

September 2013 Quarterly Report

29 October 2013

Exterra Resources Limited

ACN 138 222 705

ASX Code: EXC

www.exterraresources.com.au

Issued Capital:

Ordinary Shares:

181.2m

Options:

23.6m

Cash (30 September 2013):

\$865,000

Directors and Management:

John Davis

Managing Director

Justin Brown

Non-Executive Director

Gary Morgan

Non-Executive Director

Peter Cole

Non-Executive Director

Dennis Wilkins

Company Secretary

Exterra Resources Limited (“Exterra” or “the Company”) is pleased to present a summary of activities undertaken by the Company during the September 2013 quarter.

- Following receiving all Regulatory Approvals from the Department of Mines and Petroleum (DMP) and the Department of Environmental Regulation (DER) for development of the Company’s 100%-owned Second Fortune Gold project at Linden, the focus has been on reviewing the mine plan, focussing on the Main Lode resource, taking into account current gold price and potential reductions in Capital and Operating costs within the current subdued resources market.
- The Company has also extended the date for formalising the Gold Ore Processing Agreement with Saracen Mineral Holdings until February 2014.

1.0 LINDEN GOLD PROJECT, Western Australia (100% interest)

1.1 SECOND FORTUNE MINE DEVELOPMENT

Work on the Company's 100%-owned Second Fortune Gold Project at Linden has continued during the past three months with now all Regulatory Approvals in place to support mine development.

The Company recently noted that in light of the recent reduction in the gold price to A\$1,350 per oz, from A\$1,750 per oz in October 2012 (initial Scoping Study), Exterra had elected to review the mine plan for Second Fortune, looking at a self-funding trial mining development, which immediately accessed the upper levels of the original mine, which operated in 1988.

The trial mining accesses areas where historic underground development, geological mapping and detailed face sampling have provided definitive information on which to focus a trial mine development and for which there is high confidence in the outcome.

The trial mining development can be completed at a lower capital cost, relatively low risk, will be self-funding and will confirm the ore body characteristics, which will support the full mine development decision and with better understanding of mine production and cost parameters.



Figure 1. Linden location plan

In mid-April 2013 the gold price fell from A\$1500/oz to A\$1350/oz. The Scoping Studies, published in October 2012, had been modelled on a gold price of A\$1750/oz. Since the gold price decline in April 2013, the Australian gold price has traded between A\$1350 to A\$1500 /oz.

When the Company initially obtained costs (both operating and capital) for the Scoping Study we were in a labour and contractor market where demand exceeded supply. The Company is of the view the mining labour and contractor market is quickly moving to a position of excess supply and we are now starting to see evidence that capital and operating costs in WA are declining. Small changes in the mining costs have a significant impact on the Project's NPV.

Exterra continues to review the Trial Mine option, reviewing Capital and Operating costs under current market conditions and continue discussions with a number of potential funding sources. We expect a positive outcome to these studies in the near future.



Figure 2. Exterra Linden project location, Haul road and Carosue Dam plant location

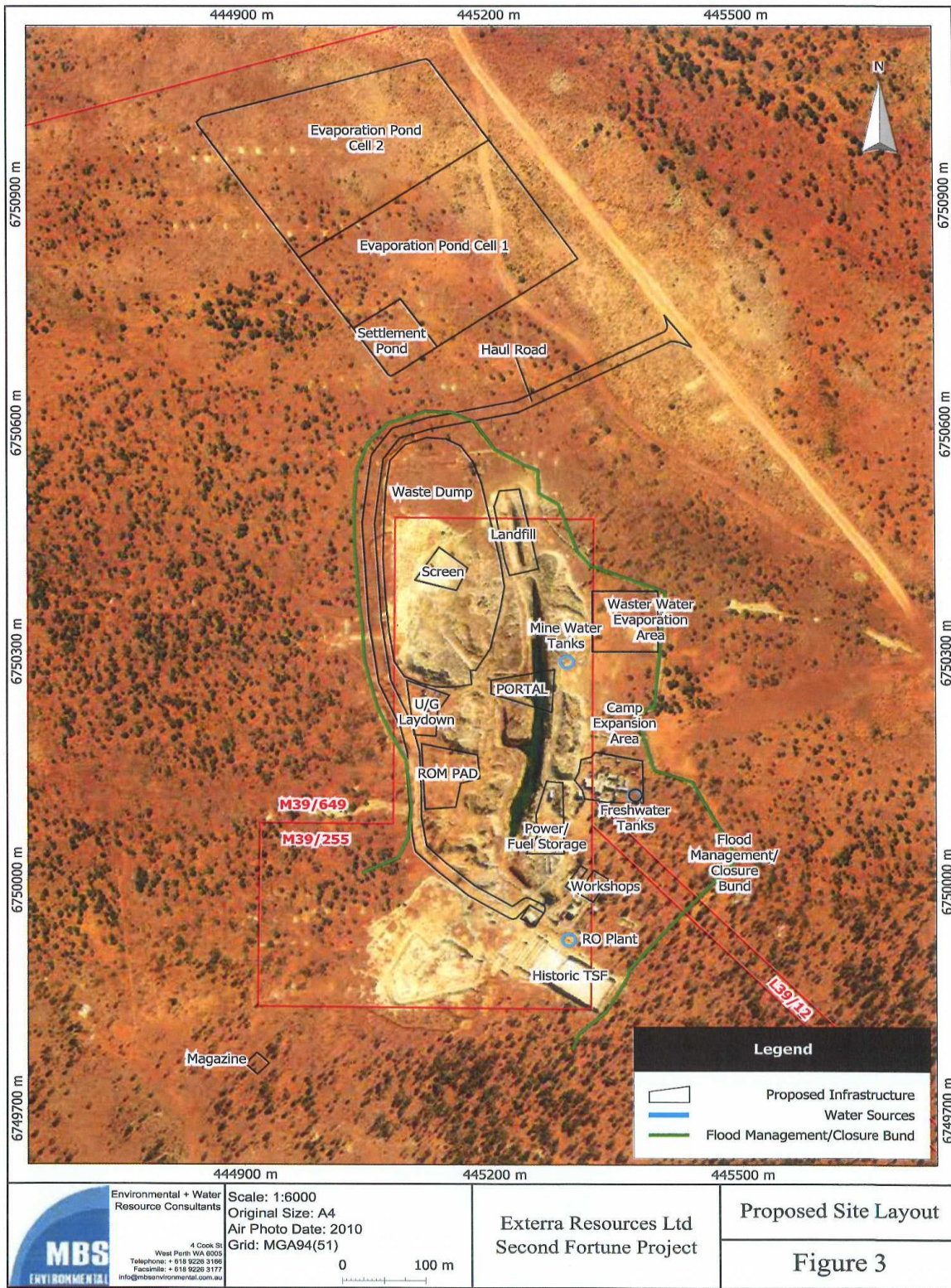


Figure 3. Second Fortune Site Layout plan

1.2 SECOND FORTUNE DEVELOPMENT TIMETABLE

The Company is pleased with the progress that has been made over the past three months.

MONTH	FY2012/ 13											FY2013/14				
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Mining Scoping Study			√													
Underground Mining Study								√								
Baseline surveys					√											
Water balance/dewatering assessment					√											
DEC/DMP scoping meeting							√									
Processing MOU												√				
Prep Mining Proposal, MCP								√								
Project Financing																
Submit Docs to DMP/DEC										√						
Regulatory Approvals																√
Project Development/production																

Figure 4. Second Fortune Development Timetable

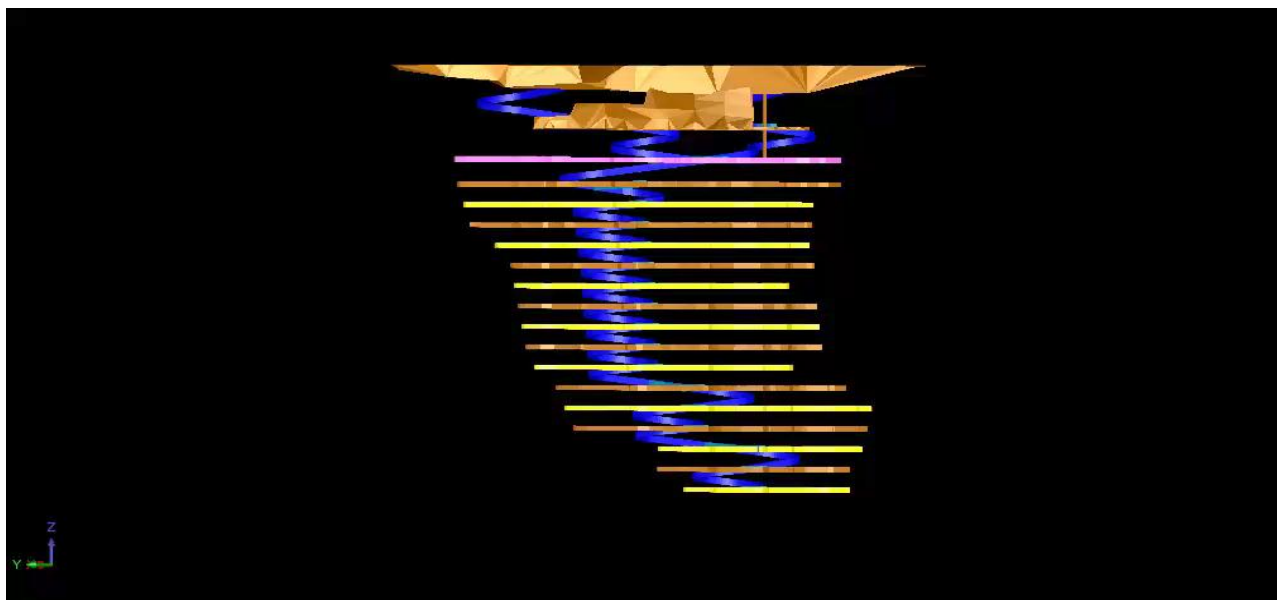


Figure 5. Second Fortune Preliminary Mine Design

2.0 EGERTON GOLD PROJECT, Western Australia (100% interest)

During the June 2013 Quarter Exterra advised that an Option Agreement had been signed for the sale of the Company's 100%-owned Egerton Gold Project to Gascoyne Resources Ltd (Gascoyne) for a total consideration of \$1million.

Gascoyne are managing the project during the Option period and are responsible for exploration activities and for all administrative costs in keeping the tenements in good standing.

3.0 MALCOLM GOLD PROJECT, Western Australia (100% interest)

The Malcolm Project consists of granted Mining Lease M37/1164 (105 ha), over 2.0km in strike, and contains the historic North Star and Richmond Gem gold mines which produced 40,000 oz of gold at an average grade of 21.03 g/t Au and 28.00 g/t Au respectively between 1894 and 1915. The project is located 18km to the east of Leonora and 70km to the NW of Zelica/Eucalyptus in the NE Goldfields of WA.

Exterra has completed a data review. An exploration drilling programme will be planned to confirm and extend the current Resource base at Malcolm.

4.0 ZELICA GOLD PROJECT, Western Australia (100%)

Exterra continues to review the Zelica Scoping Study in line with the development of the Second Fortune underground mine.

5.0 EUCALYPTUS GOLD PROJECT, Western Australia (90-100% interest)

As noted previously, the Eucalyptus Project is subject to forfeiture taken against the tenements, while under management by the prior owners. A Wardens Court hearing was held in Perth between 15th-18th April 2013 to assess the forfeiture and expenditure exemption claims. A ruling on this matter is currently pending.

6.0 CORPORATE

Exterra continues to conserve cash expenditure with limited field work while focussing on the Second Fortune Scoping Study review. Rationalisation of tenement holdings is currently under review.

7.0 DECEMBER QUARTER 2013 ACTIVITIES

The following activities are planned to be undertaken during the December 2013 quarter:

- Second Fortune Underground Project:
 - Progress of Trial Mining study
- Warden's Court decision on the Eucalyptus forfeiture action.

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, which has JORC Resources of 131,200 ounces at 9.0 g/t Au, is currently the subject of a development study, with all approvals lodged to enable project development of an underground mining operation during 2013/2014.

For further information:

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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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Exterra Resources Limited

ABN

26 138 222 705

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(217)	(217)
(b) development	-	-
(c) production	-	-
(d) administration	(105)	(105)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	24	24
Net Operating Cash Flows	(288)	(288)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	15	15
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	15	15
1.13 Total operating and investing cash flows (carried forward)	(273)	(273)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(273)	(273)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share issue transaction costs	-	-
Net financing cash flows		-	-
Net increase (decrease) in cash held		(273)	(273)
1.20	Cash at beginning of quarter/year to date	1,138	1,138
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	865	865

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	68
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	125
Total	275

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	155	128
5.2 Deposits at call	710	1,010
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	865	1,138

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

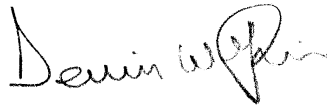
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (<i>description</i>)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	181,152,994	181,152,994		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (<i>description</i>)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (<i>description and conversion factor</i>)	3,600,000 500,000 8,500,000 11,000,000	- - - -	<i>Exercise price</i> 20 cents 20 cents 25 cents 30 cents	<i>Expiry date</i> 30 September 2013 20 May 2016 31 December 2014 31 December 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (<i>totals only</i>)				
7.12 Unsecured notes (<i>totals only</i>)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 29 October 2013

Print name: **Dennis Wilkins**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.