

COMMENCEMENT OF PHASE ONE DRILLING AT SECOND FORTUNE

8 October 2015

Exterra Resources Limited (**ASX:EXC**) ("**Exterra**") is pleased to advise that pursuant to the option agreement ("**Agreement**") with PIT n PORTAL Corporate Services Pty Ltd ("**PnP**") and as referred in the ASX release of 5th October 2015, the co-funded drilling programme commenced on the 7th October 2015.

The Phase 1 drilling programme consists of 9 RC pre-collared, diamond core tail drill holes, totalling approximately 1600m of drilling.

The Phase 1 programme is aimed at further defining the West Lode and potentially adding further high grade ounces into the mine plan. The programme will also provide further definition of the Main Lode and subsidiary H/W and F/W lodes.

Diamond drill core will be geologically logged on site, with selected intercepts cut by diamond saw and forwarded for analysis.

On the completion of the Phase 1 programme, PnP must provide, within 14 days, 50% of the estimated costs of the Phase 2 programme or it will be deemed to have withdrawn from the Option Agreement.

On completion of Phase 1 and 2 drilling programmes, and as announced on the 29 September 2015, PnP are to complete a resource upgrade and Mining Study, which, if successful, will result in a joint, profit share based development of the Second Fortune Gold Mine.

Exterra will keep the market informed as drilling progresses and provide results as they become available.

Exterra Resources Limited

ACN 138 222 705

ASX Code: EXC

www.exterresources.com.au

Issued Capital:

Ordinary Shares: 181.2m

Options: 12.5m

Cash (30 June 2015): \$405,000

Directors and Management:

John Davis

Managing Director

Justin Brown

Non-Executive Director

Peter Cole

Non-Executive Director

Dennis Wilkins

Company Secretary

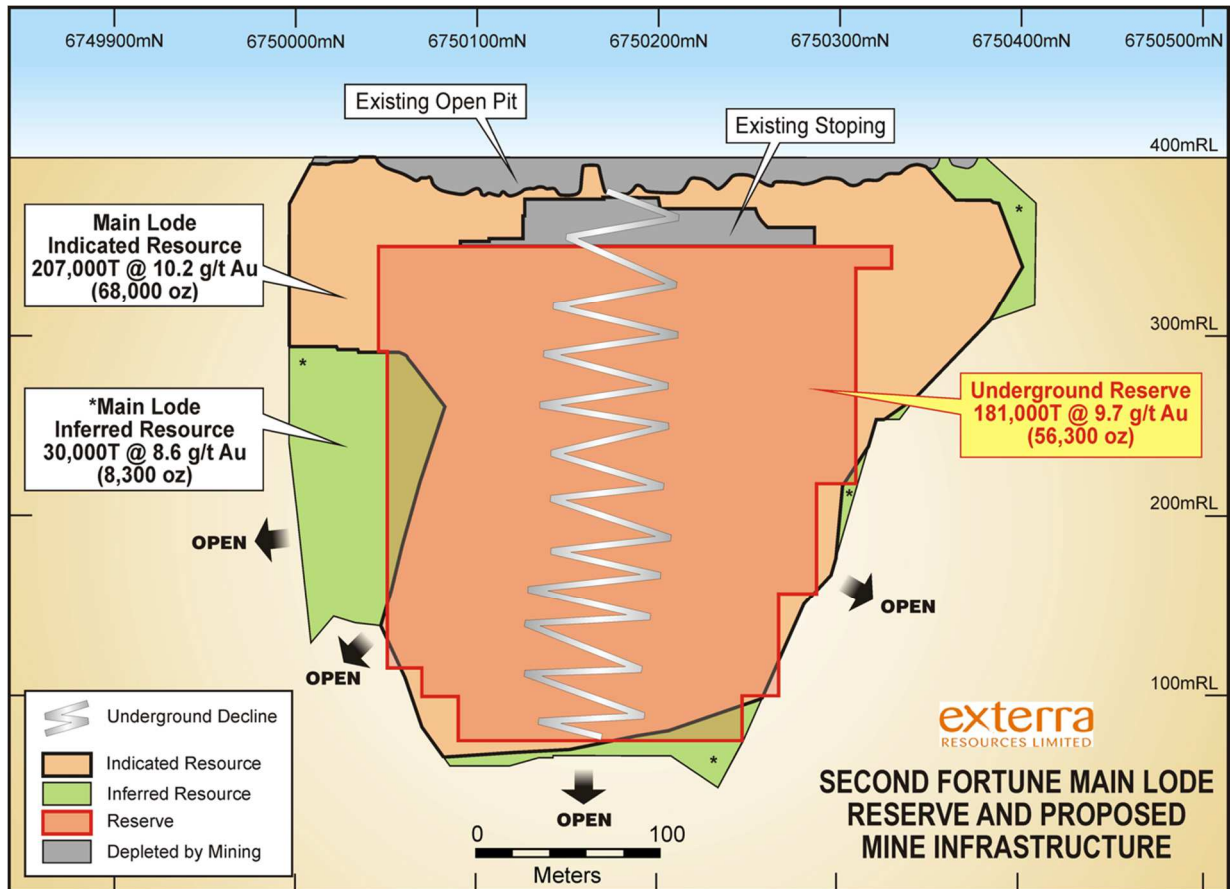


Figure 1: Second Fortune Main Lode long section showing mineralised zones, Resource and Probable Reserve¹ outlines and schematic decline design from existing Feasibility Study.

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

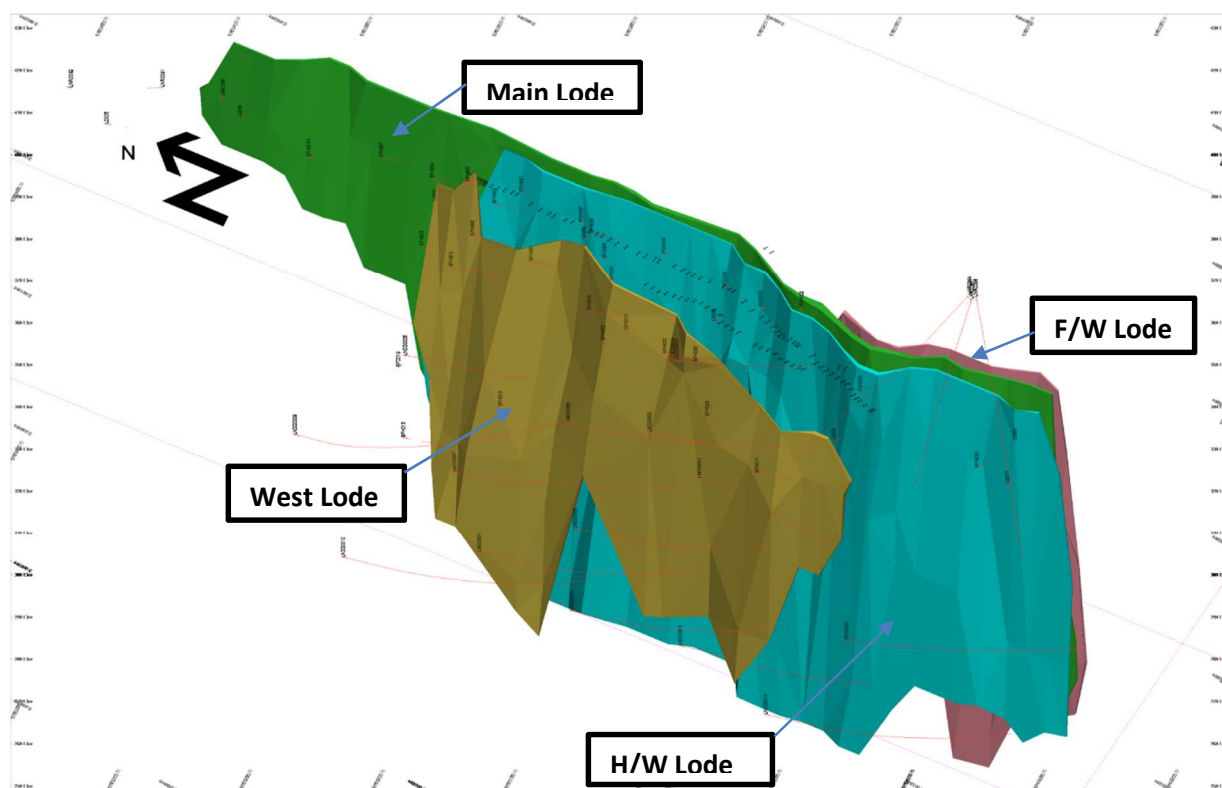


Figure 2: 3D model showing multiple stacked lodes at the Second Fortune Gold Mine. Planned drilling aims to add further ounces to the Reserve by better defining these secondary lodes.

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 PIT n PORTAL Corporate Services Pty Ltd

Pit n Portal is a Perth based mining Group of companies offering wide range of cost effective mining services from equipment to the complete whole of mine operations from feasibility to production; it departs from traditional mining contract model by actively partnering with the clients that consequently results in projects fast tracking from low cost start-up to rapid production and optimum profitability.

For further information:

Mr John Davis

Managing Director

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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 event.

