



Management's Discussion and Analysis

For the Six Months Ended June 30, 2014

Dated: August 21, 2014

Quaterra Resources Inc.
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Introduction

This Management's Discussion and Analysis ("MD&A") of Quaterra Resources Inc. ("Quaterra" or the "Company") has been prepared by management in accordance with the requirements under National Instrument ("NI") 51-102 as of August 21, 2014, and provides analysis of Quaterra's financial results for the six months ended June 30, 2014.

The following information should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 and the condensed consolidated interim financial statements for the six months ended June 30, 2014, together with the related notes thereto. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts contained herein are in Canadian dollars, unless otherwise indicated.

Quaterra is a Canadian-based, junior exploration company focused on exploration and development of the Yerington Copper District in Nevada. It also has gold, silver and other copper projects in the United States and Mexico.

The Company's shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "QTA" and OTCQX market under the symbol "QTRRF". Additional information related to Quaterra is available on the Company's website at www.quaterra.com, on SEDAR at www.sedar.com or the United States Securities and Exchange Commission ("SEC") www.sec.gov.

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results for the current periods presented are not necessarily indicative of the results that may be expected for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events.

Unless otherwise stated, Mr. Steven Dischler, P.E., Chief Executive Officer of the Company, is the qualified person responsible for the preparation of the technical information included in this MD&A.

Corporate Strategy and Financial Condition, Liquidity and Capital Resources

The Company continues to focus its efforts on its 100% owned Yerington district copper assets. Divesting non-core assets of the Company with the proceeds to be used in furthering the core asset, copper in the Yerington District, also continue. On June 16, 2014, the Company through its subsidiary Singatse Peak Services (SPS) announced it entered into an Membership Interest and Option Agreement (Agreement) with Freeport-McMoRan Nevada LLC ("Freeport") which set out the terms for due diligence and exploration of the Company's Yerington Nevada copper assets. SPS's Yerington Nevada assets include MacArthur, Yerington Pit, Bear Deposit and all other properties that SPS and Quaterra controls in Yerington. Details of the Freeport Agreement were disclosed in a June 16, 2014 press release that is on the Company's website. Details of the Freeport Agreement are summarized below.

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Under the Agreement, after conducting additional due diligence about SPS over the next year, Freeport has the right to earn an initial 55% interest in SPS by providing funds to SPS to complete three staged investigation and work programs totaling US\$38,600,000 in project funding. During these stages, Freeport provides funding to SPS for property maintenance, G&A, environmental compliance and, in later stages, exploration. Freeport can earn a further 20% interest in SPS (increasing its holding to 75%) should it elect to fund SPS with a further US\$100 million of spending, or complete a feasibility study, whichever comes first.

Within the first 12-month stage of the Agreement, Freeport must provide SPS US\$2,500,000 for land, water and mineral rights title acquisitions and maintenance costs; G&A; and compliance with environmental laws. Freeport can terminate the agreement within the first stage of the agreement at its discretion, with the US\$2,500,000 being a firm commitment. Freeport can extend stage one of the agreement for up to a further 12 months upon payment of US\$1,250,000 for each six month extension.

In order for the second stage of the Agreement to commence, Freeport must commit to fund US\$6,100,000 over the ensuing post-stage one 12 month period for; property maintenance costs; G&A; environmental compliance; and exploration of the property. During the 24 month third stage of the agreement Freeport may fund up to US\$30,000,000 for exploration of the property; property maintenance costs; G&A; and environmental compliance. If Freeport completes the stage three funding it will have invested approximately US\$40,000,000 in the Yerington Project and will have earned the right to own a 55% interest in SPS.

If Freeport chooses to proceed beyond Stage 3, it can elect to fund a further US\$100,000,000, or fund the costs of completion of a feasibility study, to earn an additional 20% interest for a total 75% interest in SPS (the Additional Sole Funding). Alternatively, Freeport can choose to fund with Quaterra, proportional to their 55% and 45% working interests. If Freeport completes the Additional Sole Funding, Quaterra may elect to fund 25% of project expenditures or transfer an additional 5% interest to Freeport in return for Freeport carrying the first US\$50,000,000 of Quaterra's proportionate share of funding which is repayable from 90% of Quaterra's project proceeds.

At any time when the parties are proportionally funding their share of costs, and before an affirmative decision to begin production, a non-funding party will suffer ordinary dilution. Should either party's interest fall below 10%, it will be converted into a 1% NSR royalty. After a production decision, a non-funding party will dilute to a 1% NSR royalty.

On June 19, 2014, the Company announced a private placement of up to US\$500,000 of units where each unit comprised a US\$1,000 principal amount promissory note and 11,442 non-transferable share purchase warrants. This issue was closed on July 3, 2014.

To date, Quaterra has not generated revenues from its operations and has been dependent on equity, joint venture partners' contribution and proceeds from disposal of certain mineral properties for additional funding. The Company is considered to be in the exploration stage. Working capital deficiency as at June 30, 2014 was \$1,064,953 and cash on hand was \$610,059. As at August 21, 2014, the Company has cash of approximately \$1,000,000.

The Company continues to investigate alternative ways to raise funds including: i) the sale of non-Yerington mineral property interests, ii) joint venture agreements with third parties and iii) equity financing, to provide

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working capital for ongoing operations, and exploration activities. In addition to these measures, the Company continues to take steps to minimize costs. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral properties, divestment and exploration activities. Management is continuing to consider ways to monetize its non-Yerington properties.

During the period ended June 30, 2014, the Company expended \$1,572,679 cash in operating activities. General and Administrative expenses totaled \$750,812 with approximate allocations of 30% in personnel costs, 21% in professional and consulting expenses, 16 % in administration and general office expenses, 7% in transfer agent, travel and shareholder communications. These are cash expenses; the Company also incurred \$186,713 in non-cash share-based payments for approximately 25%.

The Company also incurred \$846,975 in mineral property acquisition and exploration costs: 82% in the Yerington district copper projects prior to the Freeport Agreement, 17% in Nieves, and 1% in Herbert Gold. The Company continues to focus its efforts on Yerington copper projects and continues to seek ways to monetize its non-core assets, including Nieves, Herbert Gold and residual interests in Butte Valley, SW Tintic and Cave Peak.

The ability of the Company to continue its exploration programs is dependent on the continuing success of its programs and on generating sufficient additional funding to support those exploration programs.

Update on Mineral Properties

Exploration costs (geological, geophysical, technical studies and other) of \$82,604 were incurred at MacArthur, \$127,019 at Yerington and \$32,437 at Nieves totaling \$308,352 for the quarter.

Acquisition costs relating to the MacArthur deposit for \$273,104 where an option payment was made, Yerington for \$27,768 and the Bear deposit for \$155,874 totaling \$538,623. The balance of this section is repeated from the previous quarter except for updating of relevant costs.

MacArthur Property, Nevada

(Note that as part of the Freeport Agreement, all of the MacArthur properties have been transferred to SPS, effective August 11, 2014).

The Company's 100%-owned MacArthur project is a secondary enriched acid soluble copper deposit located 70 miles southeast of Reno, Nevada. Exploration drilling began in April 2007 and as of December 2013 a total of 204,700 feet of drilling in 401 holes had been completed on the property. The drilling program has delineated a widespread blanket of acid soluble copper oxide and chalcocite mineralization above primary copper mineralization that may represent the fringes of a major porphyry copper system.

M3 Engineering & Technology Corp. ("M3") of Tucson, Arizona completed a preliminary economic assessment ("PEA") for the MacArthur project on May 23, 2012. The PEA was amended and restated on January 27, 2014. The study concluded that the project has potential for development as a large-scale copper oxide heap leach operation that would provide long-term cash flows for a relatively modest capital outlay.

The PEA set out the following key project parameters:

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- An open pit mine based on an acid soluble measured and indicated copper resource model of 159 million tons at 0.212% copper and an inferred resource of 243 million tons at 0.201% copper.
- Recovery of 747 million pounds of copper over the 18-year mine life at an average mining rate of 15 million tons per year with a waste to ore stripping ratio averaging 0.90.
- Initial capital expenditure of US\$232.7 million.
- Average life-of-mine operating costs of US\$1.89 per pound.
- An after tax net present value ("NPV") of US\$201.6 million at an 8% discount rate and a base case copper price according to SEC guidelines of US\$3.48 per pound. (The project breaks even at a copper price of \$2.56 per pound until the capital is paid off in 3.1 years. Thereafter, the breakeven is US\$2.23 per pound.)
- An after tax internal rate of return ("IRR") of 24.2% with a 3.1-year pay back.

Mine operating costs were provided by Independent Mining Consultants Inc. ("IMC") of Tucson, Arizona, based on an average 41,000 ton per day mine plan.

The projected cash-flows are enhanced by including in the above cash flows a sulfuric acid plant at the site compared to purchasing and transporting acid to the site. An on-site acid plant provides more long term certainty for the highest operating cost item (sulfuric acid), reduces the requirement for purchased electric power, and would leverage future consolidation and development of other oxide deposits in the District.

The SX/EW capital cost estimate was prepared based on recent M3 in-house information of similar SX/EW facilities. It includes the heap leach pads, SX/EW facility and tank farm based on a design flow rate of 10,400 gal/min. Additional upfront capital costs were included for mining equipment and infrastructure improvements (power, water, roads) needed at the site. Capital costs are considered accurate to -20% to +25%.

The copper recovery and acid consumption for the financial analysis were determined by Tetra Tech Inc. ("Tetra Tech") of Golden, Colorado, after review of the metallurgical test data from 32 recent column tests performed by Metcon Research of Tucson, Arizona, ("Metcon") and historical operating data from previous operations at the site.

The Qualified Person for the preliminary economic assessment is Mr. Rex Henderson with M3. The Qualified Person for the mining portion of the report is Herb Welhener of IMC. The Qualified Person for the metallurgical portion of the report is Dr. Richard Jolk of Tetra Tech.

Tetra Tech completed an updated National Instrument ("NI") 43-101 compliant independent resource estimate for the MacArthur PEA. At a 0.12% cutoff, the tonnage of the measured oxide and chalcocite resource was 71,829 million tons at 0.218% copper containing 313 million lbs. of copper, the indicated oxide and chalcocite resource was 87,264 million tons at 0.208% copper containing 362 million lbs. of copper, and the inferred oxide and chalcocite resource was 243.4 million tons at 0.201% copper containing 979.5 million lbs. of copper.

MacArthur's indicated sulfide resource at a 0.15% cutoff is 1.1 million tons averaging 0.292% copper containing 6.4 million pounds of copper. And the inferred sulfide resource was 134.9 million tons averaging 0.283% copper containing 764 million lbs. of copper.

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MACARTHUR COPPER PROJECT^{1,2,3,4}

Oxide and Chalcocite Material				Primary Material			
Cutoff Grade	Tons	Average Grade	Contained Copper	Cutoff Grade	Tons	Average Grade	Contained Copper
(%TCu)	(x1000)	(%TCu)	(lbs x 1000)	(%TCu)	(x1000)	(%TCu)	(lbs x 1000)
Measured Copper Resources				Measured Copper Resources			
0.25	15,929	0.350	111,599	0.25			
0.20	33,472	0.283	189,518	0.20			
0.15	58,388	0.237	276,993	0.18			
0.12	71,829	0.218	313,174	0.15	N/A	N/A	N/A
Indicated Copper Resources				Indicated Copper Resources			
0.25	13,930	0.379	105,478	0.25	507	0.416	4,216
0.20	31,949	0.290	185,049	0.20	670	0.369	4,938
0.15	67,271	0.229	308,639	0.18	796	0.340	5,414
0.12	87,264	0.208	362,320	0.15	1,098	0.292	6,408
Inferred Copper Resources				Inferred Copper Resources			
0.25	43,695	0.366	311,108	0.25	53,060	0.423	449,312
0.20	82,610	0.293	483,929	0.20	89,350	0.341	609,188
0.15	166,930	0.232	774,889	0.18	101,375	0.323	654,680
0.12	243,417	0.201	979,510	0.15	134,900	0.283	764,074

¹Independent qualified person, Dr. Rex Bryan, prepared and supervised the preparation of these mineral resources.

²All estimated resources are shown using a 0.12% and 0.15% copper cutoff for oxide and sulfide respectively

³Minor rounding errors may occur

⁴Amended NI 43-101 Technical Report Preliminary Economic Assessment - Issue date: 17 January 2014 Effective Date: 23 May 2012

Acquisition costs incurred through June 30, 2014 were \$3,636,412 and exploration expenditures were \$19,588,920 for a total of \$23,225,332. Acquisition costs incurred to December 31, 2013 were \$3,363,308 and exploration expenditures were \$19,501,476 for a total of \$22,864,784

Yerington Property, Nevada

The Yerington project is a large partially mined porphyry copper system (1952 – 1977, Anaconda) that includes the Yerington and a portion of the Bear copper deposits. Copper mineralization occurs as primary sulfides below the Yerington pit and in the Bear deposit and as acid soluble copper oxides and chalcocite around the Yerington pit margins. The property has the potential to produce significantly more copper than mined by previous operations. With the possible integration of the MacArthur oxide deposit, the Yerington project presents the opportunity to return the district as one of Nevada's major copper producers.

Quaterra's subsidiary, Singatse Peak Services LLC ("Singatse" or "SPS"), purchased the Anaconda Mine and MacArthur Mine properties along with the appurtenant ground water rights in 2011. (Note, as part of the Freeport Agreement, all former Anaconda properties remain in the name of SPS) SPS owns a total of 8,621 acre-feet/yr of primary ground water rights which have senior priority standing. The purchased water rights are primary ground water rights specifically permitted for mining and milling.

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These water rights have significant value. Recent sales of primary ground water in Mason Valley Nevada have sold for over \$3,000 per ac-ft.

After a technical review of all available historical information, SPS commenced exploration on the Yerington Copper project with a drilling program comprising 21,856 feet in 42 holes during the last half of 2011.

Tetra Tech completed a NI 43-101 compliant independent resource estimate and technical report update for the mineralization in and around the historic Yerington Mine in November of 2013 which supersedes its previous report completed in February 2012. The updated resource is based upon an additional 232 historic Anaconda holes unavailable when the previous report was completed. The current resource now includes over 800 boreholes.

These additional holes are well distributed throughout the deposit and provided infill and extensional information to the previously used data, allowing upgrades in classification, improved grade estimate and a new resource definition.

The increases to the February 2012 resource are as follows. Using a 0.12% TCu copper cutoff, measured and indicated oxide and chalcocite resources increased 28% in tons, 9% in grade, and 37% in pounds of contained copper while the inferred resource increased 5% in tons, 14% in grade, and 21% in contained copper. Using a 0.15% TCu copper cutoff, the primary measured and indicated resources increased 12% in tons, 12% in grade, and 25% in contained copper while the inferred resource increased 4% in tons, 11% in grade, and 13% in contained copper.

Using a cutoff grade of 0.12%, the Yerington Mine's measured and indicated acid-soluble oxide/chalcocite mineralization includes a measured and indicated resource of 23.5 million tons averaging 0.25% TCu (118 million pounds of copper) and an inferred resource of 25.9 million tons of 0.23% TCu (118 million pounds of copper). Using a cutoff of 0.15% TCu, the measured and indicated primary copper resource contains 105 million tons averaging 0.30% TCu (633 million pounds of copper) and an inferred primary copper resource of 128 million tons of 0.23% TCu (600 million pounds of copper).

The updated tons, grades, and pounds are presented in the table below as well as the percent increase from the February 2012 resource estimate.

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YERINGTON COPPER PROJECT RESOURCES USING SELECTIVE CUTOFF FOR OXIDE AND SULFIDE ^{1,2,3}							
MEASURED	Cutoff	2013 ESTIMATE			% CHANGE FROM 2012 ESTIMATE ⁴		
		%Cu	Tonsx1000	Grade	Lbsx1000	Tonsx1000	Grade
Oxide and Chalcocite Material	0.12	6,500	0.25	33,000	8%	10%	17%
Sulfide (Primary Material)	0.15	31,000	0.33	205,000	-3%	10%	8%
<i>Combined</i>	<i>0.12,0.15</i>	<i>37,500</i>	<i>0.32</i>	<i>238,000</i>	<i>-1%</i>	<i>10%</i>	<i>9%</i>
INDICATED	Cutoff	2013 ESTIMATE			% CHANGE FROM 2012 ESTIMATE ⁴		
		%Cu	Tonsx1000	Grade	Lbsx1000	Tonsx1000	Grade
Oxide and Chalcocite Material	0.12	17,000	0.25	85,000	37%	9%	47%
Sulfide (Primary Material)	0.15	74,000	0.30	428,000	19%	15%	35%
<i>Combined</i>	<i>0.12,0.15</i>	<i>90,000</i>	<i>0.29</i>	<i>513,000</i>	<i>22%</i>	<i>12%</i>	<i>37%</i>
MEASURED + INDICATED	Cutoff	2013 ESTIMATE			% CHANGE FROM 2012 ESTIMATE ⁴		
		%Cu	Tonsx1000	Grade	Lbsx1000	Tonsx1000	Grade
Oxide and Chalcocite Material	0.12	23,500	0.25	118,000	28%	9%	37%
Sulfide (Primary Material)	0.15	105,000	0.30	633,000	12%	12%	25%
<i>Combined</i>	<i>0.12,0.15</i>	<i>128,000</i>	<i>0.29</i>	<i>751,000</i>	<i>14%</i>	<i>11%</i>	<i>26%</i>
INFERRED	Cutoff	2013 ESTIMATE			% CHANGE FROM 2012 ESTIMATE ⁴		
		%Cu	Tonsx1000	Grade	Lbsx1000	Tonsx1000	Grade
Oxide and Chalcocite Material	0.12	25,900	0.23	118,000	5%	14%	21%
Sulfide (Primary Material)	0.15	128,000	0.23	600,000	4%	11%	13%
<i>Combined</i>	<i>0.12,0.15</i>	<i>154,000</i>	<i>0.23</i>	<i>718,000</i>	<i>4%</i>	<i>10%</i>	<i>14%</i>

¹Independent qualified person, Dr. Rex Bryan, prepared and supervised the preparation of these mineral resources.

²All estimated resources are shown using a 0.12% and 0.15% copper cutoff for oxide and sulfide respectively

³Minor rounding errors may occur

⁴ NI 43-101 Technical Report, Feb. 17, 2012

Based on benchmarking of the Yerington Deposit to similar deposits, Tetra Tech has determined that reasonable base case cutoff grades for the leachable (oxide/chalcocite) SX/EW recoverable copper and for flotation recoverable primary sulfide resources are 0.12% TCu and 0.15% TCu, respectively.

The results of the 2013 NI 43-101-compliant resource estimate compare favorably to the estimates of copper remaining in and around the Yerington pit after the mine shut down (K.L. Howard, Jr., Anaconda Internal Memo, 1979). The 1979 estimate contained no classification for measured, indicated, or inferred, so direct comparison can only be made when considering all classes of the current estimate, but was reported at 121 million tons with an average grade of 0.34% TCu.

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The Yerington Copper Project has potential for significant additional resources. Historic and current drilling data indicate that limits to copper mineralization at the Yerington Mine have not yet been established, either horizontally or vertically. Additional exploration and in-fill drilling is being planned to expand and upgrade the copper resources in the pit area to below the 3,000 feet level where only four historic holes have actually explored the deep vertical projection of mineralization. IP geophysics in the pit area is also being considered to target deep holes to explore the keel of the Yerington porphyry system.

A drilling program to sample residuals (historic dumps and tailings) at the Yerington site was completed in September 2012. A total of 9,585 feet of sonic drilling in 95 holes have provided material for the characterization of the vat leach tails, heap leach pads, and the W-3 sub-grade waste dump. The samples were sent to Metcon Labs in Tucson, Arizona for metallurgical testing. These residuals, historically estimated to total 124 million tons of mineralized material, reflect a potential to enhance the MacArthur project once they become NI 43-101 compliant.

Metallurgical testing is also planned in the future for core from sulfide mineralized zones below the Yerington pit and oxide copper mineralization in the vicinity of the mine. The test results will be used in an economic assessment of the property and an assessment of the merits of a possible integration of the MacArthur and Yerington operations.

In September 2012, SPS reached a voluntary agreement with the U.S. Environmental Protection Agency (EPA) to participate in upgrading the system which manages fluids from the historic mining operation at the Yerington mine site. In exchange for SPS's participation in this work, the Company obtained a site-wide 'Covenant Not to Sue' for the contamination left at the site by former owners and operators of the historic mine operations.

The agreement provides for immediate environmental improvements to the site and allows SPS to continue exploration at the site while working cooperatively with the EPA, Nevada Department of Environmental Protection and the community. The Agreement's 'Covenant Not to Sue' strengthens SPS's 'Bona Fide Prospective Purchaser Defense' against liability resulting from the contamination at the site prior to SPS's purchase.

The first phase of the fluid management project was completed in Q4 of 2012. The Company co-funded the repairs to the on-site fluid management system (FMS) by the EPA as well as the relining of one of the system ponds. During Phase 2 of the project, the Company completed a study of the FMS to determine what additional repairs or other modifications are necessary to ensure that the system is capable of handling the fluids from the former mine operations for a period of five years. The Study was completed by the Company's contractor in June 2013. EPA decided not to implement the 5-year capacity alternative recommended in the Study. Rather, EPA decided to build new ponds to address the FMS capacity issues.

The Company decided not to fund construction of the additional ponds. Rather, the Company agreed to provide property at the site to construct the new ponds.

During 2014, SPS will prepare a Final Report and anticipates that EPA will issue a Notice of Completion for the work performed under the Agreement. Following the Notice of Completion, SPS believes it does not have further obligations under the Agreement, except for those as a landowner and as a BFPP. The cost to be incurred during 2014 to complete SPS's obligations under the Agreement is estimated at US\$50,000.

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Acquisition costs incurred to June 30, 2014 were \$2,742,207 and exploration expenditures were \$7,200,442 for a total of \$9,942,649. Acquisition costs incurred to December 31, 2013 were \$3,368,518 and exploration expenditures were \$7,047,920 for a total of \$10,416,438.

Bear Copper Deposit, Nevada

(Note that as part of the Freeport Agreement, all of the Bear properties have been transferred to SPS, effective August 11, 2014).

A portion of the Bear deposit lies on the northeast portion of the Yerington Mine property that was acquired with the SPS purchase of Arimetco's assets from bankruptcy court. In December 2013, Quaterra announced that it has completed four option agreements covering 1,305 acres of private land north and east of the Yerington Mine Site that covers additional portions of the Bear copper deposit. Under the terms of the agreement Quaterra (now SPS) has an exclusive right to explore these parcels and has an option to purchase the properties, surface water rights and supplemental storage water rights.

The Bear deposit was discovered in 1961 by Anaconda condemnation drilling in the sulfide tailings disposal area and was further delineated by Phelps Dodge in the 1960's and 1970's. Currently the deposit is open in several directions and has never been consolidated under a single owner. A portion of Quaterra's recently acquired land holdings were not previously accessible by Anaconda or Phelps Dodge and is adjacent to the highest grade mineralization discovered during exploration of the area.

Historical information collected from the Anaconda Collection – American Heritage Center, University of Wyoming at Laramie includes data from 126,400 feet of drilling in 49 drill holes that define a mineralized system covering an area of at least 2 square miles. The portion controlled by Anaconda in the 1960s covered approximately 25% of this area and includes an estimated 500MT of mineralized material averaging 0.40% copper grade (Dilles and Proffett, 1995). The estimate is not NI 43-101 compliant and does not delineate categories for the resource.

The Bear deposit is a large porphyry copper system that occurs below 500 to 1,000 feet of valley fill and Tertiary age volcanics. The mineralization of the deposit occurs predominantly in Jurassic age Quartz Monzonite, Border Phase Quartz Monzonite, and Quartz Monzonite porphyry dikes. There does not seem to be any relation between the Jurassic rock type and the sulfide occurrence. Copper mineralization occurs most commonly as chalcopyrite with minor bornite within platings and veinlets of fresh feldspar and shreddy biotite. No copper oxide mineralization is present and only minor occurrences of chalcocite have been noted. Molybdenite seems to be a common sulfide within the deposit, occurring most commonly with the best sulfide mineralization. However, molybdenite has been analyzed on only about 20% of the historic core samples and more studies are necessary to better understand the nature and content of molybdenite.

The deposit is displaced by the gently east-dipping normal fault known as the Bear fault. The fault is defined by strongly sheared dark clay gouge with andesite and sulfide fragments. On the western part of the deposit the mineralization occurs within the upper hanging wall of the fault while to the east the mineralization occurs deeper within the lower footwall.

The Bear project is a high priority because of its very large size, historic drilling and potential for higher grades than district averages (three drill holes intersected 100 feet or more of continuous mineralization grading 1.0 % copper or more). The presence of molybdenum could also make for a significant by-product credit. Exploration to expand and upgrade the historic Bear resource into a compliant NI 43-101 resource is a high priority.

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Acquisition costs incurred to June 30, 2014 were \$496,520 and exploration expenditures were \$12,366 for a total of \$508,886. Acquisition costs incurred to December 31, 2013 were \$340,646 and exploration expenditures were \$12,366 for a total of \$353,012.

Herbert Gold Project, Alaska

Dr. Tom Patton is the Qualified Person responsible for this section.

The Herbert gold project is an early stage, partially drill-tested, high-grade, gold mineralized mesothermal quartz vein system in the historic Juneau Gold Belt of southeast Alaska. The project consists of 105 unpatented lode claims located 30 km north of Juneau and 42 kilometers south of Coeur Alaska's new Kensington gold mine. The property covers six parallel vein structures exposed at the toe of a retreating glacier.

Mineralization consists of mesothermal quartz-carbonate-gold-base metal veins similar to those in other historic mines in the district. Four principal veins have been identified, which from south to north include the Floyd, Deep Trench, Main, and Goat veins. Minor veins include the North, Ridge and Lake veins. The principal veins strike N80E and dip steeply to the north. The cumulative strike length of all mapped veins at present is over 3,700 meters.

Quaterra and Grande Portage have formed a 35% - 65% joint venture for the further exploration and development of the property with each party bearing its proportionate share of costs. Grande Portage is the operator of the Herbert gold project.

A total of 127 diamond drill holes and four trenches have investigated the Herbert Gold Property since its discovery in 1986. The 2012 drilling campaign was designed to upgrade the previously identified inferred resources to indicated resources and to test extensions of mineralization in the Main and Deep Trench veins as well as new targets in the Goat and Ridge veins.

The results of the 2012 drilling program were included in the database used by D.G. DuPre & Associates for an NI 43-101-compliant resource estimate released in February 2013. The updated estimate contains an indicated resource of 821,100 tonnes grading 6.91 grams per tonne gold (gpt) containing 182,400 ounces of gold in the Deep Trench and Main veins. The resource was calculated using a base case cut-off of 2 gpt. The Deep Trench and five veins that have had limited drill testing contain an inferred resource of 51,600 tonnes grading 7.73 gpt gold for a total of 12,800 ounces of gold. The mineralization is open at depth and along strike.

Dr. Tom Patton is Qualified Person responsible for this section. The 2012 infill drilling campaign upgraded 52.3% of the tonnes and 74.4% of the ounces from the inferred to indicated resource category from a previous resource estimate released in April last year (please see press release of April 16, 2012). At the same time the grade increased by 42.2% compared to last April's resource estimate. At a 3.0 gpt cut off, 56.0% of the tonnes and 81.7% of the ounces were converted to the indicated resource category, with an increase in grade of 46.2%. The program also delineated a higher grade shoot within the Deep Trench vein.

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Herbert Gold Project
Mineral Resource Estimate (February 2013)

Cutoff Grade (g/t Au)	Tonnes	Av. Grade (g/t Au)	Au (Ounces)
Total Indicated Gold Resources			
0.5	2,867,500	2.69	248,100
1.0	1,645,500	4.14	219,000
1.5	1,081,300	5.66	196,900
2.0	821,100	6.91	182,400
2.5	637,900	8.25	169,200
3.0	532,400	9.34	159,800
Total Inferred Gold Resources			
0.5	1,509,800	1.18	57,300
1.0	585,400	1.85	34,900
1.5	112,600	4.46	16,100
2.0	51,600	7.73	12,800
2.5	42,100	8.99	12,200
3.0	38,600	9.55	11,900

The estimate classifies resources according to proximity to the sample locations as required by NI 43-101, according to the CIM Definition Standards for Mineral Resources and Mineral Reserves. Three dimensional models were constructed from a series of cross sections for each of eight different zones. Some areas of the Main vein provided multiple options for correlations that were permissive by geology and sample geochemistry. These correlations were corrected and modified as supported by surface mapping and geology. The Deep Trench vein was remarkable in the simplicity and consistency of a very planar orientation of the correlations.

An Inverse Distance Squared (ID2) method using a block model approximately 8m x 1.5m x 6m was applied to the Main and Deep Trench veins. Smaller solids (such as the Deep Trench Vein Hanging Wall) were modeled using smaller block sizes down to 2m x 2m x 2m. Blocks required a minimum of 3 and a maximum of 12 composites within a 180m x 18m x 180m search ellipsoid, oriented parallel to the vein. Statistical studies showed that capping or averaging was not indicated. The resource remains open in multiple directions along these defined veins.

D.R. Webb P. Geol. is the Qualified Person responsible for the reserve and resource calculations while D.G. Dupre P. Geo. is the Qualified Person responsible for all other aspects of the Technical Report.

No drilling was performed during 2013. All wooden drilling platforms were dismantled and flown to an offsite location as specified in the operating permit. The third year of baseline environmental water studies was completed.

Although the 2014 Operating Plan was approved by the US Forest Service on February 27, 2014 the joint venture elected not to drill due to a lack of funds. The company is currently in the process of monetizing non-core assets, including its 35% interest in the Herbert project. In the event that Grande Portage elects to drill before Quaterra has monetized its interest, the Company will be subject to dilution if it elects not to participate.

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Acquisition costs incurred to June 30, 2014 were \$150,615 and exploration expenditures were \$1,582,995 for a total of \$1,733,610 for its 30% interest. Acquisition costs incurred to December 31, 2013 were \$150,615 and exploration expenditures were \$1,579,962 for a total of \$1,730,577 for its 35% interest.

Arizona Strip Uranium Project, Arizona

On March 14, 2014, the Company completed the sale of its uranium properties and received gross proceeds of \$500,000.

Nieves Property, Mexico

Dr. Tom Patton is Qualified Person responsible for this section.

The Nieves Silver project is a low sulfidation epithermal silver deposit hosted in three east-northeast trending, steeply south dipping vein systems with alteration and mineralization bearing strong similarities to the world class Fresnillo silver deposit. The property consists of 18 concessions covering 12,064 hectares in the Rio Grande Municipality of the Zacatecas Mining District in central Mexico. Quaterra and 50% joint-venture partner Blackberry Ventures 1, LLC, ("Blackberry") jointly own the project.

M3 Engineering & Technology Corp. ("M3") of Tucson, Arizona completed a preliminary economic assessment ("PEA") for the Nieves project October 31, 2012. The PEA was amended and restated on January 7, 2014. The study used a database including the analytical results of 54,388 meters of drilling in 185 holes to conclude that the project has potential for development as an open pit silver mine that would produce 55.5 million ounces of silver over 10-year mine life.

The PEA set out the following key project parameters:

- An open pit mine centered on the Concordia vein that contains a total of 35.4 million tonnes of mineable ore. The pit includes 28.3 million tonnes of higher grade material averaging 65 g/t silver and 0.045 g/t gold (at a cutoff of 30.5 g/t silver); and 7.1 million tonnes of lower grade material averaging 24 g/t (at a cutoff of 21.3 g/t silver). The open pit mine plan was developed based on an indicated resource of 33.0 million tonnes at 50.1g/t silver and an inferred resource of 39.3 million tonnes at 32.0 g/t silver, using a cutoff of 15 g/t.
- Recovery of 55.5 million ounces of silver and 41,000 ounces of gold over the 10-year mine life at an average mining rate of 3.5 million tonnes per year. Silver recoveries of 86% were based on testwork completed to date.
- Initial capital expenditure of US\$231.6 million with a sustaining capital cost of \$64.1 million. Capital costs are considered accurate to +/- 35%.
- Average life-of-mine operating costs of \$14.98 per ounce of payable silver.
- An after tax net present value (NPV) of \$77.1 million at an 8% discount rate and a base case silver price of \$27 per ounce and a before tax NPV of \$142.32 million. At a silver price of \$32.40 the after tax NPV is \$204 million. The project breaks even at a silver price of about \$21.37 per ounce (about \$15.25 after payback).

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- An after tax internal rate of return (IRR) of 15.7% with a 4.4-year pay back and a before tax IRR of 21.9% with a 3.4-year pay back.

The NI 43-101-compliant resource was completed by Caracle Creek International Consulting Inc. of Toronto, Canada, in June 2012. A summary of the NI43-101 within the Concordia and San Gregorio vein systems using a reporting cut-off grade of 15 g/t Ag is shown below:

Vein	Zone	Classification	Tonnes (t)	Ag (g/t)	Au (g/t)	Ag (oz)	Au (oz)
Concordia	La Quinta	Indicated	33,038,000	50.1	0.04	53,216,700	42,500
Concordia	La Quinta	Inferred	39,258,000	32.0	0.02	40,390,300	25,200
San Gregorio	North	Inferred	18,769,000	27.0	0.08	16,292,800	48,300

The mine plan for the Nieves project is an open pit that straddles the Concordia vein and includes three pit phases. A 35.4-million tonne mineralized zone would be mined at a rate of 10,000 tonnes per day resulting in a ten year mine life and at a 5.4:1 (waste to ore) strip ratio. The pit includes 28.3 million tonnes of higher grade material averaging 65 g/t silver and 0.045 g/t gold (at a cutoff of 30.5 g/t silver); and 7.1 million tonnes of lower grade material averaging 24 g/t silver (at a cutoff of 21.3 g/t silver). The San Gregorio zone was not included in the mine plan but may become viable with additional drilling.

The financial analysis is based on a silver price of \$27 per ounce and a gold price of \$1,300 per ounce, rounded numbers which are both less than the SEC-recommended three-year historical price through the end of August. The analysis includes deductions for all royalty payments and a contingency of 20%. No credits are assumed for lead or zinc. Sensitivities were run for the price of silver, operating cost and initial capital cost.

The Qualified Person for the updated Nieves project resource estimate in this release is Jason Baker, P. Eng., of Caracle Creek International Consulting Inc. (CCIC) of Toronto, Canada. Zsuzsanna Magyarosi Ph.D., P.Geo., also of CCIC, is the Qualified Person responsible for the QA/QC evaluation. Doris M. Fox M.Sc., P. Geo., also of CCIC, is the Qualified Person responsible for the site visit and sampling procedures. The Qualified Person for the preliminary economic assessment is Joshua Snider P.E. with M3 Engineering & Technology Corp., Tucson, Arizona. The Qualified Person for the mining portion of the PEA is Jeffery Choquette P.E. of Butte, Montana, and for metallurgy Thomas L. Drielick P.E. M3 Engineering & Technology Corp., Tucson, Arizona.

The PEA emphasizes that additional exploration and drilling could both expand the current pit and upgrade the San Gregorio inferred resource which was not included in this study. The San Gregorio inferred resource includes 16.3 million ounces of silver and 48,300 ounces of gold using a cutoff of 15 grams. Vein systems to the north and south of the pit also have potential for additional resources.

Between August and October 2012, Quaterra and its 50% joint-venture partner Blackberry Ventures I, LLC, tested the possible strike extension of mineralization at Nieves with 8 core holes totaling 3,060 meters. Hole QTA 190 was collared to test an induced polarization (IP) anomaly on the Orion vein a 2 kilometer westward extension of the Gregorio vein. The hole intersected 0.8 meters of 1,865 grams per tonne (g/t) silver (54.5 oz/ton) which is part of a larger vein interval starting at 243.6 meters averaging 341 g/t silver (10.0 oz/ton). Holes QTA 191 and QTA 192, drilled 200 meters west and east of QTA 190, intersected 0.85 meters of 289 g/t silver and 1.1 meters of 284 g/t silver respectively. The new zone is open laterally and at depth.

Three holes (QTA 185-187) tested coincident IP and geochemical gold anomalies on the western extension of the Santa Rita vein. Holes QTA 186 and QTA 187 intersected 5.1 meter intervals averaging 0.7 g/t gold and

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0.55 g/t gold respectively. The gold anomalies may represent the upper levels of deeper and as yet undiscovered silver mineralization. Wildcat holes QTA 188 and QTA 189, drilled 2 kilometers further west from holes QTA 185-187 to test anomalous vein occurrences, did not intersect significant mineralization.

No further drilling has been accomplished. Detailed cross sections have been completed to assist in optimizing the location of additional drill holes, both within and adjacent to the defined resource and to the west around the new Orion vein discovery. In addition to the Orion discovery, the presence of a possible buried intrusive further to the west is suggested by Landsat imagery and government magnetic data.

A contract to purchase 318 hectares (785 acres) of surface rights west of the proposed pit has been finalized, with the last of three payments due before year end for approximately US\$20,000.

The Company continues to look for a buyer of all or part of its 50% interest in the Nieves project.

Acquisition costs incurred to June 30, 2014 were \$1,836,311 and exploration expenditures were \$4,877,156 for a total of \$6,713,467 for its 50% interest. Acquisition costs incurred to December 31, 2013 were \$1,754,434 and exploration expenditures were \$4,811,803 for a total of \$6,566,237 for its 50% interest.

Other

During the six months ended June 30, 2014 the Company considered prevalent market conditions as indicators of impairment and accordingly recorded a provision against the Reveille, Goldfield and Poker Brown properties totalling \$637,514. The Company has not renewed the leases on these three properties and has no ongoing obligations with any of the properties.

The lease of Poker Brown gold prospect was sold to a third party in return for a 0.5% NSR capped at US\$500,000.

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A summary of mineral property expenditures as at June 30, 2014 is as follows:

	December					June
	31, 2013	Additions	Recoveries	Disposals	Impairments	30, 2014
Total acquisition	\$ 11,513,550	\$ 538,623	\$ (654,079)	\$ (500,000)	\$ (362,439)	\$ 10,535,655
Total exploration	33,351,636	308,352	-	-	(275,075)	\$ 33,384,913
Total	\$ 44,865,186	\$ 846,975	\$ (654,079)	\$ (500,000)	\$ (637,514)	\$ 43,920,568

	December					June
	31, 2013	Additions	Recoveries	Disposals	Impairments	30, 2014
MacArthur Copper	\$ 22,864,784	\$ 360,548	-	-	-	\$ 23,225,332
Yerington Copper	10,416,438	180,290	(654,079)	-	-	\$ 9,942,649
Bear Copper	353,012	155,874	-	-	-	\$ 508,886
Herbert Gold	1,730,577	3,033	-	-	-	\$ 1,733,610
Uranium Properties	500,000	-	-	(500,000)	-	-
Other Properties - US	2,434,138	-	-	-	(637,514)	\$ 1,796,624
Nieves	6,566,237	147,230	-	-	-	\$ 6,713,467
Total	\$ 44,865,186	\$ 846,975	\$ (654,079)	\$ (500,000)	\$ (637,514)	\$ 43,920,568

Review of Financial Results

During the six months ended June 30, 2014, the Company reported a net loss of \$2,218,444 (2013 - \$621,235).

General Administrative Expenses

	Six months ended June 30		Increase (Decrease)
	2014	2013	
General and administrative expense			
Administration and general office	\$ 213,188	\$ 382,337	\$ (169,149)
Consulting	35,644	133,435	(97,791)
Depreciation	18,390	38,990	(20,600)
Directors' fees	-	174	(174)
Investor relations and communications	35,177	26,036	9,141
Personnel costs	474,388	366,881	107,507
Professional fees	245,673	277,508	(31,835)
Share-based payments	194,291	-	194,291
Transfer agent and regulatory fees	90,570	85,247	5,323
Travel and promotion	26,447	32,392	(5,945)
	1,333,768	1,343,000	(9,232)

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To conserve funds, the Company has reduced its general administration and corporate activities where possible, and focused on supporting its exploration and development activities in its Yerington, Nevada copper assets.

An analysis of the significant changes is outlined below:

- a) Administration and general office decreased reflecting an amended services agreement with Manex Resource Group Inc. ("Manex").
- b) Consulting also decreased mainly due to the amended services agreement with Manex and reduced consulting and legal services related to uranium properties.
- c) Directors' fees were suspended on January 1, 2013 and remain suspended until further notice.
- d) Personnel costs increased reflecting salaries related to technical personnel that were previously expensed to mineral properties that have been impaired.
- e) Professional fees decreased reflecting the eliminated legal work related to the Arizona Uranium law suit that occurred in 2013.
- f) Non-cash share based payments were recognized with respect to stock options granted and vested.

Other Items

	Six months ended June 30		Increase
	2014	2013	(Decrease)
Exploration partner administration income \$	14,723	\$ 12,405	\$ 2,318
Foreign exchange loss	1,525	950	575
Fair value gain (loss) on derivative liability	(30,258)	728,193	(758,451)
General exploration (costs) recovery	(213,122)	3,276	(216,398)
Impairment of marketable securities	(4,167)	(7,166)	2,999
Impairment of properties	(637,514)	-	(637,514)
Gain on disposal of fixed asset	8,093	-	8,093
Interest expense	(23,956)	(15,893)	(8,063)
	(884,676)	721,765	(1,606,441)

An analysis of the significant changes is outlined below:

- a) Fair value gain (loss) on derivative liability: Warrants denominated in a currency other than the Company's functional currency are deemed to be a derivative and valued at fair value. On each reporting date, the derivative liability is adjusted for fair value changes with the non-cash difference being recorded in profit and loss. Due to the decline in the Company's share price and also through the passage of time, the Company realized a non-cash gain in 2013.
- b) General exploration costs: These costs represent expenditures to undertake and support exploration activities on the Company's properties, including costs incurred prior to the Company obtaining the rights to the mineral properties. In addition, if the expenditures are deemed not to be specifically related to individual properties or not recoverable, they are expensed as incurred.
- c) During the six months ended June 30, 2014 the Company considered prevalent market conditions as indicators of impairment and accordingly recorded a provision against the Reveille, Goldfield and Poker Brown properties.

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Summary of Quarterly Information

The following unaudited quarterly information is derived from the Company's condensed consolidated interim financial statements:

	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
General corporate administration	\$ (564,099)	\$ (575,378)	\$ (639,894)	\$ (682,573)
Exploration partner administration income	10,004	4,719	2,060	11,977
Foreign exchange gain (loss)	3,982	(2,457)	25,094	(33,910)
General exploration recovery (costs)	(117,076)	(96,046)	(55,485)	(15,239)
Loss on sale of mineral property	-	-	-	(1,735,714)
Gain on disposal of fixed asset	-	8,093	-	-
Fair value gain (loss) on derivative liability	(242,787)	212,529	1,624,597	11,103
Impairments	(637,514)	-	(26,167,664)	(45,320)
Interest income (expenses)	(13,082)	(10,874)	(14,684)	(20,053)
Unrealized loss on marketable securities	(3,500)	(667)	(1,165)	166
Share-based payments	(186,713)	(7,578)	(22,906)	(437,071)
Net loss	(1,750,785)	(467,659)	(25,250,047)	(2,946,634)
Basic loss per share	\$ (0.01)	\$ -	\$ (0.13)	\$ (0.02)

	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
General corporate administration	\$ (563,683)	\$ (779,317)	\$ (907,848)	\$ (889,383)
Exploration partner administration income	2,429	9,976	25,410	33,185
Foreign exchange gain (loss)	(13,788)	14,738	39,479	(108,710)
General exploration recovery (costs)	1,620	1,656	(138,021)	(22,474)
Gain on sale of mineral property	-	-	-	820,712
Fair value gain on derivative liability	-	490,626	-	-
Interest income (expenses)	237,566	(390)	(158)	-
Share-based payments	-	-	(37,038)	-
Unrealized loss on marketable securities	(15,501)	(3,333)	(66,533)	12,288
Write-off of taxes receivable	(3,834)	-	(895,769)	-
Write-off of equipment	-	-	-	(21,010)
Net income (loss)	\$ (355,191)	\$ (266,044)	\$ (1,980,478)	\$ (175,392)
Basic income (loss) per share	-	\$ (0.01)	\$ (0.01)	-

The Company's results have been largely driven by the level of its exploration activities and recoveries from exploration partners. The Company has had no revenue from mining operations since its inception. Major variations in costs are summarized below:

- General exploration expenditures can vary widely from quarter to quarter depending on the stages and priorities of the exploration program.
- The gain or loss on disposal of mineral properties is dependent on the negotiated sales proceeds and can vary significantly from property to property.

The Company receives management fees through joint venture and other agreements, the amount of which varies dependent on the level of project expenditures incurred.

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- Foreign exchange gains and losses arise because the Company conducts certain of its activities and holds financial assets in the US and Mexico in US dollars and Mexican Pesos, but reports its financial results in Canadian dollars.
- Share-based payments can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.
- Interest earned and financing costs vary based on the timing, type and amount of debt and equity placements and resultant fluctuations in cash.

Related Party Information and Commitments

Manex is a private company controlled by the Corporate Secretary of the Company. It provides furnished office space, selected administration, accounting, and corporate secretarial services to the Company. These services are provided in the normal course of operations for consideration established and accepted by the Company and Manex. On February 9, 2012, the Company renewed its service agreement with Manex for its Vancouver head office administration and corporate services at a monthly rate of \$15,750 for office rent plus accounting and administration services provided at agreed market rates for a five-year term expiring August 31, 2017. The service agreement was amended September 1, 2013 to reduce the fee for services to a monthly rate of \$11,667 with the monthly office lease remaining at \$15,750. The agreement was amended again March 1, 2014 to reduce the monthly lease to \$8,000 with the service fee remaining at \$11,666 per month. The Company may terminate the services portion of the agreement upon 30 day notice, and the office lease portion of the agreement by paying Manex the lesser of \$96,000 or a total fee owing for the remainder of the lease term (through August 31, 2017).

The Company is party to an agreement dated March 27, 2006, subsequently amended, with Atherton Enterprises Ltd. ("Atherton") to retain the services of Mr. Scott Hean as Chief Financial Officer for \$175,000 per annum. Commencing March 1, 2013 Atherton voluntarily forfeited 75% of the contracted amount with no accrual recorded on a temporary basis. Starting August 1, 2013, Atherton was paid \$87,500 per year. Mr. Hean became a salaried employee as of December 1, 2013 at \$150,000 per year. Commencing January 16, 2014, Mr. Hean voluntarily reduced his salary to 50% with the remaining 50% being accrued.

During the year ended December 31, 2013 the Chairman of the Board of the Company had advanced a total of US\$800,000 (the "loans") to the Company for operating expenditures. The loans are unsecured at an annual interest rate of 10%. On March 18, 2014, the loans were amended to be due on demand with a 40-day notice period. As of August 21, 2014, the principal of the loan remains outstanding at US\$600,000.

As of June 30, 2014, the Company had the following commitments related to its office premises in Vancouver, British Columbia and Yerington, Nevada:

December 31, 2014	\$	69,767
December 31, 2015		103,256
December 31, 2016		96,000
December 31, 2017		64,000
	\$	333,023

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Outstanding Shares, Stock Options and Share Purchase Warrants

As at August 21, 2014, 193,479,416 common shares were issued and outstanding, 36,351,571 warrants were outstanding at a weighted exercise price of US\$0.15, 5,721,000 warrants were outstanding at a weighted exercise price of \$0.16, and 18,260,000 stock options were outstanding at weighted average exercise price of \$0.67 (17,660,000 exercisable at weighted average exercise price of \$0.69).

Off Balance Sheet Arrangements

None

Disclosure Controls and Internal Control over Financial Reporting

Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded based on its evaluation that they are effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of the Company's internal control over financial reporting using the framework designed as described above and based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting was effective as of June 30, 2014 and there have been no significant changes to internal control over financial reporting in the period ended June 30, 2014.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future years are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Company has reviewed this MD&A, and the condensed consolidated interim financial statements for the period ended June 30, 2014, and the Board of Directors approved these documents prior to their release.

Changes in Accounting Policies

Adoptions of new standards and amendments to existing standards have had no effect on the Company's financial position or financial performance.

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Financial Instruments

The Company's financial instruments include cash, restricted cash, amounts due from exploration partners, marketable securities, reclamation bonds, accounts payable and accrued liabilities, loan payable and derivative liability.

Marketable securities measured at fair value were categorized in Level 1. The fair value of the Company's marketable securities is based on active market prices at the reporting date less any impairments. Derivative liability is measured at fair value and categorized in Level 2. The fair value of the derivative liability is based on the Black-Scholes option pricing model as determined at the reporting date.

The recorded amount for cash, restricted cash, amount due from exploration partners, accounts payable and accrued liabilities and loan payable approximate their fair values due to their short-term nature. The carrying values of the reclamation bonds approximate their fair values, as these balances are redeemable on demand.

Other than cash, the Company's financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require cash deposits be invested with Canadian chartered banks that have high credit ratings assigned by international credit ratings agencies.

Risks and Uncertainties

Investing in the Company's common stock involves a high degree of risk. Before deciding to purchase, hold or sell the Company's common stock, you should carefully consider the risks described below in addition to the cautionary statements and risks described elsewhere and the other information contained in this MD&A and in the Company's other filings with securities regulatory authorities. The risks and uncertainties described below are not the Company's only ones. Additional risks and uncertainties not presently known to the Quaterra or that Quaterra currently deems immaterial may also impair the Company's business operations. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Quaterra, the Company's business, financial condition, results of operations and/or liquidity could be seriously harmed, which could cause the Company's actual results to vary materially from recent results or from the Company's anticipated future results. In addition, the trading price of the Company's common stock could decline due to any of these known or unknown risks or uncertainties, and you could lose all or part of your investment.

The Company may not have sufficient funds to complete further exploration programs

As of June 30, 2014, the Company had a working capital deficiency of \$1,064,953 which includes a US\$600,000 loan plus accrued interest owed to Mr. Thomas Patton, Chairman of the Board.

The Company does not generate operating revenue and must finance exploration activity by other means, such as raising funds through, optioning certain property interests, such as the Yerington project copper assets to Freeport McMoran, the outright sale of properties, the issuance of debt and/or equity. The Company cannot provide any assurance that additional funding will be available for further exploration of the Company's projects or to fulfill anticipated obligations under existing property agreements.

Although management is confident that it will be able to raise sufficient funds there is no assurance at the date these condensed consolidated financial statements were approved that these financing initiatives will be

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successful. The lack of sufficient committed funding for the next twelve months indicates a material uncertainty, which casts substantial doubt over the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include the adjustments that would result if the Company is unable to continue as a going concern. Management has planned levels of exploration spending on the Company's properties with an expectation that future capital raises would provide the necessary funding, which includes equity financing, joint venture partners' contributions, and/or realizing the carrying amount through the sale of mineral property interests.

The Company has a history of losses and expects to incur losses for the foreseeable future

The Company has incurred losses during each of the reporting periods. Quaterra expects to continue to incur losses unless and until such time as one or more of the properties enter into commercial production and generate sufficient revenues to fund the Company's continuing operations.

Future equity transactions could cause dilution of present and prospective shareholders

Historically, the Company has financed operations through private placements of common equity shares. In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares, the issuance of securities convertible into common shares through private placements or public offerings, or the sale of assets. The common shares in these financings often are sold at a discount to market prices, and the exercise price of the warrants sometimes is at or may be lower than market prices. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of common shares, or securities or convertible into common shares, could result in dilution, possibly substantial, to present and prospective holders of common shares, either at the time of the financing or subsequently when restrictions if any expire and the common shares are resold into the public markets. Similarly, the Company cannot predict the value of any asset sale nor its effect on the market price of its common shares.

The Company's exploration programs may not result in a commercial mining operation

Mineral exploration involves significant risk because few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. Quaterra's mineral properties are without a known body of commercial ore and the proposed programs are an exploratory search for ore. The Company cannot provide any assurance that current exploration programs will result in any commercial mining operation. If the exploration programs do not result in the discovery of commercial ore, the Company will be required to acquire additional properties and write-off all investments in existing properties.

The Company does not have Proven Mineral Reserves or Probable Mineral Reserves

The Company has not established the presence of any Proven Mineral Reserves or Probable Mineral Reserves (as such terms are defined in National Instrument 43-101 of the Canadian Securities Administrators) at any of Quaterra's mineral properties. The Company cannot provide any assurance that future feasibility studies will establish Proven Mineral Reserves or Probable Mineral Reserves at Quaterra's properties. The failure to establish Proven Mineral Reserves or Probable Mineral Reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

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Mineral resource estimates are subject to updates which may differ from prior estimates and adversely affect the value of the Company's properties

The estimating of mineralization is a subjective process and the accuracy of estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting engineering and geological information.

There is significant uncertainty in any mineralization estimate, and the actual deposits encountered and the economic viability of mining a deposit may differ significantly from our estimates. From time to time, Quaterra obtains updated resource estimates and technical reports related to the Company's mineral properties.

The Company's future business and financial condition are dependent upon resource prices

Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control. These include international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. These factors may negatively affect the marketability of any ore or minerals discovered at, and extracted from, Quaterra's properties. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

The Company's common share price has been and may continue to be subject to volatility

U.S. and Canadian securities markets in recent years have experienced high levels of price and volume volatility, and the market price of securities of many companies have experience wide fluctuation in price which have not necessarily been related to the operating performance underlying assets values or prospects of such companies. Factors unrelated to Quaterra's financial performance or prospects include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The Company's share price, financial condition, and results of operations are all also likely to be significantly affected by short-term changes in uranium, gold, silver and copper prices. Continual fluctuations in metal prices may occur. As a result of any of these factors, the market price of the Company's shares at any given point in time may be subject to wide swings unrelated to any direct action by Quaterra's operations.

Some of the Company's directors and officers may have conflicts of interest due to their involvement with other natural resource companies

Some the Company's directors and officers are directors or officers of other natural resource or mining-related companies and these associations may give rise to conflicts of interest from time to time. As a result of these conflicts of interest, Quaterra may miss the opportunity to participate in certain transactions, which may have a material, adverse effect on the Company's financial position.

The Company may experience difficulty attracting and retaining qualified management to grow Quaterra's business

The Company is dependent on the services of key executives including the Chief Executive Officer and other highly skilled and experienced executives and personnel focused on advancing corporate objectives as well as the identification of new opportunities for growth and funding. Due to the Company's relatively small

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size, the loss of these persons or the Quaterra's inability to attract and retain additional highly skilled employees required for activities may have a material adverse effect on the Company's business and financial condition.

The Company may be limited in its ability to manage growth

Should the Company be successful in its efforts to develop mineral properties or to raise capital for such development or for the development of other mining ventures, it may experience significant growth in operations. Any expansion of the Company's business would place demands on management, operational capacity, and financial resources. The Company anticipates that it will need to recruit qualified personnel in all areas of operations. There can be no assurance that Quaterra will be effective in retaining current personnel or attracting and retaining additional qualified personnel, expanding operational capacity or otherwise managing growth. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental and other regulatory requirements may limit the Company's operations and increase expenses

The Company's operations are subject to environmental regulations promulgated by various Canadian, U.S., and Mexican government agencies. Claims and current and future operations will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies such as ours that engage in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Issuance of permits for Quaterra's exploration activities is subject to the discretion of government authorities, and the Company may be unable to obtain or maintain such permits. Permits required for future exploration or development may not be obtainable on reasonable terms or on a timely basis. Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact and cause increases in capital expenditures or require abandonment or delays in exploration.

Operating hazards associated with mining may expose the Company to liability

Mining operations generally involve a high degree of risk, including hazards such as unusual or unexpected geological formations. Operations in which the Company has an interest are subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to or loss of life and property, environmental damage and possible legal liability for any or all damage or loss. The Company currently does not maintain standard insurance policies on Quaterra's properties. The Company may become subject to liability for cave-ins and other hazards for which cannot be fully insured or against which the Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. For example, the Company is not currently covered by any form of political risk insurance or any form of environmental liability insurance. The payment of such insurance premiums and the incurring of such liabilities would reduce the funds available for exploration activities.

The Company's properties may be subject to uncertain title

The acquisition of title to resource properties or interest therein is a very detailed and time consuming process. Title to and the area of resource concessions may be disputed. The Company has investigated title

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to all of its mineral properties and, to the best of the Company's knowledge, title to all of Quaterra's properties are in good standing.

The properties may be subject to prior, and in some cases, not fully ascertainable unregistered agreements or transfers, and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change.

Enforcement of judgments or bringing actions outside the United States against the Company and its directors and officers may be difficult

Quaterra is organized under the law of and headquartered in British Columbia, Canada, and the majority of the Company's directors and officers are not citizens or residents of the U.S. In addition, a substantial part of the Company's assets are located outside the U.S. and Canada. As a result, it may be difficult or impossible for one to (a) enforce in courts outside the U.S. judgments against the Company and a majority of Quaterra's directors and officers, obtained in U.S. courts based upon the civil liability provisions of U.S. federal securities laws or (b) bring in courts outside the U.S. an original action against the Company and its directors and officers to enforce liabilities based upon such U.S. securities laws.

Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of the United States Private Securities Reform Act of 1995 and forward-looking information within in the meaning of applicable Canadian securities laws. These forward-looking statements include, but are not limited to, statements with respect to the future prices of copper; the estimation of mineral reserves and resources; the realization of mineral reserve and resource estimates; the potential impact of future exploration results on copper projects in Yerington district; plans for future exploration and/or development programs and budgets; anticipated business activities; corporate strategies; uses of funds; proposed acquisitions and dispositions of assets; and future financial performance.

Statements that are not historical fact and that relate to predictions, expectations, beliefs plans, projections, objectives, assumptions, future events, or future performance may be forward-looking statements. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", "plan" or similar words.

You are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties which could cause actual events or results – such as, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects – to differ from those reflected in a forward-looking statement. These risks and uncertainties include without limitation: the Company's ability to finance the continued exploration of mineral properties; the Company's history of losses and expectation of future losses; the Company's ability to obtain adequate financing for planned exploration activities; uncertainty of production at the Company's mineral exploration properties; the lack of Proven Mineral Reserves or Probable Mineral Reserves; changes in resource estimates resulting from updated testing and technical reports; the impact of governmental regulations, including environmental regulations; and commodity price fluctuations. This list is not exhaustive of the factors that may affect the Company's forward-looking statements.

The forward-looking statements contained in this MD&A are based on the beliefs, expectations, and opinions of management on the date the statements are made. The Company undertakes no obligation to

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update any forward-looking statement should circumstances or estimates or opinions change, except in accordance with applicable securities laws.

For ease of reference, the following information is provided:

Canadian Dollars per U.S. Dollar		
	June 30, 2014	December 31, 2013
Rate at end of period	1.0670	1.0636
Average rate	1.0902	1.0301
High	1.1039	1.0697
Low	1.0661	0.9839

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Conversion Table			
Imperial			Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Metres
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Precious metal units and conversion factors					
ppb	- Part per billion	1 ppb	=	0.0010	ppm = 0.000030 oz/t
ppm	- Part per million	100 ppb	=	0.1000	ppm = 0.002920 oz/t
oz	- Ounce (troy)	10,000 ppb	=	10.0000	ppm = 0.291670 oz/t
oz/t	- Ounce per ton (avdp.)	1 ppm	=	1.0000	ug/g = 1.000000 g/tonne
g	- Gram				
g/tonne	- gram per metric ton	1 oz/t	=	34.2857	ppm
mg	- milligram	1 Carat	=	41.6660	mg/g
kg	- kilogram	1 ton (avdp.)	=	907.1848	kg
ug	- microgram	1 oz (troy)	=	31.1035	g

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Glossary of Abbreviations

Ag:	Silver
Ag gm/t:	Silver grade measured in grams per metric tonne Converts to ounces per ton by dividing by 34.286
AMR:	Advance minimum royalty payments
Au:	Gold
Au gm/t:	Gold grade measured in grams per metric tonne Converts to ounces per ton by dividing by 34.286
Ba:	Barium
CAD:	Canadian dollars
Co:	Cobalt
CSAMT:	Controlled source audio-frequency magneto telluric geophysical survey
Cu:	Copper
EIS:	Environmental Impact Statement
Fe:	Iron
NI 43-101:	Canadian National Instrument 43-101
gpm:	gallons per minute
gpt:	grams per tonne
g/t:	grams per tonne
IP:	Induced Polarization geophysical survey
m.y:	Million years
Ni:	Nickel
NSR:	Net smelter return royalty
Oz:	Troy ounce
oz/t or opt:	Ounces per ton.
Pb:	Lead
Pd:	Palladium
PGE:	Platinum Group Element
PGM:	Platinum group minerals
PPB:	Parts per billion
PPM:	Parts per million
Pt:	Platinum
S:	Sulphur
TD:	Total depth of a drill hole.
tpd:	Tonnes per day
TSX-V	Toronto Stock Exchange - Venture Exchange
US\$:	U.S. dollars
U3O8:	Uranium oxide known as "yellow cake".
VLF:	Very low frequency electromagnetic geophysical survey
VMS:	Volcanogenic massive sulphide