

INCREASE IN GOLD PRICE IMPROVES PROJECTED CASHFLOWS FOR SECOND FORTUNE

23 February 2016

Exterra Resources Limited

ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares: 201.2m
Options: 12.5m
Current market capitalisation \$4.02M

Directors and Management:

John Davis
Managing Director

Justin Brown
Non-Executive Director

Peter Cole
Non-Executive Director

Dennis Wilkins
Company Secretary

Exterra Resources Ltd (Exterra) is pleased to provide an update on the Second Fortune gold mine Pre-Feasibility Study ("PFS") reported to the market on 24 July 2014¹ following the recent strong upward movement in the A\$ gold price.

The Second Fortune underground gold mine is within Exterra's 100% owned Linden Gold Project, 220km NNW of Kalgoorlie in Western Australia.

At a current gold price of A\$1,700 per oz (2014 PFS only contemplated a as reported A\$1,400 per oz gold price) the mine is projected to deliver:

- Net cash flow of **A\$34 million** after capital and State Royalties
- A discounted NPV(8%) of **A\$28.1 million**
- Mining Inventory of 61,500 ozs of gold at 9.4 g/t Au (diluted)
- Production (allowing for mill recoveries) of 56,600 ozs of gold
- C1 cash operating cost of **A\$720/oz** of recovered gold
- C3 total cash cost of A\$1,015/oz of recovered gold
- Low pre-production capital expenditure of ~A\$5 million
- All Regulatory Approvals are currently in place to commence mining

VISIBLE GOLD IN DRILL CORE FROM SECOND FORTUNE GOLD MINE

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

As announced on the 29 September 2015 and further updated in the December 2015 Quarterly Activities Report, Exterra and Pit n Portal Corporate Services Pty Ltd (“PnP”) are currently working under a Profit Share Option Agreement (“PSOA”) with respect to the joint development of the Second Fortune gold mine.

Work under the PSOA has included the successful completion of 17 diamond drill holes in December 2015, (results of which further confirmed the high grade and continuity of the main lode system) and an updated resource and feasibility study is anticipated to be completed by 29 February 2016.

Second Fortune Gold Project		
Total Ore Mined		204,000 T
Mined Head Grade		9.4 g/t Au
Metallurgical Recovery		95%
Recovered Ounces Gold		56,600 ozs
Mine Life		2.5 years
Pre-Production Capital		\$5 M
Operating Cash Cost (C1) \$/oz		\$720
Total Cash Cost (C3) \$/oz		\$1,015
Gold Price Assumed \$/oz		\$1,700
LOM Revenue		\$97 M
LOM EBIT (after capital State Royalties)		\$34.4 M
NPV (8%)		\$28.1 M
Project Pay Back (at A\$1,700/oz)		11 months

Note: all currencies are in AUD\$.

Table 1: Key Parameters and Financial Model outputs from the updated Feasibility Study

(For details on the Feasibility Study refer to Exterra ASX announcement of the 24 July 2014)

The Second Fortune Gold Mine is **leveraged to further increases in the Australian Dollar gold price** as outlined in Table 2. An increase of A\$300 per ounce has resulted in approximately a 100% or \$18M uplift in the cash surplus projected in the study, with further upside should the Australian Dollar gold price continue to rise. The resource is currently open in all directions.

This market update is limited to the impact of the higher gold price only and the Company has embarked on a more detailed review analysing the impact of the higher gold price and lower operating costs (since the 2014 study) on available ounces, cash flow and mine life.

Managing Director John Davis said, “The numbers indicate that in today’s current gold environment the Second Fortune gold mine appears to be highly profitable. Unlike many other planned developments being both fully permitted and with low capital requirements, the Second Fortune gold mine can be brought into production quickly, providing the opportunity for the Company to benefit from a strong gold price and any further increase that may occur. The 2014 PFS study was considered conservative and higher contracting rates were used than those that can be achieved in the current climate. Also the PFS used diesel prices of \$1.30 per litre. Given the current environment we would expect cash costs to fall, creating a further upside case for the development of the mine.”

		Current		
Gold Price A\$/oz	\$1,600	\$1,700	\$1,800	\$1,900
LOM Revenue	A\$91M	A\$97M	A\$103M	A\$108M
LOM EBIT cash surplus (after Capital and State Royalties)	A\$29M	A\$34M	A\$40M	A\$46M
Pay Back (Months)	12	11	11	10

Table 2: Revenue and cash flow at different gold prices from the updated Feasibility Study

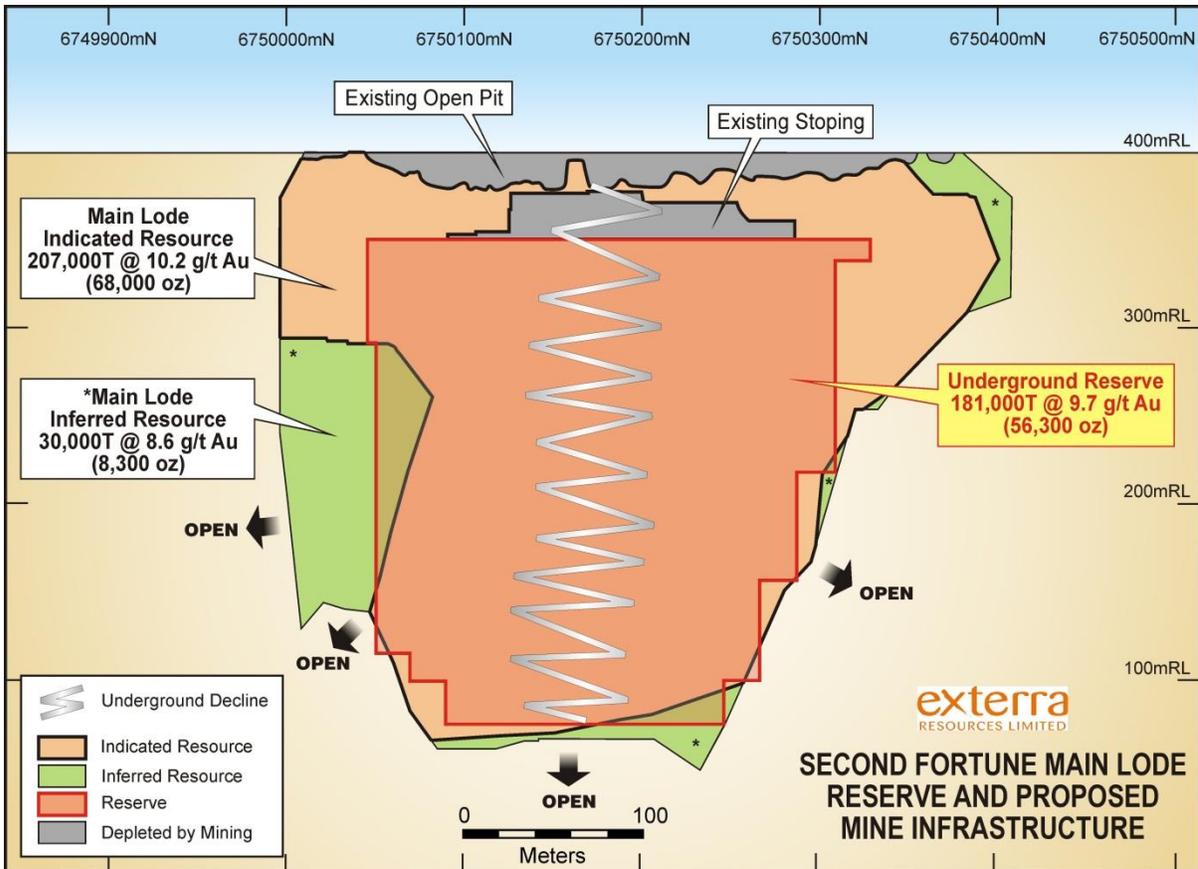


Figure 1: Second Fortune Main Lode long section showing mineralised zones, Resources and Probable Reserve outlines and schematic decline design from existing Feasibility Study (July 2014)

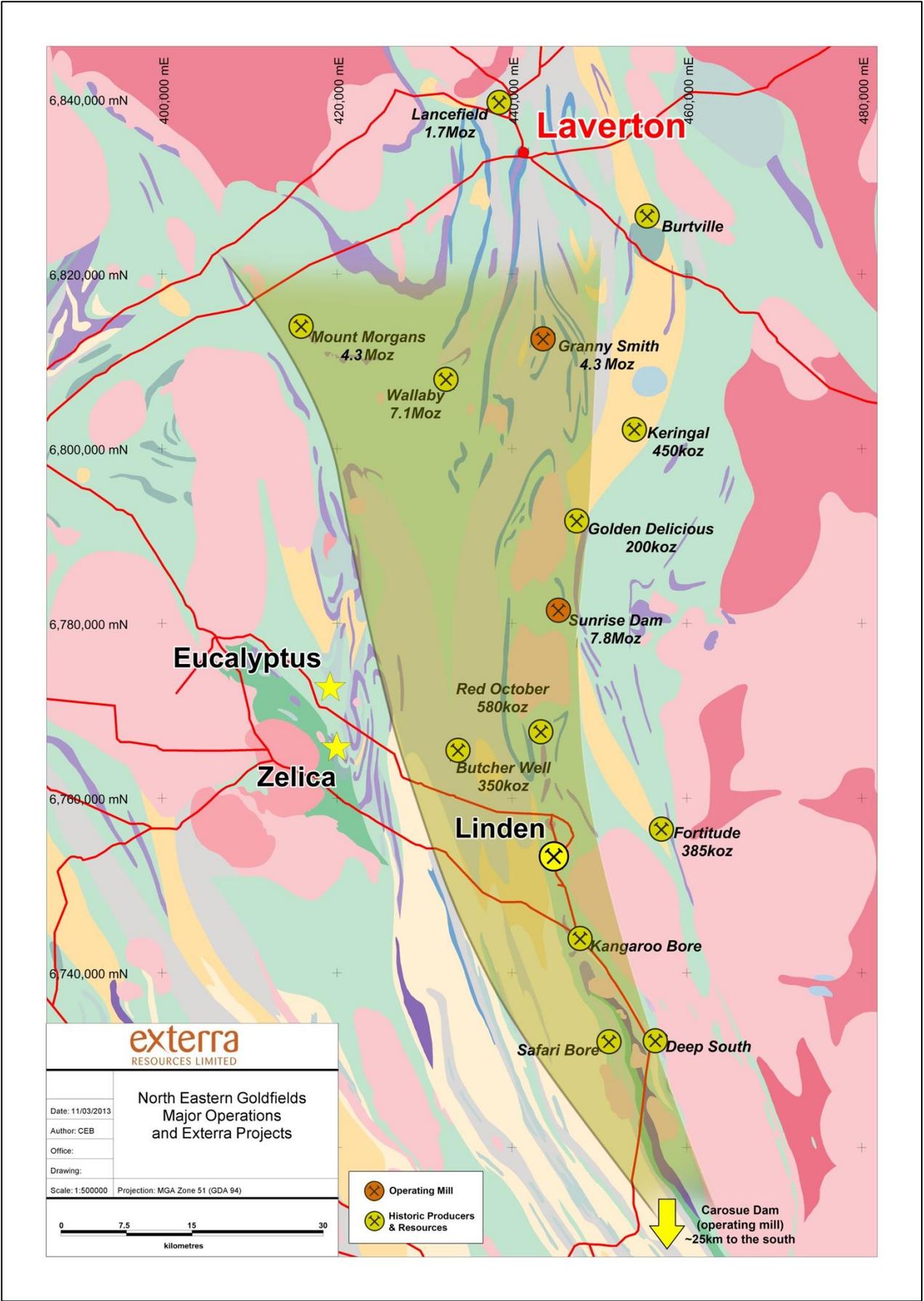


Figure 2: Project location plan showing proximity to multiple multi-million ounce gold centres

For further information:

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* 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 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.