

Exterra Resources Ltd

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Exterra Resources merger synergies drives share price

Exterra Resources (ASX:EXC) shares have traded over 20% higher today as the company has entered a merger agreement with Anova Metals (ASX:AWV).

Under the merger implementation agreement Anova has agreed to acquire all of the issued capital of Exterra by way of a scheme of arrangement.

Geoff Laing, director, commented: "This is a compelling transaction for both Exterra and Anova that will combine near term cash flows with exploration upside.

"We look forward to working with the Anova team to advance Big Springs to production and particularly to applying sorting technology where it provides a competitive advantage.

"The combined entity will have a strong project portfolio experienced development team and a balance sheet that allows progress to development."

Merger summary

The merged entity will have a top tier portfolio of production, development and exploration projects under the guidance of an experienced and proven management team.

It will advance the combined entity towards becoming a multi-jurisdictional gold producer with a project portfolio featuring Western Australia and Nevada in the U.S.

Both company's boards believe that the combination of Anova's strong balance sheet and Exterra's near term production Linden gold project is compelling for shareholders of both companies.

Exterra's board have unanimously recommended that all Exterra shareholders vote in favour of the merger.

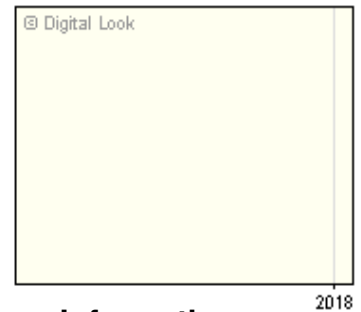
Exterra shareholders who collectively hold 19.92% of Exterra have executed statements of intention stating that they will vote in favour of the merger subject to the same qualifications.

Core assets

A merged entity would own JORC compliant resources totalling 1.23 million ounces of gold and Ore Reserves totalling 65,000 ounces gold across two advanced projects with exploration upside.

The first being Exterra's Linden gold project which features the Second Fortune gold mine, located in Western Australia, which is commencing production.

1 Year Share Price Graph



Share Information

Code: EXC
Listing: ASX
Sector: Mining
Website: www.terreresources.com.au

Company Synopsis:

Exterra Resources Ltd (ASX:EXC) has gold projects located in the NE Goldfields region of Western Australia and holds an option to acquire a lithium project.

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The second being Anova's permitted and production-ready Big Springs gold project located in the U.S. state of Nevada.

Interim funding arrangements

To ensure that Exterra is able to continue to progress the development of the Second Fortune project whilst the merger is being implemented, Anova has agreed to advance up to \$2 million in loan funding to Exterra prior to completion of the scheme.

Analysis

This proposed merger importantly provides access to short term funding for the development of the Linden gold project.

It also provides Exterra shareholders with access to a larger and more liquid market through the increased scale of the merged entity.

The merged entity will provide Exterra with an additional 1.03 million ounces of JORC gold resources through Anova's Big Springs near-production project, with significantly greater exposure to exploration and development upside.

Results of a completed feasibility study recently revealed the financial and technical viability of the Second Fortune gold mine.

The study was based on developing a mine below the existing open pit and generating a sorted concentrate for toll treating.

Some of the key metrics are impressive, including forecast life-of-mine free cash-flow of \$25 million before financing costs; and an internal rate of return of 133%.

The mine benefits from access to infrastructure, as its located 220 kilometres from Kalgoorlie in Western Australia.

The first court hearing to convene the scheme meeting and approve the scheme booklet for the merger is targeted for mid to late July 2017.

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