

EXTERRA RESOURCES LIMITED

ABN 26 138 222 705

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2013

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the Annual Report for the year ended 30 June 2013 and any public announcements made by Exterra Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2013

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EXTERRA RESOURCES LIMITED

31 DECEMBER 2013

DIRECTORS' REPORT

Your directors are pleased to present their report on Exterra Resources Limited for the half-year ended 31 December 2013.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

John Davis

Justin Brown

Gary Morgan

Peter Cole

Peter Cunningham (resigned 12 July 2013)

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the period is set out below:

	2013	
	Revenues	Results
	\$	\$
Exterra Resources Limited	112,958	(411,806)

During the half year ending 31 December 2013, the Company focused on completing a revised resource model to bring the Main Lode Resource at the Second Fortune project at Linden (100% Exterra) up to JORC 2012 Compliance, supporting the current updating of the detailed mine design and Scoping Study.

Work on the Second Fortune Gold Project continued during the half year with all Regulatory Approvals now in place to support mine development.

In light of the gold price reduction to approximately A\$1,350-\$1,400 per oz during 2013, from A\$1,750 per oz in October 2012, Exterra elected to review the mine plan for Second Fortune to initially access the upper levels of the original mine, which operated in 1988.

The upper levels of the old mine has historic underground development, geological mapping and detailed face sampling which has provided definitive information on which to focus a mine development and for which there is high confidence in the outcome.

It is understood the initial mine development can be completed at a lower capital cost, relatively low risk and would be potentially self-funding. This would provide the opportunity to confirm the ore body characteristics, supporting the full mine development decision, while providing a better understanding of mine production and cost parameters.

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 consents 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.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2013

DIRECTORS' REPORT (continued)

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of directors.



John Davis

Managing Director

Perth, 12 March 2014

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The Directors
Exterra Resources limited
PO Box 1153
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2013 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 12 MARCH 2014



Chartered Accountants

EXTERRA RESOURCES LIMITED**31 DECEMBER 2013****STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	2013	2012
	\$	\$
REVENUE	112,958	68,034
EXPENDITURE		
Administration and corporate expenses	(184,571)	(360,902)
Depreciation expense	(12,724)	(16,926)
Employee benefits expense	(2,466)	(111,882)
Exploration expenses	(325,003)	(606,410)
Finance costs	-	(54,340)
	<hr/>	<hr/>
LOSS BEFORE INCOME TAX	(411,806)	(1,082,426)
Income tax benefit/(expense)	-	-
	<hr/>	<hr/>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF EXTERRA RESOURCES LIMITED	(411,806)	(1,082,426)
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted loss per share (cents)	(0.2)	(1.1)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED**31 DECEMBER 2013****STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Notes	31 December 2013 \$	30 June 2013 \$
CURRENT ASSETS			
Cash and cash equivalents		728,738	1,138,299
Trade and other receivables		20,345	42,095
TOTAL CURRENT ASSETS		749,083	1,180,394
NON-CURRENT ASSETS			
Plant and equipment		279,144	291,940
Mining properties		4,984,350	4,984,350
TOTAL NON-CURRENT ASSETS		5,263,494	5,276,290
TOTAL ASSETS		6,012,577	6,456,684
CURRENT LIABILITIES			
Trade and other payables		40,754	73,055
TOTAL CURRENT LIABILITIES		40,754	73,055
TOTAL LIABILITIES		40,754	73,055
NET ASSETS		5,971,823	6,383,629
EQUITY			
Contributed equity		13,317,529	13,317,529
Reserves		300,950	300,950
Accumulated losses		(7,646,656)	(7,234,850)
TOTAL EQUITY		5,971,823	6,383,629

The above statement of financial position should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2013

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Contributed Equity	Share-based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
BALANCE AT 1 JULY 2012	11,001,109	300,950	(5,284,617)	6,017,442
Loss for the period	-	-	(1,082,426)	(1,082,426)
TOTAL COMPREHENSIVE LOSS	-	-	(1,082,426)	(1,082,426)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	2,452,000	-	-	2,452,000
Share issue transaction costs	(135,580)	-	-	(135,580)
BALANCE AT 31 DECEMBER 2012	13,317,529	300,950	(6,367,043)	7,251,436
BALANCE AT 1 JULY 2013	13,317,529	300,950	(7,234,850)	6,383,629
Loss for the period	-	-	(411,806)	(411,806)
TOTAL COMPREHENSIVE LOSS	-	-	(411,806)	(411,806)
BALANCE AT 31 DECEMBER 2013	13,317,529	300,950	(7,646,656)	5,971,823

The above statement of changes in equity should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED**31 DECEMBER 2013****STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments for exploration expenditure	(327,070)	(813,079)
Payments for administration and other expenses	(215,640)	(487,877)
Sundry revenue	101,547	44,732
Interest received	16,602	15,006
Interest paid	-	(54,340)
Net cash outflow from operating activities	(424,561)	(1,295,558)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of mining properties	15,000	-
Net cash inflow from investing activities	15,000	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for share issue transaction costs	-	(23,580)
Proceeds from issue of shares	-	2,340,000
Net cash inflow from financing activities	-	2,316,420
Net (decrease)/increase in cash and cash equivalents	(409,561)	1,020,862
Cash and cash equivalents at the beginning of the half-year	1,138,299	1,040,983
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	728,738	2,061,845

The above statement of cash flows should be read in conjunction with the accompanying notes.

EXTERRA RESOURCES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Exterra Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Company include:

- AASB 10 *Consolidated Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 11 *Joint Arrangements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 127 *Separate Financial Statements (2011)* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 128 *Investments in Associates and Joint Ventures (2011)* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (2011)*;
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*.

The above standards have extensive disclosure requirements however, these do not effect this half-year financial report.

The adoption of the above standards has not had a material impact on this half-year financial report.

EXTERRA RESOURCES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

For management purposes, the Company has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

	Half-year	
	2013	2012
	\$	\$
Exploration Segment		
Segment revenue	-	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	15,952	12,168
Other revenue	97,006	55,866
Total revenue	112,958	68,034
Segment results	(325,003)	(606,410)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	(86,803)	(476,016)
Net loss before tax	(411,806)	(1,082,426)
	31 December	30 June 2013
	2013	2013
	\$	\$
Segment operating assets	5,265,603	5,294,958
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	746,974	1,161,726
Total assets	6,012,577	6,456,684
Segment operating liabilities	22,203	25,828
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	18,551	47,227
Total liabilities	40,754	73,055

EXTERRA RESOURCES LIMITED

31 DECEMBER 2013

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2013	2013	2012	2012
	Shares	\$	Shares	\$
Issues of ordinary shares during the half-year				
Entitlements issue at 2.8 cents per share	-	-	83,571,428	2,340,000
Issued as consideration for underwriting fee	-	-	4,000,000	112,000
Share issue costs	-	-	-	(135,580)
	-	-	<u>87,571,428</u>	<u>2,316,420</u>

	Number of options	
	2013	2012
Movements of options during the half-year		
Options expired 30 September 2013, exercisable at 20 cents	<u>(3,600,000)</u>	-
	<u>(3,600,000)</u>	-

NOTE 4: CONTINGENCIES

There has been no material change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: SUBSEQUENT EVENTS

Subsequent to 31 December 2013 Gascoyne Resources Ltd (Gascoyne) paid the second Option Fee of \$50,000 in accordance with the Option Agreement executed on 28 May 2013 for the sale of the Company's 100%-owned Egerton Gold Project for a total consideration of \$1million. Option Fees totalling \$200,000 have been received by the Company.

Key parameters for the Option Agreement with Gascoyne are:

- Gascoyne to pay Exterra non-refundable option fees totalling \$200,000 cash (plus GST), giving Gascoyne a 15 month exclusive option period. Option Fees now received.
- On exercise of the Option, which must occur within 15 months of signing of the Agreement (28 August 2014), Gascoyne must issue to Exterra, Gascoyne shares to the 5 day VWAP value of \$800,000, plus 500,000 Gascoyne options, exercisable at 25 cents within a three year term.
- Gascoyne must spend a minimum of \$100,000 on project exploration prior to electing to withdraw.

Gascoyne are responsible for tenement management and all costs during the Option period, and must maintain the tenements in good standing

No matter or circumstance, other than noted, has arisen since 31 December 2013, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

EXTERRA RESOURCES LIMITED

31 DECEMBER 2013

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Exterra Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



John Davis
Managing Director
Perth, 12 March 2014



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Independent Review Report to the Members of Exterra Resources Ltd

The financial report and directors' responsibility

The interim financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Exterra Resources Ltd for the half-year ended 31 December 2013.

The Company's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Exterra Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Exterra Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position as at 31 December 2013 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Graham R Swan
Partner

Dated 12 MARCH 2014



Chartered Accountants