

SECOND FORTUNE PROJECT DEVELOPMENT UPDATE

Exterra Resources Limited

ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares: 336.2m

Options: 87.1m

Directors and Management:

John Davis

Executive Chairman

Geoff Laing

Executive Director

Justin Brown

Non-Executive Director

Dennis Wilkins

Company Secretary

27th April 2017

Exterra Resources Limited ("Exterra" or "the Company") (ASX:EXC) is pleased to provide an update of development milestones for the Second Fortune Project.

SUMMARY:

- **Mullock processing commences at Second Fortune.**
- **Construction of the ore sorting circuit and associated infrastructure completed and commissioning commenced.**
- **All permitting now in place for sorting operations at Second Fortune with the recently received Licence to Operate.**
- **Plan of Works approval received to recover mullock from dumps for processing at Second Fortune.**
- **Construction of the evaporation ponds has been completed and commissioning of the dewatering system has commenced.**
- **Mine planning activities for the Second Fortune Underground mine are ongoing with the focus shifting to a hybrid owner contracting model. All Approvals are in place to commence mine development.**

The sorting plant and associated infrastructure including the Tomra colour/NIR sorting machine, have been installed and are undergoing commissioning. All electrical and water reticulation works are complete and the sorting machine has been calibrated and operated. Commissioning is at an advanced stage and early indications of the circuit performance are very positive. Details of the circuit performance and the potential impact on the integrated mining and mullock project will be discussed in coming weeks.

Exterra's Executive Chairman, John Davis said: "Now that the operating licenses are in place we look forward to ramping up production from the mullock dumps as the preliminary stage to starting the mine at Second Fortune."

Figure 1: The Ore Sorting Processing Plant – Commissioning commenced



The Department of Environmental Regulation has approved the "Sorting Plant" Licence to Operate which is the final approval required to commence operations. In addition, approval has been granted for the Plan of Works to recover mullock material from dumps to the north of Second Fortune which paves the way for processing of mullock material. This is an important milestone in the progress of the Second Fortune development strategy as the potential to generate revenue while commissioning and ramping up production through the sorting plant is now being rolled out. Mullock material will be recovered from the dumps and processed through the sorting circuit which will significantly 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. This trial phase is expected to take several weeks.



Figure 2: Ore Sorting Platform.

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. 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. 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.



The evaporation cells have been completed and the Licence to Operate acquired (contingent on submission of as built documentation). The dewatering system is being commissioned and the pit dewatering at an advanced stage as a result of the water drawdown required for the various site construction activities.

Site offices for the owner's team and mining contractors are being refurbished and reverse osmosis plants being installed. The site is now equipped for the ramp up phase of the project.

Figure 3: Evaporation ponds

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.

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