

23 June 2011

## **EXTERRA NEAR TERM GOLD PRODUCTION PLAN UNDERWAY**

### **Highlights**

- **Mining Lease application submitted for Zelica Project, part of the flagship Linden Gold Project**
- **Drilling to commence shortly – Strange Drilling has been contracted to commence drilling at Linden in Q3 2011**
- **Metallurgical, engineering and environmental studies underway – Leading metallurgical engineering firm, METS, has been appointed to oversee the metallurgical, engineering and design works for Zelica**
- **Zelica to be Exterra’s first gold production centre, with operations targeted for commencement early 2012**
- **Early cashflows generated from Zelica will be used to fund the development of the high-grade Second Fortune mine at Linden.**

Gold focused exploration and development company, Exterra Resources Limited (**ASX: EXC**) (“Exterra” or “the Company”) has started field work at its flagship Linden Gold Project following a successful A\$5.1m raising and ASX listing in May 2011.

Located in the world class gold province of Western Australia’s eastern goldfields region, the 85,600oz Zelica JORC compliant resource (14,100oz Measured, 71,500oz Inferred) is believed capable of sustaining an initial project life of at least three years.

Managing Director John Davis said that due to work already completed and the proximity of the project to Linden negating the need for a separate camp and offices, Exterra was confident the Zelica Project could be brought into production quickly and with low capital costs.

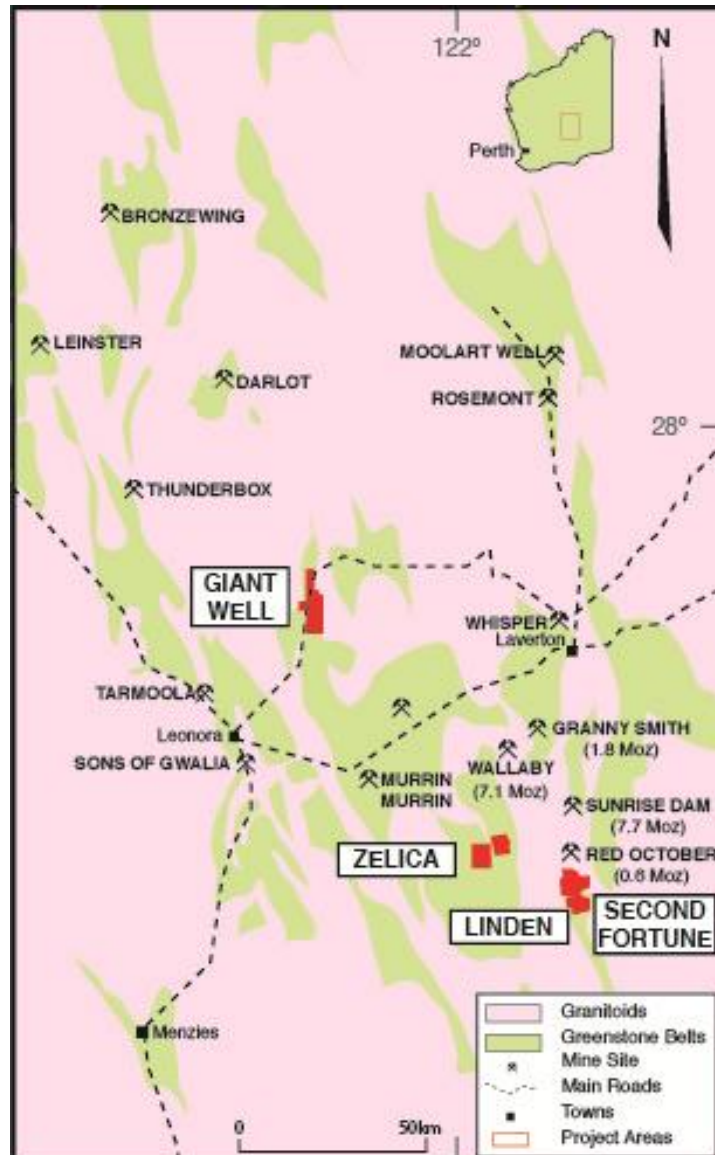
“The early cashflows generated from Zelica will be used to fund the development of the high grade Second Fortune mine at Linden,” he said.

### **Zelica Project - Background**

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.



*Location of the Zelic and Linden Gold Projects*

This level of preparatory work has provided a strong foundation for Exterra to re-commence mining operations at Zelic, subject to regulatory approvals. In this regard, Exterra has applied to have the existing Exploration Licence converted to a Mining Licence, a process that the Company believes should take less than six months.

Leading metallurgical engineering firm, METS, has been appointed to oversee the engineering and design works for Zelica. Exterra is also working closely with Interquip, a specialist plant construction, relocation and refurbishment group, on the identification and costs involved with the construction of a crushing and agglomeration plant for Zelica.

Management believes that the current 85,600oz resource (14,100oz Measured, 71,500oz Inferred) should be capable of sustaining a project life of at least three years, however the resources are open along strike and at depth. Due to the work already completed to date and the proximity of the project to Linden (which negates the need for a separate camp and offices), Exterra believes that it can bring the Zelica Project into production within a short time frame and with low capital costs. The cash generated from Zelica will be used to fund the development of the high grade Second Fortune mine at Linden.



***Zelica open pit showing constructed vat leach ponds and pre-stripped open pit***

### **Linden Project**

Drilling is expected to commence in the next few weeks at Linden, following the appointment of Strange Drilling to undertake the next round of reverse circulation (RC) 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:

**Ailsa**                               **4m at 5.3g/t Au, and**  
   **11m at 7.0g/t Au**

**Cuckoo Hawk**                   **8m at 9.5g/t Au, and**  
   **2m at 11.3g/t Au**

**Wimmera**                           **1m at 37.1g/t Au**

**Linden Star West**           **2m at 4.1g/t Au, and**  
   **1m at 97.4g/t Au**

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

### **Business Development and Corporate**

As noted in the Prospectus, Exterra is awaiting the fulfillment of various conditions precedent in order to complete the transaction over the Eucalyptus Project, located just north of Zelica. These conditions include the vendors successfully being granted exemptions from past expenditure obligations and the vendors successfully defending a forfeiture (plaint) action over the tenements. Exterra has been informed that this process is before the Wardens Court and is expected to be deliberated upon in the September quarter. Exterra will update the market with the results of these deliberations.

Exterra's consolidation strategy with the Zelica and Eucalyptus transactions earlier in the year has resulted in a number of other projects being offered to the Company. Some of these projects have existing JORC-compliant resources and may fit the Company's strategy of acquiring or joint venturing projects that increase the Company's regional resource base as it moves towards becoming a gold producer. The Company is currently investigating several of these projects and will announce to the market if there are any material developments.

For more information on this announcement, please contact the following:

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## **About Exterra Resources**

Exterra Resources Limited is an Australian mineral exploration company established to deliver shareholder value by identifying, acquiring & developing mineral projects that possess the potential for early cashflow. The Board has extensive & relevant experience in the acquisition, exploration, development and finance industries and has assembled an advanced portfolio of gold exploration and development projects. The Company has selected the projects based on high grade historical production, near term production opportunity, sampling results & significant exploration potential, combined with robust geological concepts.

Diamond drilling by Exterra during January 2011 at the Linden project, Second Fortune prospect, to validate historic drilling, returned results consistent with historical drilling and with several intercepts containing visible gold. These results supported the calculation of a maiden JORC Code compliant Resource. RC drilling by Exterra during 2010 at the Linden project around known & new prospects highlights the potential for further discoveries over the Linden project area, with further drilling planned to follow-up immediately after listing.

## **LINDEN PROJECT (100% interest)**

- Second Fortune gold mine with historic production and infrastructure including shaft, camp, offices, water and power supply
- Second Fortune prospect contains a JORC-compliant Inferred Resource of 207,000 tonnes @ 7.9 g/t Au for 52,270 oz over 400m of strike and to 250m in depth
- Second Fortune vein strikes over 600m and is open down plunge below 250m
- Recent diamond drilling by Exterra at Second Fortune (5 holes) include 0.3m at 46.9 g/t Au, 0.6m at 24.8 g/t Au, 0.7m at 44.6 g/t Au and 0.5m at 11.9 g/t Au
- Granted mining leases
- Near term mine development potential with toll treatment opportunities
- Recent RC drilling results by Exterra at Linden include 1m @ 37.1 g/t Au, 1m @ 97.4 g/t Au, 11m @ 6.7 g/t Au, 8m @ 9.5 g/t Au (from 89 drill holes) and confirm the potential for broader scale moderate grade open-pitatable mineralisation in areas of little or no prior drilling.

## **ZELICA PROJECT (100% interest)**

- Zelica is located ~20km NNW of Linden
- Current JORC-compliant Resource of 1.2Mt at 2.2g/t Au for 85,664 oz, of which approximately 14,100oz is in the Measured category and 71,500oz is in the Inferred category.
- The deepest mineralised intercepts around 65m below surface and the structure appears to be open at depth
- Vat leach ponds developed by past owners but never commissioned
- Metallurgical test work indicates that recoveries in excess of 90% could be achieved by vat leaching.

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

- JORC Code compliant Inferred Resource of 973,000 tonnes @ 2.73 g/t Au for 88,500 oz.
- Approximately 39 km<sup>2</sup> of granted mining leases and prospecting licences located adjacent to the Zelica project.
- Exterra to assume rights and interests under joint venture agreement earning up to 80 – 90% interest in tenements.
- 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. Consequently, Exterra has not attributed any value, or committed any exploration funds to, the Eucalyptus tenements in the IPO Prospectus.
- If the legal actions against the Eucalyptus tenements are terminated or successfully defended whilst the IPO Prospectus remains open, a supplementary Prospectus will be issued describing the Eucalyptus tenements in more detail and allocating funds to their exploration.

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

- Hibernian prospect contains a JORC-compliant Resource of 116,300t @ 6.4 g/t Au for 23,811 oz (9,800oz Measured, 7,840oz Indicated and 6,170oz Inferred)
- 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
- Deposit only shallowly tested to 70 metres below surface, with potential for additional resources in repeated shoots below this level and along strike
- Hibernian Shear Zone over 15km in length and sparsely tested.

### **QUALIFIED PERSON**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by John Davis, a full time employee of Exterra Resources Limited and who is a Member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. John Davis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking 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". John Davis consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.