



## PYBAR AND EXTERRA EXECUTE TERM SHEET TO JOINTLY DEVELOP THE SECOND FORTUNE GOLD MINE

April 2016

**Exterra Resources Limited**  
ACN 138 222 705

**ASX Code:** EXC

**[www.exterraresources.com.au](http://www.exterraresources.com.au)**

**Issued Capital:**

|                  |        |
|------------------|--------|
| Ordinary Shares: | 201.2m |
| Options:         | 12.5m  |

**Directors and Management:**

**John Davis**  
Managing Director

**Justin Brown**  
Non-Executive Director

**Peter Cole**  
Non-Executive Director

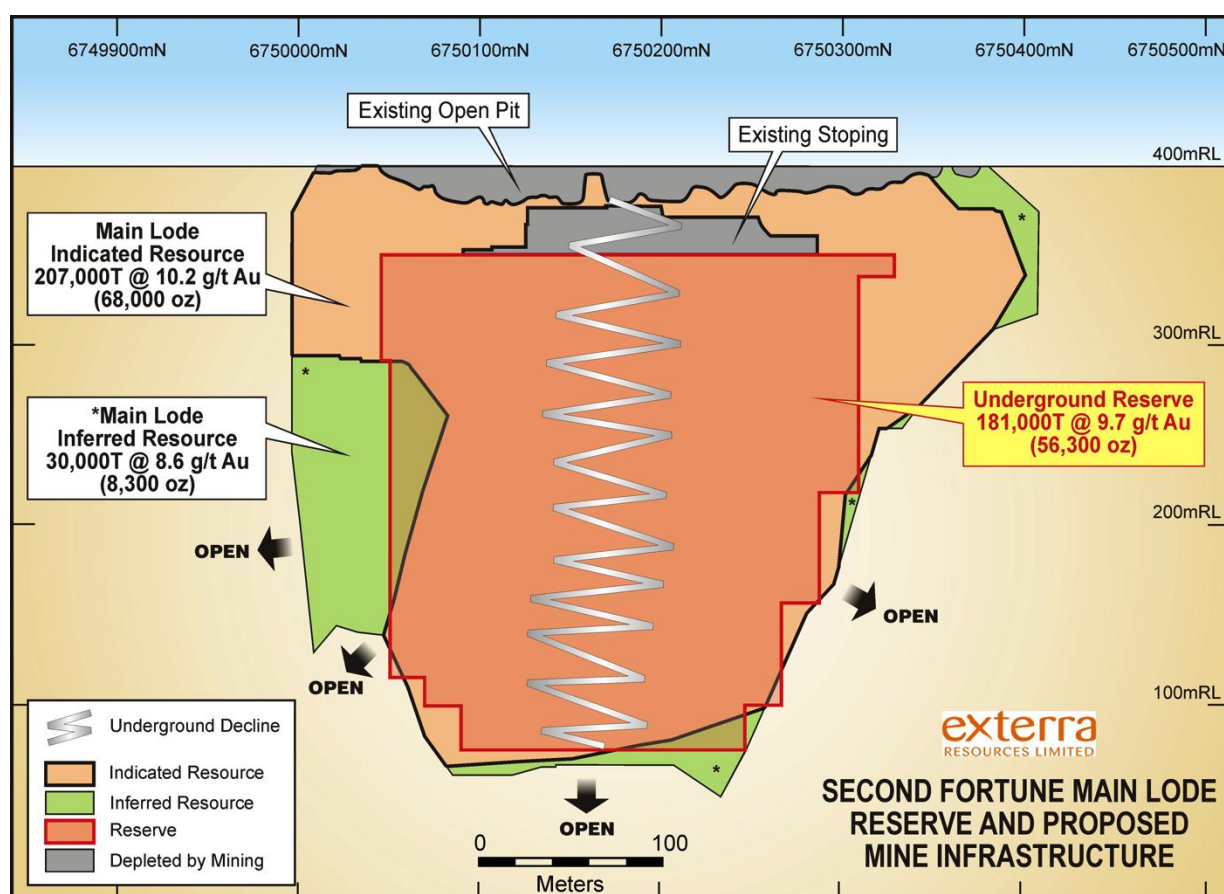
**Dennis Wilkins**  
Company Secretary

Exterra Resources Limited (**ASX:EXC**) ("**Exterra**") is pleased to advise that a binding term sheet ("**Agreement**") has been signed with nationwide hard rock mining contractor PYBAR Mining Services Pty Ltd ("**PYBAR**") for the establishment of a joint, profit share based development of the Second Fortune Gold Mine as follows:

- PYBAR to provide all funding to develop the Second Fortune Gold Mine under a life of mine Mining Services Contract based initially on the Main Lode Probable Reserve of 56,300 ounces at 9.7 g/t Au<sup>1</sup> (see Figures 1 and 2).
- PYBAR will pay Exterra a Net Profits Interest ("NPI") at a rate of 30% until PYBAR has recovered its peak cash drawdown and EXC will be paid at a rate of 55% thereafter.
- PYBAR will advance an initial \$250,000 to Exterra as a pre-payment under the NPI no later than three months from Commencement, subject to the satisfaction of Conditions Precedent.
- Exterra to retain 100% of the exploration upside exposure outside of an agreed Mining Area around the Second Fortune Mine.

Managing Director John Davis said: *"We look forward to welcoming PYBAR on board as partners to participate in developing the Second Fortune Gold Mine via a strategy that minimises the dilution and risk profile for shareholders, takes advantage of a strong Australian Dollar gold price and maintains 100% of the upside exposure from potential future exploration success funded from production cashflows."*

*PYBAR are a well-respected underground mining contractor with projects throughout Australia, including at Red October and Deep South for Saracen Mineral Holdings. These projects are within 25km of the Second Fortune mine and will provide important logistical benefits for the Second Fortune Project development."*



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

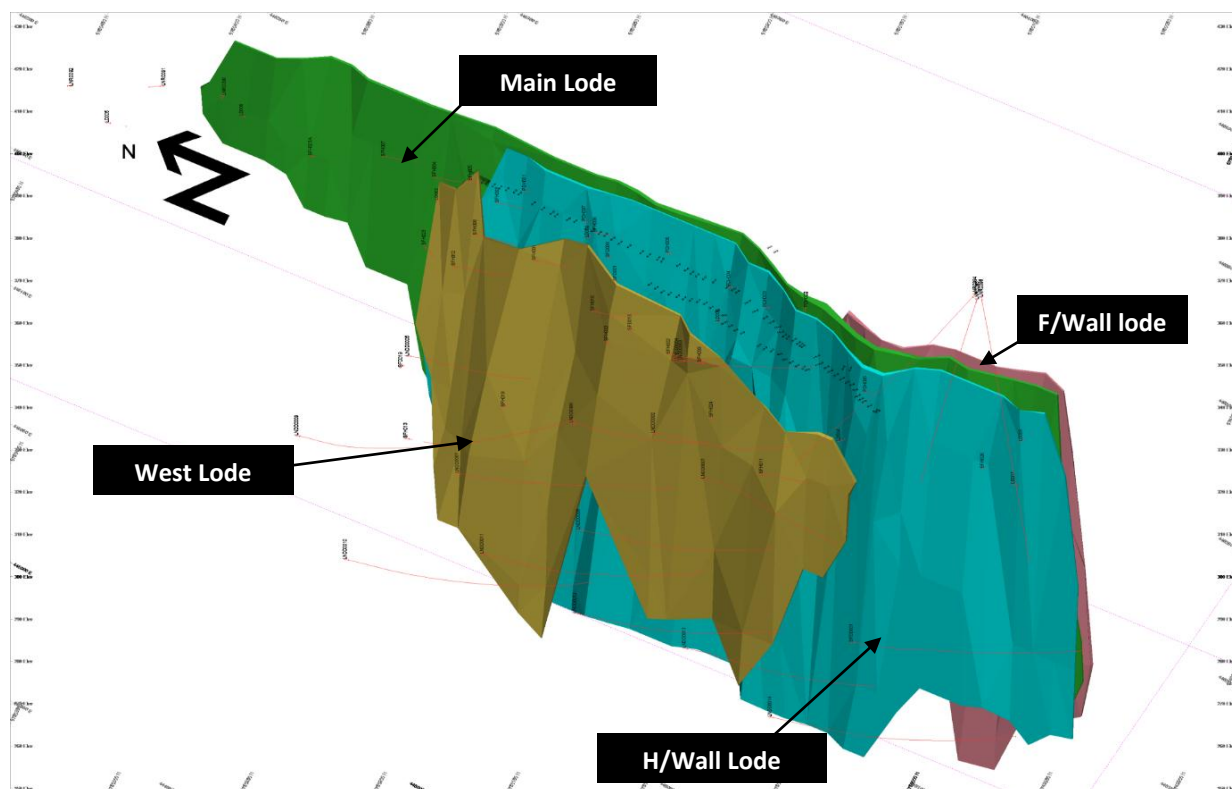
This joint development strategy with PYBAR is an important step for the Company, as it allows the development of Second Fortune to be fast tracked during an otherwise very difficult period in the broader market, but at a time when Australian dollar gold prices are strong. Importantly, this approach allows the required capital to be brought to bear on the project whilst minimising dilution for existing Exterra shareholders.

The Agreement with PYBAR is for a 4 year Term with mining to commence within 6 months of receipt of all approvals necessary to commence production or Exterra may terminate the transaction. During the Term, PYBAR will have an exclusive right to exercise all gold mining rights with respect to the Mining Area and the current outlined Main Lode Resource (Fig 1). Further economic resources outlined within the Mining Area can be included in the mine plan subject to agreement between Exterra and PYBAR. Exterra retains 100% of the exposure to the exploration upside outside the agreed Mining Area.

The Agreement includes the negotiation of a Mining Services Contract which will include a mine plan and production schedule, prepared by PYBAR and agreed by both parties.

<sup>1</sup> [http://www.exterraresources.com.au/images/uploads/Second\\_Fortune\\_PFS\\_ASX\\_Release\\_July\\_2014.pdf](http://www.exterraresources.com.au/images/uploads/Second_Fortune_PFS_ASX_Release_July_2014.pdf)

The NPI will be calculated by subtracting all capital, operating and other agreed costs under the Mine Plan and Financial Model. The NPI will be paid to Exterra within 14 days of each calendar month end during which production was ongoing.

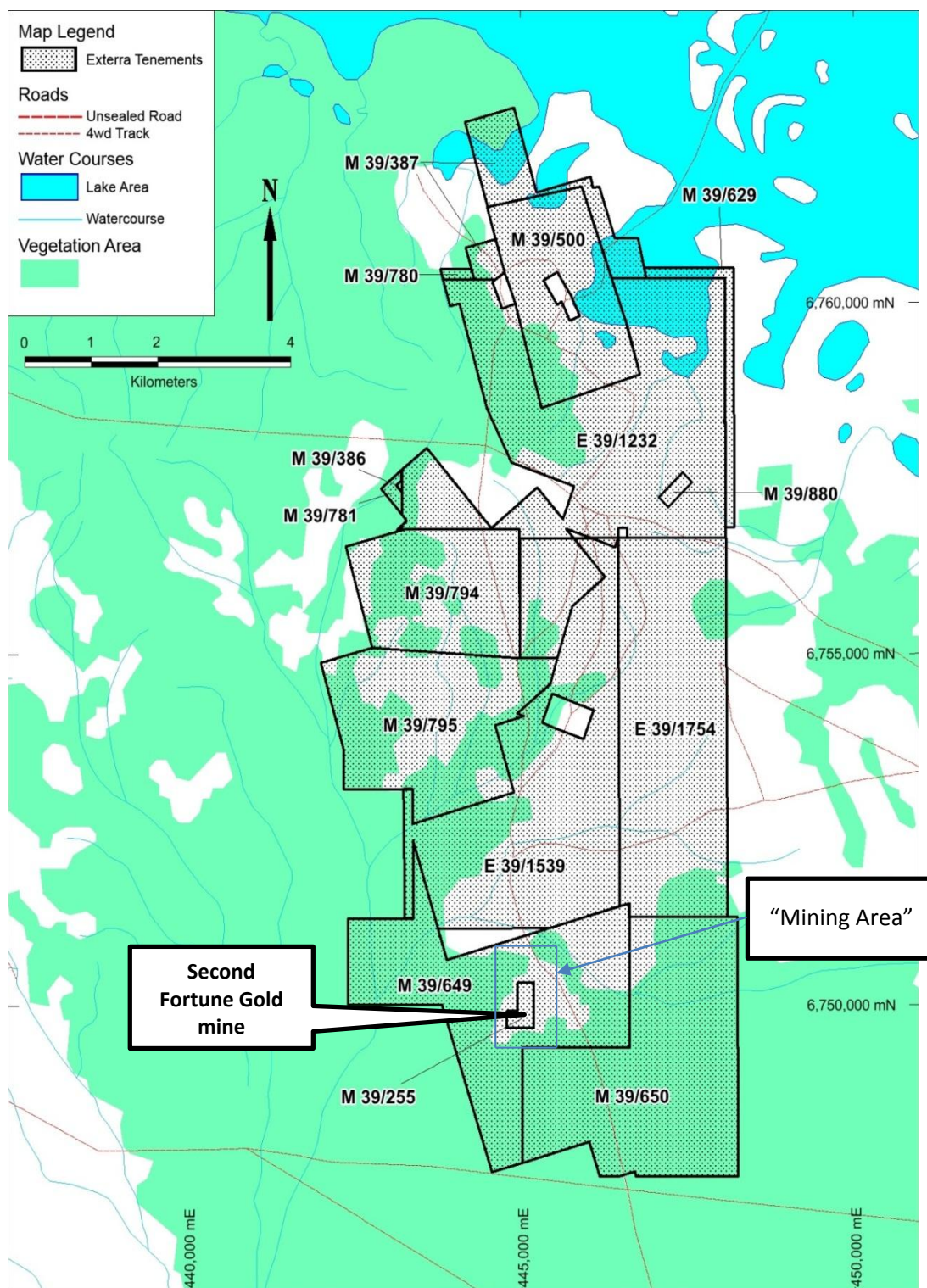


**Figure 2: 3D model showing multiple stacked lodes at the Second Fortune Gold Mine. Planned drilling aims to add further ounces to the Reserve by better defining these secondary lodes.**

The proposed transaction is subject to an exclusivity period of 4 weeks from execution of the Binding Term Sheet (Commencement) (which may be extended by mutual consent) within which the parties will negotiate definitive documentation including the Mining Services Agreement and with Conditions Precedent including legal, technical, financial due diligence, toll treating Agreement, to be satisfied within 3 months of Commencement or Exterra has the right to terminate the transaction (see Annexure 1).

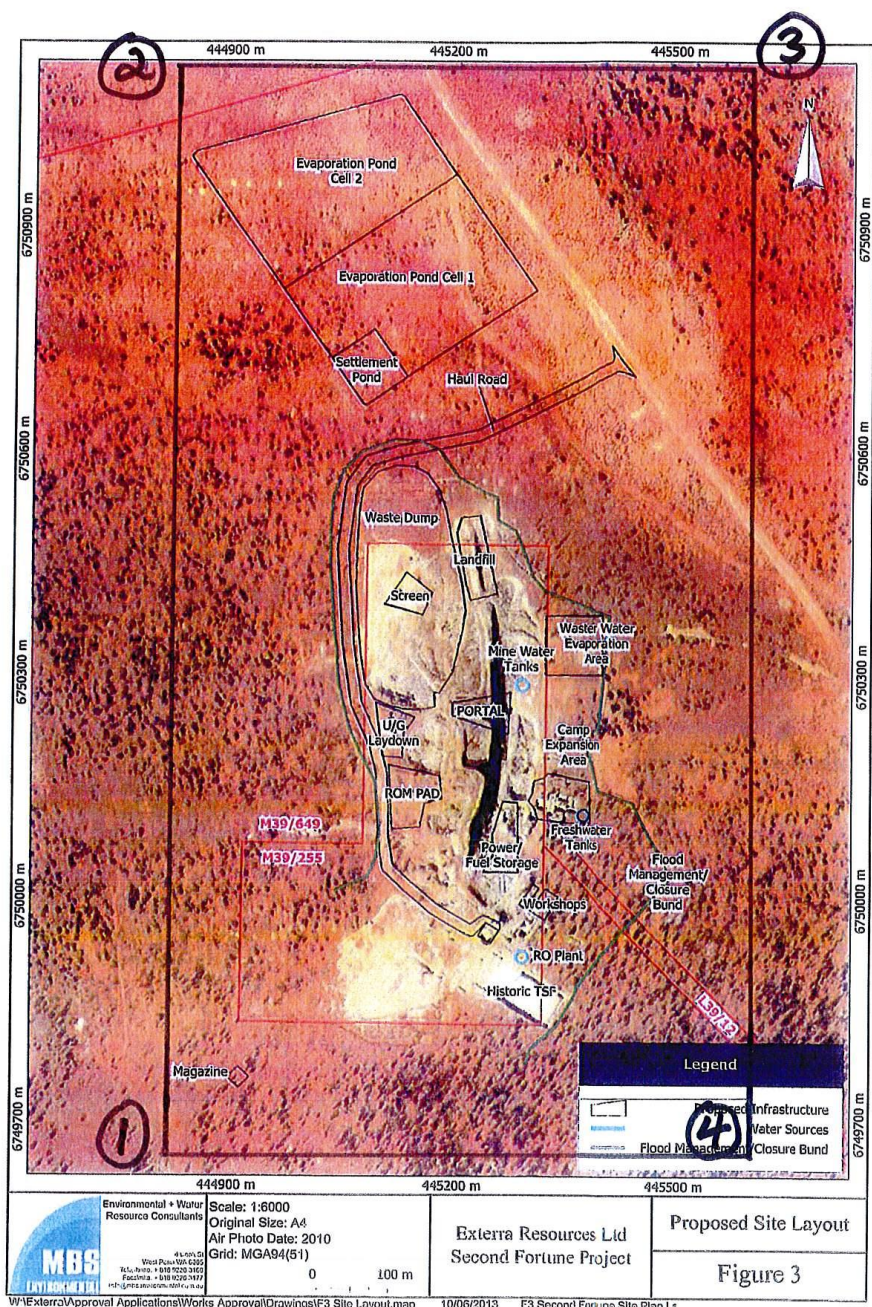
The Agreement includes a defined “**Mining Area**” (refer Figure 3 and Figure 4), which encompasses the Second Fortune mine area and Main Lode Mineral Resources as currently outlined, and sufficient ground for required infrastructure, but does not include the balance of the Linden project tenement package. This arrangement allows Exterra and PYBAR to jointly participate in the Second Fortune mine development within the Mining Area, but also allows Exterra to continue exploring the highly prospective Linden tenement package, in which Exterra maintains a 100% equity.





**Figure 3:** Linden Project Tenement Plan.





: Proposed Site Layout

Figure 4: Mining Area and Proposed Site Layout

### **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.

### **About PYBAR Mining Services Pty Ltd**

[www.pybar.com.au](http://www.pybar.com.au)

PYBAR Mining Services Pty Ltd (PYBAR) is a nation-wide provider with core competencies in metalliferous underground hard rock mining. Founded in 1993, PYBAR's success to date is based on safe, rapid underground infrastructure development and consistent reliable production, delivering on projects from large established mining operations to greenfield developments.

Headquartered in Orange, Central New South Wales, and privately owned, PYBAR has established infrastructure, offices and operations in New South Wales, Queensland, Western Australia, Victoria, South Australia and Tasmania..

### **For further information:**

Mr John Davis

Managing Director

T +61 8 6315 1411

E [j.davis@exterraresources.com.au](mailto:j.davis@exterraresources.com.au)

### **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 Intermine 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 events.

## **Annexure 1. Conditions Precedent**

The proposed transaction is subject to the following conditions precedent:

- a. Ministerial Consent, if required, to the grant of a sublease;
- b. completion of legal, technical, tax and financial due diligence by PYBAR in connection with the proposed transaction within 30 days of Execution of the Binding Term Sheet;
- c. all consents and waivers as required by Exterra;
- d. agreement on, and execution of, definitive documents to implement the proposed transaction, including but not limited to a Mining Services Agreement;
- e. execution of a toll treating agreement;
- f. no material adverse change;
- g. PYBAR and Exterra Board Approval; and
- h. Obtaining all regulatory approvals required to commence production.

If the conditions above are not satisfied (to the satisfaction of all parties) by 3 months from the Commencement Date, Exterra may, by notice to PYBAR, terminate the proposed transaction.