



FIRST SORTED ORE PRODUCED AT SECOND FORTUNE

Exterra Resources Limited
ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares: 342.2m
Options: 76m

Directors and Management:

John Davis
Executive Chairman

Geoff Laing
Executive Director

Justin Brown
Non-Executive Director

Dennis Wilkins
Company Secretary

2nd May 2017

Exterra Resources Limited ("Exterra" or "the Company") (ASX:EXC) is pleased to provide an update on the commencement of processing at Second Fortune.

SUMMARY:

- **Commercial scale sorting operations now commenced at Second Fortune mine.**
- **Initial runs show sorted concentrates grading between 5.5g/t and 10g/t are recovered from feed stocks grading ~3g/t.**
- **Upgrade in excess of 2.3 times in line with design expectations.**
- **Existing mineralised dumps running 1-2 g/t will be processed to generate early cash flow over coming months, with all necessary permits now received.**
- **Results to date show sorting of ore will significantly reduce the cost of hauling and processing Second Fortune ore.**
- **Sorting will de-risk future underground mining at Second Fortune by rejecting waste dilution prior to haulage and processing, reducing one of the biggest risks in narrow vein mining.**
- **Other project opportunities being pursued where sorting may add value and utilise excess capacity in Exterra plant**



Figure 1: The Ore Sorting Processing Plant – Processing commenced

Ore Sorting Plant and processing

Ore sorting technology is used in numerous mining operations to pre-concentrate ore in a process where dilution and low grade material are rejected post mining and before haulage and processing expenses are incurred. Exterra has installed an optical and near infra-red sorting circuit to recover mineralised quartz from the barren host material. Gold is associated with quartz mineralisation almost exclusively in the Second Fortune ore body making it highly amenable to the sorting technology.

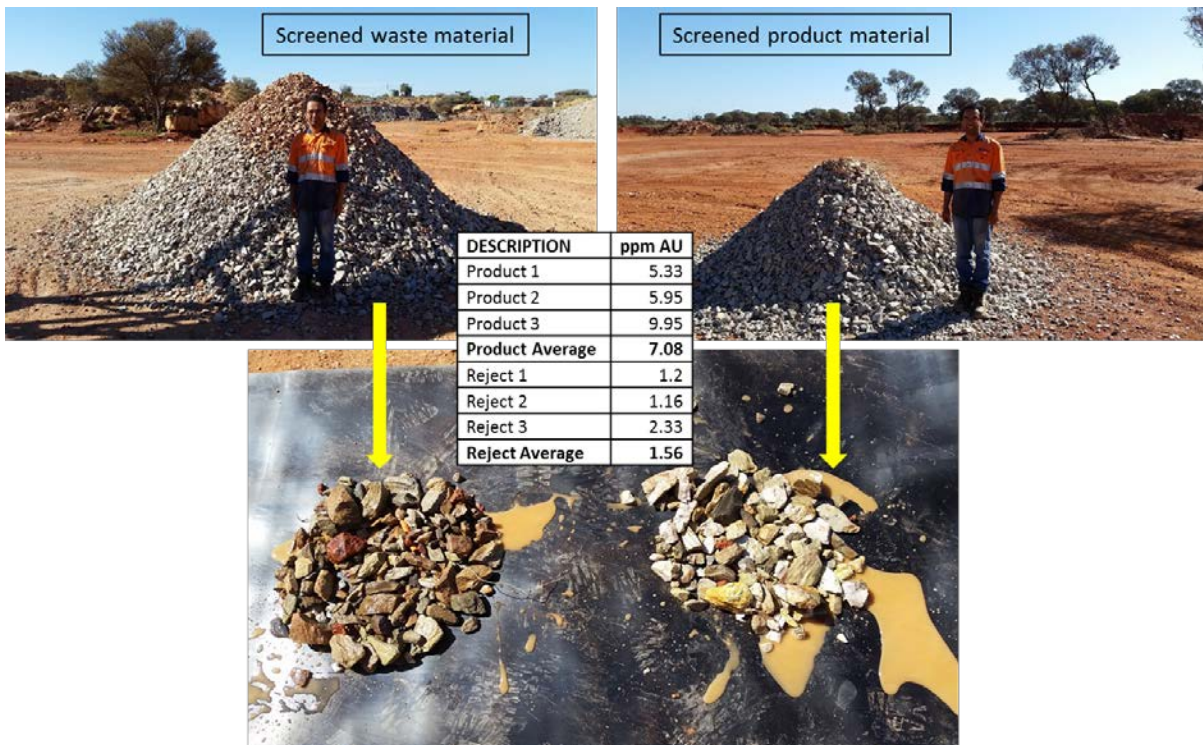


Figure 2: Sorted Product and waste

The plant is currently being operated on mullock material generated when the Second Fortune Mine was operated in the 1980's. Early indications of the circuit performance are very positive with sorted concentrate upgrades of 2 to 3 times the feed grade concentration. Ongoing technical work includes fine-tuning the



sorting settings to achieve planned recoveries. The technology provides some significant flexibility with respect to yield and recovery and it is anticipated that the circuit will deliver outcomes in line with design expectations.

The installed process plant, which is 100% owned by Exterra, has significantly greater capacity than that required for the planned underground mining operation. Exterra continues to evaluate a number of opportunities that will utilise the spare capacity and provide production flexibility.

Figure 3: Feed material presented to the sorter

Exterra's Executive Chairman, John Davis said: "The commencement of processing operations is a major milestone in the development of the Second Fortune mining operation. We are very excited to be operating one of the first commercial sorting plants in the Australian gold mining business. The technology delivers a number of major advantages to our business not least of all the option to deliver high grade pre-concentrates for toll treatment by others. We continue to roll out our strategy of generating near term gold production to fund exploration and expansion."



Figure 4: Sorting plant and Product slewing conveyor

Mineralised Dump Processing



Figure 5: Washing Screen

Exterra retains a number of mineralised dumps at the Second Fortune site and to the north and north-west of the mine. It is anticipated that in excess of 40kt of material is readily accessible and sampling campaigns on the dumps indicate that dump grades may be in the range of 1-2g/t. Mineralised material will be recovered from the dumps and processed through the sorting circuit which will upgrade the material as required to viably haul and process it remotely. In the short term, large bulk samples from each dump will be processed (screened and sorted) to better

quantify the value of the dumps as a revenue source pre underground mining at Second Fortune.

Sorting and Mining

Exterra continues to optimise the mine plan for the Second Fortune underground operation and the focus of the mine planning has shifted to a hybrid owner's contractor model which is expected to deliver significant benefits to the project. Sorting remains a key aspect with respect to the design and proposed operating philosophy.

The risk of operating costs escalation (particularly haulage and processing) are significantly reduced through the integration of the ore sorting circuit at the mine site. Uncontrolled dilution is always a risk in underground mining operations and particularly so for narrow vein operations such as Second Fortune. The installed sorting circuit at Second Fortune is designed to remove unplanned dilution thereby reducing mining operating risk.

In addition to mitigating the risk of unplanned dilution, the integration of sorting allows for the underground design and operating strategy to be adapted to a more cost effective model. The capacity to control/remove dilution at the mine site facilitates the use of more efficient mechanised mining methods that require larger development drives and can accommodate greater inter-level spacing. The mine design and operating philosophy are being finalised based on the benefits sorting delivers with respect to managing dilution, and recovery of marginal grade material.

General

Details of the updated design and project metrics are to be released in coming weeks. Toll treatment terms have been agreed and haulage terms are being reviewed and discussions are ongoing with preferred contractors.

Exterra Resources retains a highly prospective land package in the Second Fortune area with numerous advanced exploration targets and projects at both Zelica and Malcolm. Exterra also retains the exciting Grass Flat Project north of the Diemals Mining Centre. In addition to the work programmes for the development of the Second Fortune Mine, the company is undertaking an extensive review of the above projects and the outcomes will be released as they become available. Future cash flows from the Second Fortune mine will provide Exterra the capacity to "self-fund" exploration in the future.

For further information:

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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.