

FULLY UNDERWRITTEN RIGHTS ISSUE TO RAISE A\$2.34M TO SUPPORT DEVELOPMENT OF THE SECOND FORTUNE GOLD MINE

18 October 2012

Exterra Resources Limited

ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares: 83.6m
Options: 23.6m
Cash (as at 30 June 2012): \$1.0m

Directors and Management:

Peter Cunningham

Non- Executive Chairman

John Davis

Managing Director

Justin Brown

Non-Executive Director

Gary Morgan

Non-Executive Director

Peter Cole

Non-Executive Director

Dennis Wilkins

Company Secretary

- **\$2.34M to be raised in a fully underwritten 1:1 Entitlements Issue**
- **One new share offered at \$0.028 for every one share on issue**
- **Follows last week's announcement of a Positive Scoping Study at the Second Fortune Gold Mine at the Linden Gold project in Western Australia**
- **Cash to be principally directed at completing the Underground Mining Study at the Second Fortune Gold Mine**

Gold focused exploration and development company, Exterra Resources Limited ('Exterra' or 'Company') has resolved to raise approximately \$2.34 million cash (before costs) via a fully underwritten pro-rata non renounceable Entitlements Offer to existing shareholders on the basis of one new share for each one existing share held each at an issue price of \$0.028 per share.

New Shares issued under the Entitlement Offer will rank equally with existing Shares on issue and the Company will apply for official quotation of the New Shares. An Appendix 3B accompanies this announcement.

The Entitlement Offer is fully underwritten. Full details of the Entitlement Offer including the underwriting terms will be contained in the Entitlement Offer Prospectus to be lodged with ASIC and the ASX and to be dispatched to shareholders in accordance with the timetable set out below ('Prospectus'). The Prospectus will also be available on the Company's website at www.exterraresources.com.au or on the ASX website.

Scoping Study results for the Second Fortune Underground mine, released last week, included:

- **Estimated net cash (pre-tax) of A\$52.3 million at A\$1750 per oz**
- **Study based on Main Lode quartz vein undiluted grade of 18.20 g/t Au**
- **Estimated operating costs of A\$660 per oz**

The study contemplated various mining options, with initial processing offsite, and with mine access via a decline as a mechanised narrow vein underground mine. The study included on-site infrastructure requirements including refurbishment of the existing camp, offices, airstrip, power, water supply.

The Company's initial plan is to develop the decline to intersect the partially developed historical 60m level, establish production then extend the decline to expose further levels. Once positive cash flow has been achieved, the Company then plans to commence exploration to test for further resources at depth, below the 300m level and further to the north. Exterra is fortunate to have historic underground mining, sampling, mapping and production information (from 1988) to support early project development.

Key parameters of the Scoping Study are as follows:

Tonnes Mined	265,000
Diluted Head Grade	9.70 g/t Au
Metallurgical Recovery	95%
Ounces Produced	77,000
Anticipated Annual Production	25,000 ozs

The funds raised under the Offer will be applied towards:

- Preparation works for the Underground Mining Study at Linden,
- Continued exploration of its Australian gold projects,
- Costs of the offer, and
- General working capital

Indicative Entitlement Offer Timetable

Key dates for the Entitlement Offer are set out below.

Announcement Date	18 October 2012
Lodgement of Prospectus with ASIC and ASX	18 October 2012
Ex Date	23 October 2012
Record Date The Company determines eligible shareholders.	29 October 2012
Opening Date The date upon which the Entitlement Offer opens.	31 October 2012
Dispatch of Prospectus Prospectus sent to all eligible shareholders.	31 October 2012
Closing Date The date on which the Entitlement Offer closes. Applications must be received by 5:00pm (WST).	21 November 2012
Notification of shortfall	26 November 2012
Allotment Date The date upon which the New Shares and New Options are allotted.	29 November 2012
Dispatch Date The date on which holding statements are sent to shareholders that have taken up their entitlement of New Shares.	29 November 2012
Share Trading Date The date upon which New Shares commence trading on the ASX.	30 November 2012

The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend these dates without prior notice including extending the last

date for receipt of the Entitlement and Acceptance Form, or to delay or withdraw the Offer at any time without prior notice. If withdrawn, all Application Monies for New Shares which have not been issued will be refunded (without interest) as soon as practicable.

A copy of the Prospectus and an Appendix 3B in respect of the Rights Issue accompanies this announcement.

- Ends -

For further information:

Mr John Davis
Managing Director, Exterra
T +61 8 9317 9700
E j.davis@exterraresources.com.au

Ms Zoey Tyson / Ms Karen Oswald
Purple Communications
T +61 8 6314 6301
E ztyson@purplecom.com.au

Mr Andrew Rowell
Pursuit Capital Pty Ltd
T +61 8 6267 9032
E arowell@pursuitcapital.com.au

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 consent 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.

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.