

# JUNE 2011 QUARTERLY REPORT

## JUNE 2011 QUARTERLY REPORT HIGHLIGHTS

### PROJECT DEVELOPMENT

- **Zelica - Mining Lease Application** - Exterra marked out Mining Lease M39/1082 on the 15th June 2011 and lodged the Mining Lease Application on the 25th June 2011 along with the associated Mineralisation Report and Supporting Document. This application is currently being processed. Grant of Title is expected within 6 months.
- **Zelica Historical Data Acquired**-Exterra has sourced historic data from the previous operators which includes Resource, Mine Design, Metallurgy and Engineering and had preliminary discussions with personnel involved with these aspects of the project. This information and personnel history will be invaluable in moving the project forward to early production.
- **Pre-Feasibility Study Underway** - Exterra has commenced a review of data as part of the Pre-Feasibility study with a view to sourcing plant and equipment and providing early indications of likely costs and economic analysis. Discussions are underway with Intermine with respect to mine design and METS/Belminco with respect to plant engineering design and metallurgy.

### RESOURCES AND EXPLORATION

- **Drilling Underway at Linden** – RC drilling commenced on 22 July at the Linden Project. The programme is following up on high grade results at five prospects drilled during 2010.
- **Resource Review and Drilling Proposal** - A review of the current Zelica resource base and planning of an RC drilling programme is underway with drilling expected to commence at Zelica in late Q3, 2011. This programme will aim at upgrading and expanding the current resource.

### CORPORATE

- **\$5.1m capital raising and IPO completed in May 2011** – The Company successfully raised \$5.1m during the quarter to progress the Linden Gold Project through to production.
- Current Cash at 30 June 2011- \$4.1m

**Exterra Resources Limited**  
ACN 138 222 705

**ASX Code:** EXC

**www.exterraresources.com.au**

#### Issued Capital:

Ordinary Shares: 83.6m  
Options: 23.6m  
Cash (as at 30 June 2011): \$4.1m

#### Directors and Management:

**Peter Cunningham**  
Non- Executive Chairman

**John Davis**  
Managing Director

**Justin Brown**  
Non-Executive Director

**Gary Morgan**  
Non-Executive Director

**Peter Cole**  
Non-Executive Director

**Dennis Wilkins**  
Company Secretary

## 1.0 ZELICA GOLD PROJECT, Western Australia (100% interest)

Since acquiring the Zelica Project in February 2011, the Company has moved quickly to determine the optimal way to bring the Zelica Project into production. Zelica, located 20km north west of Linden, was originally operated by a private company that intended to operate the mine as a vat leach operation.

In this regard, the previous owners completed the following, which is still in place today:

- Pre-strip on a 300m open pit mine (to 10m vertically), with 35,000 tonnes of ore stockpiled.
- Grade control drilled the base of the open pit ready for mining.
- Constructed two vat leach ponds, with a capacity of 80,000 cubic metres.
- Drilled water bores, including the reticulation of power and piping.
- Completed metallurgical test work which indicated that recoveries in excess of 90% could be achieved by vat leaching.



### 1.1 Mining Lease Application

Exterra marked out Mining Lease M39/1082 on the 15th June 2011 and lodged the Mining Lease Application on the 25th June 2011 along with the associated Mineralisation Report and Supporting Document. This application is currently being processed through the Department of Mines and Petroleum and Native Title.

Grant of Title is expected within 6 months.

### 1.2 Zelica Historical Data

Exterra has sourced historic data from the previous operators which includes Resource, Mine Design, Metallurgy and Engineering and had preliminary discussions with personnel involved with these aspects of the project. This information and personnel history will be invaluable in moving the project forward to early production.

### 1.3 Pre Feasibility Study Underway

Exterra has commenced a review of data as part of the Pre Feasibility study with a view to sourcing plant and equipment and providing early indications of likely costs and economic analysis. Discussions are underway with Intermine with respect to mine design and Mets/Belminco with respect to plant engineering design and metallurgy.

### 1.4 Resource Review and Drilling Proposal

A review of the current resource base and planning of an RC drilling programme is under way with drilling expected to commence late Q3, 2011. This programme will aim at upgrading and expanding the current resource.



## 2.0 LINDEN GOLD PROJECT, Western Australia (100% interest)

The Linden Gold Project, which contains the high grade Second Fortune resource, was acquired from Haoma Mining NL in 2009. The project, which was historically mined for a short period in the late 1980's, has significant infrastructure in place that will aid the near term development of a new gold mine in the district. This infrastructure includes a 40 person camp, offices, power, water and airstrip.

The Linden Gold Project is located in the Laverton Tectonic Zone, a prolific gold endowed belt in Western Australia. There are several multi-million ounce gold projects in the district, including Sunrise Dam, Granny Smith and Wallaby, that highlight the exploration potential of the region.

Exterra is focussing on bringing the Second Fortune mine back into production in 2012. Management believes that the combination of high grades, continuous ore zones, existing infrastructure and nearby processing opportunities should result in the development of a profitable gold mine at Second Fortune.



### 2.1 July 2011 RC Drilling Programme

A 2,500m RC drilling programme commenced during July at Linden, following the appointment of JSW (Strange) Drilling. This round of drilling has two functions, firstly to test the strike extent of mineralisation at Second Fortune, and secondly, to follow up on four prospects that returned significant results during the August 2010 program. Results from the August 2010 program included:

<b>Ailsa</b>	<b>4m at 5.3g/t Au, and 11m at 7.0g/t Au</b>
<b>Cuckoo Hawk</b>	<b>8m at 9.5g/t Au, and 2m at 11.3g/t Au</b>
<b>Wimmera</b>	<b>1m at 37.1g/t Au</b>
<b>Linden Star West</b>	<b>2m at 4.1g/t Au, and 1m at 97.4g/t Au</b>

(intercepts reported above are down hole)

Drilling results from the programme are expected to be announced to the market in Q3 2011. The results from this programme will be used to develop further drill programmes for the December quarter.

### **3.0 EUCALYPTUS PROJECT, Western Australia (80-90% interest, subject to risk of forfeiture)**

*Exterra has entered into an agreement to assume the rights and interests in a Joint Venture covering the Eucalyptus Gold Project, located just to the north of Exterra's Zelica Project. Eucalyptus contains a JORC-compliant Inferred Resource of 973,000 tonnes @ 2.73 g/t Au for 88,500 oz.*

*The acquisition is conditional on, amongst others, the resolution of forfeiture action on the tenements. The tenements are subject to application for forfeiture and are therefore at risk of forfeiture. Exterra is not managing the legal action to defend the forfeiture of the Eucalyptus tenements and cannot make any comment about the likelihood of that action being successful.*

#### **3.1 Forfeiture Action Update**

Exterra has been advised that the Wardens Court will hear the vendor's Application for Exemption of Expenditure on the tenements during the September quarter.

Exterra will monitor the Exemption Application and Forfeiture Action proceedings and give technical support as required. It is expected an outcome will be determined during the September quarter.

### **4.0 EGERTON GOLD PROJECT (100% interest)**

*The Egerton Project is located in the Gascoyne Province of Western Australia. The main prospect, Hibernian, contains a JORC-compliant Measured, Indicated and Inferred Resource of 116,300t @ 6.4 g/t Au for 23,811oz. High grade intercepts within Hibernian Resource include 2m @ 147.0 g/t Au, 5m @ 78.90 g/t Au and 5m @ 96.7 g/t Au in quartz veins. The deposit is only shallowly tested to 70 metres below surface, with potential for additional resources in repeated shoots below this level and along strike.*

*The Hibernian Shear Zone is over 15km in length and sparsely tested.*

#### **4.1 Aeromagnetic Survey Planned**

Exterra propose to carry out an aeromagnetic survey during 2011 to support ongoing exploration and proposing to commence exploration drilling early 2012 to expand the Hibernian resource and test other exploration targets.

### **5.0 GIANT WELL GOLD PROJECT (100% interest)**

*The Giant Well Project is a grassroots exploration target located to the east of Leonora in Western Australia. The project comprises of one granted exploration lease.*

No work was completed on this project during the quarter.

## 6.0 RESOURCE SUMMARY

Exterra's JORC-compliant resources are tabulated below. It is expected that drilling of the projects over the next 18 months will both increase the size of the resources and upgrade the classifications.

Project	Measured			Indicated			Inferred			Total		
	Tonnes ('000)	Grade (g/t Au)	Oz ('000)	Tonnes ('000)	Grade (g/t Au)	Oz ('000)	Tonnes ('000)	Grade (g/t Au)	Oz ('000)	Tonnes ('000)	Grade (g/t Au)	Oz ('000)
Linden – Second Fortune	-	-	-	-	-	-	207.0	7.9	52.27	207.0	7.9	52.27
Zelica	190.0	2.3	14.13	-	-	-	997.6	2.3	71.54	1187.6	2.2	85.66
<i>Eucalyptus*</i>		-	-	-	-	-	973.0	2.8	88.50	973.0	2.8	88.5
Hibernian	32.1	9.5	9.80	46.4	5.3	7.84	37.8	5.1	6.17	116.3	6.4	23.8
<b>TOTAL</b>	<b>222.1</b>	<b>3.35</b>	<b>23.9</b>	<b>46.4</b>	<b>5.3</b>	<b>7.84</b>	<b>2,215.4</b>	<b>3.1</b>	<b>218.5</b>	<b>2483.9</b>	<b>3.1</b>	<b>250.23</b>
<b>TOTAL (excl Eucalyptus)</b>	<b>222.1</b>	<b>3.35</b>	<b>23.9</b>	<b>46.4</b>	<b>5.3</b>	<b>7.84</b>	<b>1,242.4</b>	<b>3.25</b>	<b>129.98</b>	<b>1,510.9</b>	<b>3.33</b>	<b>161.73</b>

Source: Company. \* Eucalyptus transaction still to be completed.

## 7.0 SEPTEMBER QUARTER ACTIVITIES

The following activities are planned to be undertaken during the September quarter:

- Second Fortune and Linden RC drilling;
- Zelica Pre-Feasibility Study to be completed and commencement of Feasibility Study;
- Planning for extensional drilling at Zelica;
- Commencement of an aeromagnetic survey at Egerton;
- Analyst and Media site visit to Linden and Zelica during Diggers and Dealers conference in August;
- Progress to resolution of the Eucalyptus acquisition.

### For further information:

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### Competent Persons Statement

Information in this report relates to exploration results or mineral resources that are based on information compiled by John Davis (Member of the Australasian Institute of Mining and Metallurgy). 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Davis consent to the inclusion in the release of the statements based on their information in the form and context in which they appear.

*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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**Exterra Resources Limited**

ABN

26 138 222 705

Quarter ended ("current quarter")

30 June 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(269)	(1,517)
(b) development	-	-
(c) production	-	-
(d) administration	(95)	(281)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	14
1.5 Interest and other costs of finance paid	(176)	(176)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	8	9
<b>Net Operating Cash Flows</b>	<b>(530)</b>	<b>(1,951)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(500)	(545)
(b) equity investments	-	-
(c) other fixed assets	-	(31)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(500)</b>	<b>(576)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,030)</b>	<b>(2,527)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,030)	(2,527)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	5,034	6,454
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share issue transaction costs	(440)	(586)
	<b>Net financing cash flows</b>	4,594	5,868
	<b>Net increase (decrease) in cash held</b>	3,564	3,341
1.20	Cash at beginning of quarter/year to date	540	763
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	4,104	4,104

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	81
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

A total of 11,500,000 ordinary shares and 2,250,000 options (exercisable at 20 cents, expiring 30 September 2013), with a total deemed cost of \$2,499,350, were issued as consideration for the acquisition of prospects.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.



### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	300
4.2	Development	-
4.3	Production	-
4.4	Administration	100
<b>Total</b>		<b>400</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	94	540
5.2 Deposits at call	4,010	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>4,104</b>	<b>540</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	E39/1578	Acquisition	Nil	100%
	E39/1627	Acquisition	Nil	100%
	E52/2117	Exercise of option	Nil	100%
	M52/343	Exercise of option	Nil	100%
	M52/567	Exercise of option	Nil	100%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

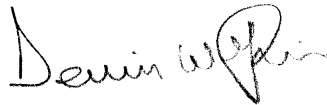
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference</b> <b>+securities</b> ( <i>description</i> )				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	83,581,566	58,981,566		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	37,171,565	25,671,565		
7.5 <b>+Convertible debt securities</b> ( <i>description</i> )				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> ( <i>description and conversion factor</i> )	2,250,000 500,000 8,500,000 11,000,000	- - - -	<i>Exercise price</i> 20 cents 20 cents 25 cents 30 cents	<i>Expiry date</i> 30 September 2013 20 May 2016 31 December 2014 31 December 2014
7.8 Issued during quarter	2,250,000 500,000	- -	20 cents 20 cents	30 September 2013 20 May 2016
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> ( <i>totals only</i> )				
7.12 <b>Unsecured notes</b> ( <i>totals only</i> )				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 29 July 2011

Print name:

**Dennis Wilkins**

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.