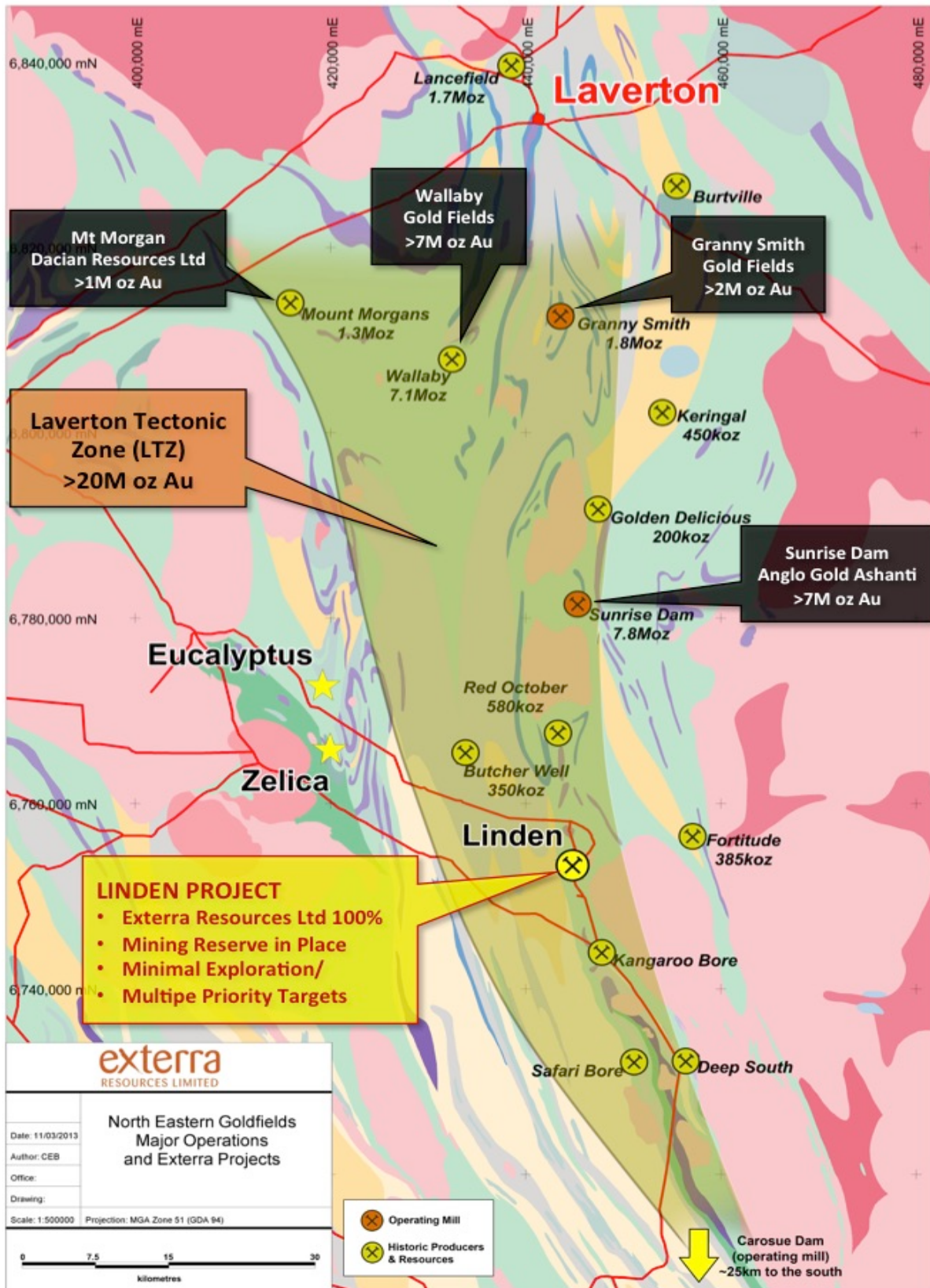


Figure 2: Linden Project Regional Location Plan

For further information:

Mr John Davis
Managing Director
T +61 8 6315 1411
E j.davis@exterraresources.com.au

* In accordance with Listing Rule 5.23.2, the Company confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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

The information in this report that relates to database compilation, sampling processes, geological interpretation and mineralisation, project parameters and costs and overall supervision and direction of Mineral Resource 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 AIG). 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.

Information in this report that relates to estimation, depletion and reporting of Mineral Resources is based on and fairly represents, information and supporting documentation compiled by Mike Job who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of QG Consulting Pty Ltd. Mike Job has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mike Job consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Ore Reserves has been compiled by Stephen O'Grady, Principal of Interline Engineering Consultants, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr O'Grady has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Mr O'Grady consents to the inclusion in this announcement in the form and context in which it appears.

Please note with regard to exploration targets, the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

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.