XTIERRA INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

Dated April 25, 2012

(Expressed in US$000's, except per share amounts)

(Form 51-102F1)

Date: April 25, 2012

General

The following discussion of financial condition, results of operations and future prospects should be read in conjunction with the condensed consolidated financial statements for the period ended December 31, 2011 of Xtierra Inc. ("Xtierra" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are stated in US dollars, unless otherwise noted.

Company Overview

Xtierra is a natural resource company with the primary business objective of exploring for and developing precious and base metal deposits on its mineral properties located in the Central Silver Belt of Mexico in the States of Zacatecas and San Luis Potosi. Substantially all of the Company's efforts are devoted to developing these properties. From time to time, the Company also evaluates other projects elsewhere in Mexico as opportunities present themselves.

Overall Performance

Xtierra holds mineral properties located in the Central Mineral Belt of Mexico, primarily in the State of Zacatecas but also in the adjoining State of San Luis Potosi. The Central Mexican Mineral Belt is a prolific mineralized belt that has historically generated the bulk of Mexico's silver production from the early colonial period to the present day and hosts many world class precious and base metal deposits.

For the past three years the Company's efforts have been mainly focused on advancing the development of the Bilbao Silver-Zinc-Lead-Copper project towards production.

Xtierra Projects consist of:

- The Bilbao Project, a polymetallic sulphide and oxide replacement zinc-lead-silver-copper deposit with a NI 43-101 compliant resource of 10.62 million tonnes at 2.00% Pb, 0.19% Cu, 2.13% Zn & 53.81 g/t Ag in the indicated category and 0.43 million tonnes at 1.73% Pb, 0.18% Cu, 1.44& Zn & 46.39 g/t Ag in the inferred category.

- The La Laguna Pedernalillo (Laguna) Tailings Project – a silver-gold-mercury tailings reprocessing project upon which Micon International completed a bankable feasibility study in 2006, and in February 2008 revised a NI 43-101 compliant reserve (Measured and Indicated) of 6,799,000 tonnes at 57.92g/t silver, 0.31g/t gold and 328.92g/t mercury;

- El Dorado Gold Exploration Project – comprising 2,890 hectares of mining claims is located in the Pinos district of southeastern Zacatecas State, some 80 kilometres southeast of the Bilbao project. The property has an existing small-scale underground gold mining operation developed on one level of the El Dorado vein.

- Approximately 12,267 hectares of Exploration Properties in three groupings identified as the Villa de Ramos, El Morro, Orca 3 property in the Pinos district and Milagros Properties in the Panfilo Natera Mining District of Zacatecas and neighbouring San Luis Potosi, in the general vicinity of the Bilbao Project.

Bilbao Silver-Zinc-Lead-Copper Project

The Bilbao Property is located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas and 50km east of the state capital, Zacatecas.

The Company first optioned the property in 2006 and acquired 100% interest in the Property in 2008 subject to a 1.5% net smelter royalty in favour of Minera Portree S.A. de C.V., commencing after the second year of commercial production and on which the Company holds a first right of refusal.

Approximately one million tonnes was extracted historically from three small pits and limited underground workings in the near surface oxide mineralization in the early 20th century.

Prior to the Company's involvement in 2006, no diamond drilling appears to have been carried out at Bilbao. Diamond drilling has been subsequently completed by the Company in several phases between 2006 and 2012 and the Bilbao deposit has now been investigated by a total of about 100 cored diamond drill holes spaced on a nominal 50-metre grid to a maximum depth of 472 metres, for a total of approximately 26,000 metres.

Mineral Resources

The Bilbao deposit is a sulphide replacement deposit with a skarn overprint and is located adjacent to the La Blanca granodiorite. The Bilbao mineralization forms zones dipping at shallow angles ranging up to about 45 degrees. The mineralization has been oxidized to a depth of about 70m (limit defined on all drill sections) below the surface, below which there is an irregular zone of mixed oxide-sulphide mineralization varying between 20 – 100m in thickness. The sulphides continue to a depth of about 230m.

Between 2006 and 2009 the Company carried out a series of exploration drilling programs a result of which the size of the deposit was increased from the original historical estimate of about 3.45 million tonnes to about 6.0 million tonnes. Subsequent drilling 2010 and 2011 further expanded the resources to the current level of 10.6 million tonnes and the deposit remains open, particularly to the south where ongoing exploration drilling continues to yield encouraging results.

An independent resource estimate was prepared in April 2011 by R.T.G. Parker, C.Eng., an independent consulting mining geologist and a 'Qualified Person' within the meaning of NI 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators. The resource estimate was calculated using a 3% zinc equivalent cut off and includes sulphide, oxide and mixed ore categories and is summarized in the table below.

Resource Category	Tonnes (millions)	Lead (%)	Copper (%)	Zinc (%)	Silver (gpt)
Indicated Resources	10.62	2.00	0.19	2.13	53.81
Inferred Resources	0.43	1.73	0.18	1.44	46.39

Technical Report dated April, 2011 entitled "*Geology and revised Minerals resources of the Bilbao Silver-Lead-Zinc Deposit – State of Zacatecas, Mexico*" by RTG Parker, Consulting Geologist.

(Expressed in US Dollars)

The resource, comprising the current Bilbao deposit, is made up of primary sulphide mineralization below approximately 70 metres depth (50% of the resource) and oxide mineralization which extends from surface to a depth of about 70 metres (35% of the resource). There is a narrow but irregular zone of transition mineralization between these two categories comprising 15% of the resource.

BILBAO INDICATED RESOURCES AT 3% ZN_{EQ} CUTOFF (APRIL 2011 RTG PARKER – INDEPENDENT QUALIFIED PERSON)											
ORE TYPE	TONNES	GRADE					TONNES METAL				
		Cu %	Pb %	Zn %	Ag g/t	Zn_{eq} %	Cu	Pb	Zn	Ag	Zn_{eq}
OXIDE	3,734,764	0.20	2.16	1.94	48.41	6.35	7,470	80,671	72,454	181	237,158
MIXED	1,584,170	0.16	2.06	2.35	53.43	6.66	2,535	32,634	37,228	85	105,534
SULPHIDE	5,298,957	0.19	1.86	2.19	57.72	6.52	10,068	98,561	116,047	306	345,566
TOTAL	10,617,891	0.19	2.00	2.13	53.81	6.48	20,072	211,865	225,730	571	688,258

Bilbao Development Plan

In 1995, Kilborn Engineering prepared a pre-Feasibility Study for a proposed open-pit mine, which was updated in 1997, based on a resource estimate (historical) prepared by Watts Griffith & McOuat of the oxide mineralization using data collected by sampling the underground workings in 1992-93.

The Company's initial development work, commencing in 2009, focused on a continuation from the Kilborn pre-Feasibility Study. Because the mineralization at Bilbao comprises both oxide and sulphide, together with some mixed transitional material, much of the Company's efforts to date has focused on developing metallurgical approaches to economically recover the various mineralized types and this has involved multiple stages of metallurgical testing and design.

Metallurgical Testing and Studies

The first reported metallurgical studies were carried out during 1994-1995, by Lakefield Research as part of a consulting consortium consisting of Watts Griffis & McOuat ("WGM") and Kilborn Engineering. The results of those studies presented a case for open-pit mining with differing scenarios for metallurgical processing and metal recovery. At that time Lakefield investigated gravity, flotation and leaching with thiourea and cyanide without satisfactory recovery of lead or silver. Copper and zinc would be recovered by leaching with sulphuric acid and use of solvent extraction with electrolytic precipitation of copper and the zinc.

Additional metallurgical test work was carried out by Xtierra in 2008/2009 at the Metallurgical Institute of the University of San Luis Potosí using a process of high intensity magnetic concentration (HIMC) on oxide mineralization.

Based on these HIMC results a decision was made to proceed with a pilot plant test program to provide the necessary engineering data to confirm the process flow sheet and enable the design of a processing plant to treat the oxide mineralization . Four composite samples of five tonnes each (total 20 tonnes) were extracted from two underground levels and from near surface, representing the majority of the oxide resource. A pilot plant sized crusher, ball mill and WHIMS (wet high intensity magnetic separator) were set up at the Bilbao project site to prepare and produce a pre-concentrate, which was shipped for processing to the SGS laboratory in Durango, Mexico and Lakefield, Ontario. The initial test results indicated only moderate recoveries, particularly for zinc, from the oxide ore.

In 2010, the Company retained DRA Americas, a consulting engineering firm with strength in processing engineering, to oversee the ongoing metallurgical test work. DRA recommended that further open circuit bench scale laboratory test work be concluded on both pre-concentrated and whole ore (no pre-concentration) prior to conducting a closed circuit or locked cycle test programme. This test work was initially performed at the SGS Laboratory in Durango, Mexico and subsequently at the SGS Laboratory in Lakefield, Ontario.

After numerous tests conducted on optimizing the pre-concentration process for oxide ores by means of wet high intensity magnetic separation (WHIMS), it was concluded that there was no appreciable benefit in reducing the acid consumption relative to processing whole ore and therefore the revised oxide flow sheet will not include the WHIMS pre-concentration process. Further metallurgical test work on the oxide ore to improve metal recoveries, including lead recoveries by means of gravity separation, and optimization of reagent consumptions, will be required to optimize the flow sheet for oxide ore. This test work will be carried out at a later date.

In 2011, DRA recommended a final phase of metallurgical test work on the sulphide and mixed ores including locked cycle test work. Two metallurgical sample drill holes were completed in the third quarter of 2011, generating approximately 500 kg of sulphide samples for flotation test work as well as grinding determinations. The flotation test work, conducted at SGS in Lakefield, Ontario, began in November 2011, and the test work on both the sulphide and transition ores is progressing well. Subsequent test work including locked cycle testing is being undertaken in 2012. Some gravity separation test work on the oxide ores is also being undertaken and further testing of the effects of co-mingling transition and sulphide ore in varying ratios is also currently underway.

It is anticipated that all planned test work will be completed and the final metallurgical reports will be received in the second quarter of 2012.

Bilbao Feasibility Study

In July 2010, Xtierra retained Dowding, Reynard and Associates (DRA), a recognized leader in the field of mine design, mine engineering, mineral processing, project management and mine construction, to oversee and complete the Bilbao Feasibility Study.

The Feasibility Study comprises continuing metallurgical test work on the oxide, mixed and sulphide mineralization, geotechnical studies, hydrogeological studies, topographic surveys, conceptual mine planning and engineering studies, preliminary capital and operating costs and environmental and permitting studies.

DRA is involved in oversight of all of the component parts of the Feasibility Study and is managing the ongoing metallurgical test work on the near-surface oxide ore as well as the sulphide and sulphide/oxide (mixed) ores.

Mine plans for both the open pit and underground areas are in progress. Based on the interim metallurgical results received to date it is expected that the Feasibility Study will recommend the initial development of an underground mine and processing of the sulphide and transition ores, to be followed by the subsequent development of the open pit and, subject to further metallurgical testing and flow-sheet optimization, processing of the oxide ores at a later date.

Geotechnical, hydrogeology and electrical power distribution infrastructure studies have been completed and are under review by DRA. Final tailings management design and the completion of the environmental impact study (EIS) require completion of the metallurgical test work providing all the necessary input data.

Xtierra has retained Golder Associates to advise on tailings disposal design work. Approximately 80kg of tailings material, which will be generated from the sulphide and transition metallurgical test work, will be sent to Golder Associates for test work and plant design criteria. In order to conserve water, reduce and simplify the design of the tailings disposal impoundment infrastructure and generate material for filling the underground stopes once ore has been extracted, the production of paste tailings is being considered.

Completion of the Feasibility Study is anticipated in the third quarter of 2012.

Exploration at Bilbao

The potential to identify additional mineralized bodies at the Bilbao property is believed to be excellent. The occurrence of stacked lenses of mineralization in sediments close to the contact of the La Blanca granodiorite suggests that similar bodies may also occur along that contact elsewhere on the Company's property or district-wide in a similar geological context.

As part of the development plan and in conjunction with the ongoing metallurgical testing and preparation of the feasibility study at Bilbao the Company has continued exploration work in and around the Bilbao deposit area, as well as in other mineral claims it holds within the immediate Panfilo Natera Mining District in the search for Bilbao-type mineralization.

In particular, the Company has focused recent exploration in the southern part of the Bilbao project to investigate two types of silver-rich targets situated immediately to the south of the main Bilbao deposit. The targets, all with high grade silver content, comprised high angle hydrothermal veins and brecciated limestone horizons. In a program of drilling in June and July, 2011, six separate mineralized veins and/or fault-fillings were identified. Four of the mineralized fault structures trend NNW-SSE while another two veins strike NNE-SSW. The former have strong base-metal values while the latter contain silver values of up to 664g/t silver and have been traced over a strike length of at least 70m and remain open-ended. The width of these structures varies, with veins averaging about 1m true thickness and fault-fillings up to 12m in thickness.

The richer silver veins trend NNE-SSW, a direction which accords with similar vein trends to the north of the Bilbao deposit, within the La Blanca granite. Discovery of this zone of silver-rich veins beneath and in addition to the main skarn-replacement zinc-silver-lead-copper mineral deposit at Bilbao is expected to eventually contribute to the silver content of the resource.

A further programme of five drill holes (1,928 metres) completed in April 2012 confirms the down dip continuity for a further one hundred metres to the south for the argentiferous breccia zone with a particularly strong development in drill-hole X96 with a thickness of 5.10m at a grade of 372.5g/t Ag. The remaining four holes intersected narrow widths of +200 g/t Ag.

Of particular interest, are the prevailing high silver grades with a 20 m wide zone averaging 90g/t Ag intersected in drill hole X85. High silver grades have also been found in drill holes X81, X82 and X84B, the latter with 860g/t Ag, between 358 and 359 metres depth, as well as a further zone between 202 and 203 metres depth grading 1.23g/t Au, together with 102g/t Ag, and 2.80% Pb. The data suggest the presence of at least two parallel zones with elevated precious metal values and confirms and complements the native silver and stromeyerite mineralization found previously in DDH X26, located approximately 50m southwest of the southern margin of the Bilbao indicated resource.

The silver-enriched zone at Bilbao is now known to extend over an area 350 x 100m in a north-south direction and appears to occupy a brecciated zone within the limestone sequence, the thickness of which is variable from about four to 20 metres. The resources estimate of April 2011 does not include the newly found silver rich manganiferous limestone breccia zones nor the high grade silver veins.

Potential to increase the Bilbao resource may also exist to the northwest, where hole X42, collared more than 100 metres outside the drilled grid, intersected 8.75 metres of massive pyrite with minor base metals from 149.25 metres to 157.00 metres. This hole intersected several low grade base metal zones and a higher grade intersection over 1.0 metre from 181.0 metres to 182.0 metres, assaying 7.32% Pb, 170g/t Ag.

This latter intersection has not been included within the present resource estimate as it is located too far from intersections in adjacent holes for continuity to be assumed. The intersections in drill hole X42 occur beneath almost 50m of granite and indicate untested potential in this direction. Step-out drilling in this area has confirmed an extension of thin mineralization at the granitic contact.

La Laguna Pedernalillo (Laguna) Tailings Project

Through its Mexican subsidiary, Minera Orca S.A de C.V., (“Minera Orca”), the Company holds an extraction licence granted by Conagua, the Mexican authority responsible for water resources, for the silver-rich La Laguna Pedernalillo (“Laguna”) tailings deposit located near the city of Zacatecas in Mexico. The Laguna deposit comprises tailings solids derived from historic mine processing wastes and tailings located some distance from a dam constructed in 1836 to retain water for agricultural use.

The mineral reserve as estimated by Micon International totals 6.8 million tonnes containing an average of 57.92 g/t silver, 0.31 g/t gold and 328.92 g/t mercury. Further optimisation studies have been undertaken by the Company and additional leach test work has been carried out with respect to evaluating a static vat leach process using calcium thiosulphate to recover silver, gold and mercury. Results of such test work have been positive.

The Company has undertaken a program of community consultation and intends to negotiate and enter into memoranda of understanding and, later, impact benefits agreement, with the Ejido Pedernalillo indigenous communities living in or adjacent to, or having an interest in or claims to, traditional land use or ownership rights in the Laguna Project Area or who may be impacted by the Laguna Project. Preliminary discussions have been initiated and are in progress.

The Company is seeking to advance the Laguna Project through additional metallurgical testing and updating of an earlier feasibility study once an agreement can be ratified with the Ejido.

El Dorado Gold Project

The El Dorado gold project located in the Pinos district of south-eastern Zacatecas State, Mexico. The project comprising 2,890 hectares of mining claims is located in the Pinos district of the Central Mexican Mineral Belt and some 80 kilometres southeast of the Bilbao silver-zinc-lead-copper development project. The El Dorado property is located 7 kilometers northeast of the historic Pinos gold deposits where veins with reported bonanza grades of more than 200g/t gold were mined historically on northwest striking veins. Historic records suggest the average mined grade was 97 g/t silver and 58.26 g/t gold.

Additional surface exploration work including soil and rock sampling was completed in October 2011 on the Santa Patricia and El Centenario claims where a number of anomalies have been delineated. Follow up work was undertaken in late Q4 2011 andQ1 2012 including ASTER imagery which was instrumental in formulating a further soil sampling grid over the area of principal interest on the El Centenario claim. This area will be sampled in late Q1/ early Q2.

Exploration Properties

The Company holds approximately 12,267 hectares of mineral claims in the general Panfilo Natera area, adjacent to and for significant distances to the north and south of the Bilbao project area. Over the past three years, the Company's Mexican subsidiaries have conducted preliminary exploration activities over parts of these claims including geological mapping, geophysical surveys, geochemical soil surveys and trenching and resampling of historic workings. A very limited number of holes have been drilled. A number of targets have been identified which indicate the potential for skarn-type mineralisation (as at Bilbao), epithermal gold and silver vein mineralisation and volcanogenic massive sulphide (VMS) mineralisation.

At the Ardillas prospect located 1.8 kilometres northeast of Bilbao, a previous drill hole encountered stringer veins with lead and silver mineralization. A second hole, completed in March 2012, encountered more than eight veinlets between 0.15 and 0.45 metres in width containing between 35.5 and 471g/t silver and associated lead and zinc values in the 1-3% range.

Trenching over the Papalote vein on the San Francisco-Galore mineral claims located approximately 60 kilometres north of Bilbao resulted in the discovery of four parallel brecciated calcitic veins up to 1.5 metres in width. Two test drill holes totaling 377 metres intersected argillaceous and carbonaceous limestones adjacent to porphyritic andesite containing disseminated arsenopyrite mineralization. Assay results are pending.

Exploration Properties - Schedule of Deferred Exploration Expenditures
For the years ended December 31, 2011 and 2010

	Bilbao		Laguna		El Dorado		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Expressed in US$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Drilling	596	816	-	-	-	213	-	-	596	1,029
Geology, geophysics and geochemistry	185	163	-	-	7	67	19	-	211	230
Pilot plant	328	-	-	-	-	-	-	-	328	-
Salaries	250	315	-	-	-	14	-	-	250	329
Feasibility study and technical reports	576	1,055	5	-	7	1	-	-	588	1,056
Other field related expenses	292	99	10	-	1	(25)	(55)	(53)	248	21
Exploration rights	-	-	-	-	-	10	-	-	-	10
Mining tax concessions	11	8	-	-	5	4	42	27	58	39
Other	234	133	3	6	8	30	0	11	245	180
Total additions	2,472	2,589	18	6	28	314	6	(15)	2,524	2,894
Accretion expense	298	209	-	-	67	45	-		365	254
Net additions	2,770	2,798	18	6	95	359	6	(15)	2,889	3,148

Exploration Properties - Schedule of Deferred Exploration Expenditures

For the three month periods ended December 31, 2011 and 2010

	Bilbao		Laguna		El Dorado		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Expressed in US$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Drilling	89	5	-	-	-	1	-	-	89	6
Geology, geophysics and geochemistry	56	56	-	-	4	2	19	-	79	58
Pilot plant	58	-	-	-	-	-	-	-	58	-
Salaries	52	87	-	-	-	-	-	-	52	87
Feasibility study and technical reports	169	347	5	-	7	-	-	-	181	347
Other field related expenses	108	(76)	-	-	-	(35)	(38)	(53)	70	(164)
Exploration rights	-	-	-	-	-	-	-	-	-	-
Mining tax concessions	4	-	-	-	1	-	10	-	15	-
Other	82	32	-	-	3	(9)	(16)	3	69	26
Sub-total	618	451	5	-	15	(41)	(25)	(50)	613	360
Accretion expense	71	52	-	-	17	15	-	-	88	67
Total additions	689	503	5	-	32	(26)	(25)	(50)	701	427

Future Plans

Xtierra is currently focused on advancing the Zacatecas Projects, particularly the Bilbao Project, to production. The objective is to advance the Bilbao project to completion of the Feasibility Study in the third quarter of 2012.

The high priority and critical path task to conclude the Feasibility Study is the sulphide and mixed (transition) ore metallurgical test work.

The 2012 budget cost to complete the remaining aspects of the Bilbao Feasibility Study is estimated to be $3.3 million.

On the Eldorado project, the Company is reviewing results of a geochemical soil survey on the Santa Patricia and El Centenario claims including the ASTER imagery results. Further surface sampling and trenching will be initiated in mid-2012.

The Company will advance the Laguna Project through additional metallurgical testing and updating of an earlier feasibility study during 2012.

In addition, the Company evaluates and reviews mineral property opportunities in Mexico and elsewhere as well as M&A opportunities.

Qualified Persons

Terence N. McKillen, P. Geo., Chief Executive Officer and Director, and Gerald Gauthier, P. Eng., Chief Operating Officer, are the Company's Qualified Persons for the purposes of National Instrument 43-101 and have approved the technical disclosures in this MD&A.

Results of Operations

The Company recorded no revenue in the years ended December 31, 2011 or December 31, 2010.

For the year ended December 31, 2011, the Company incurred a loss of $1,265,000 ($0.013 per share), including a share-based payment expense of $1,729,000, offset in part by gains arising on a reduction in the fair value of convertible notes liability of $631,000 and in the fair value of the warrants liability of $271,000.

For the year ended December 31, 2010, the Company incurred a loss of $3,618,000 ($0.051 per share), including a share-based payment expense of $382,000 and an expense arising on an increase in fair value of the warrants liability of $2,865,000, offset in part by a gain arising on a reduction in the fair value of convertible notes liability of $277,000.

The Company's warrants and convertible notes are classified under IFRS as derivative financial liabilities and changes in fair value are credited or charged through profit or loss. The changes in fair value recorded are non-cash adjustments that have no cash effect on the Company. (See Note 13 of the audited consolidated financial statements and Liquidity and Capital Resources below).

As a result of the change (decline) in the price of the Company's shares during the year, the loss for the year ended December 31, 2011 included a gain in the fair value of the warrants liability of $271,000 and a gain in the fair value of the convertible notes liability of $631,000.

In the year ended December 31, 2010, the loss for the year included an expense of $2,865,000 arising on an increase in the fair value of the warrant liability as a result of the increase in the price of the Company's shares during the year, and a gain in the fair value of the convertible notes of $277,000 as a result of the change in the price of the Company's shares at December 31, 2010 and in other assumptions used in the valuation. (See Note 13 of the audited financial statements).

A share-based payment expense of $1,729,000 was recorded in the year ended December 31, 2011, arising on the grant of stock options to directors, officers and employees, compared to $382,000 in the year ended December 31, 2010.

The conversion of some Canadian assets and liabilities, primarily cash, to US dollars resulted in a foreign exchange gain of $166,000 for the year ended December 31, 2011, compared to a gain of $31,000 in 2010.

Administrative expenses (excluding share-based compensation and foreign exchange) for the year ended December 31, 2011 amounted to $616,000, compared to $692,000 in 2010.

During 2011, the Company invested $2,524,000 in exploration and development expenditures, $2,472,000 of which was spent on the Bilbao property. The main components were $781,000 on drilling and geology and $576,000 on the feasibility study and technical reports.

Selected Annual Information

The following selected annual information has been derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards.

	2011 $000's (IFRS)	2010 $000's (IFRS)	2009 $000's (C-GAAP)
Loss before other items	1,265	3,618	483
Net and comprehensive loss for the period	1,265	3,618	2,994
Net Loss per common share	0.013	0.051	0.060
Total assets	28,026	22,720	18,584
Cash and cash equivalents	7,782	5,269	1,675
Long-term debt and capital notes	2,084	1,721	3,889
Shareholders equity	24,728	15,311	14,602

Summary of Quarterly Results (IFRS)

	Mar. 31 2010 $000's	June 30 2010 $000's	Sept. 30 2010 $000's	Dec. 31 2010 $000's	Mar. 31 2011 $000's	June 30 2011 $000's	Sept. 30 2011 $000's	Dec. 31 2011 $000's
Net loss (gain)	(80)	222	(88)	2,869	2,046	14	(1,130)	335
Net loss (gain) per share	(0.002)	0.004	(0.001)	0.040	0.024	0.000	(0.012)	0.003
Total assets	20,135	19,744	19,629	22,720	27,724	28,100	27,890	28,026
Working Capital	4,574	4,716	3,244	5,452	10,172	9,329	8,408	7,759

- The income in the quarter ended March 31, 2010 included $348,000 stock-based compensation and $347,000 positive change in fair value of financial liabilities.
- The decrease in total assets in the quarter ended March 31, 2010 is the result of the reversal of future income tax liability per IFRS.
- The income in the quarter ended June 30, 2010 included $139,000 in foreign exchange, $120,000 professional fees and an adjustment of $271,000 in the fair value of the financial liabilities.
- The income in the quarter ended September 30, 2010 included $28,000 in foreign exchange, $37,000 professional fees and a positive adjustment of $215,000 in the fair value of the financial liabilities.
- The loss incurred in the quarter ended December 31, 2010 included a foreign exchange recovery of $99,000, $79,000 professional fees and $2,270,000 adjustment in the fair value of the financial liabilities.
- Total assets in the quarter ended December 31, 2010 reflect the receipt of a private placement financing.
- The loss incurred in the quarter ended March 31, 2011 included a foreign exchange recovery of $121,000 and an expense arising on an increase in the fair value of the financial liabilities of $1,995,000.
- The loss incurred in the quarter ended June 30, 2011 included share-based payments of $1,729,000 and a gain arising on the decrease in the fair value of financial liabilities of $1,867,000.

- The income in the quarter ended September 30, 2011 included a gain arising on the decrease in the fair value of financial liabilities of $1,328,000.
- The income in the quarter ended December 31, 2011 included a gain arising on the decrease in the fair value of financial liabilities of $542,000.

Liquidity and Capital Resources

At December 31, 2011, the Company held $7,782,000 in cash and cash equivalents. At December 31, 2011, the Company had a working capital surplus of $7,759,000, excluding the financial liabilities related to derivative financial instruments and convertible notes, compared to a working capital surplus of $5,452,000 at December 31, 2010.

During the year, the Company raised $5,402,000 from the issue of a private placement financing and the exercise of 12,998,929 warrants.

Total assets increased to $28,026,000 at December 31, 2011 from $22,720,000 at December 31, 2010. Accounts payable and accrued liabilities decreased to $233,000 at December 31, 2011 from $306,000 at December 31, 2010.

At December 31, 20, the Company had mineral properties with a total book value of $19,826,000. The balance sheet values may not represent this which could be obtained if the properties were to be offered for sale at this time.

As a result of the exercise of warrants during the period from January 1, 2011 to April 14, 2011, capital stock was increased by $7,906,000, being the value of the 12,998,929 shares issued calculated at a weighted average share price during the period of Cdn$0.60 per share. The $7,906,000 increase in capital stock included a reallocation of $3,929,000 from the fair value of the warrants, previously included as a derivative financial instrument carried at fair value through profit and loss, with the balance of $3,977,000 being the actual cash gross proceeds received upon the exercise of the warrants.

At December 31, 2011, the Company recorded a derivative financial liability of $358,000 relating to the Company's 14,331,210 outstanding share purchase warrants. Under IFRS, warrants issued by the Company to purchase common shares, exercisable for a fixed price stated in Canadian dollars, a currency other than the Company's functional currency of US dollars, and not offered pro rata to all existing shareholders of the same class at the time of issuance, are considered derivative financial liabilities. This current liability is an accounting treatment under IFRS and does not represent an actual cash liability.

The warrants are required to be measured and recognized at fair value with changes subsequent to initial recognition included in the Statement of Operations. As a result of the decline in the Company's share price, the fair value of the financial liability related to these outstanding warrants at December 31, 2011, decreased to $358,000 (2010 – $4,128,000).

At December 31, 2011, the Company recorded a current derivative financial liability of $623,000 (2010 – $1,254,000) related to the conversion option component of the Company's convertible notes and a non-current derivative financial liability of $627,000 (2010 – $453,000) related to the debt component of the outstanding convertible notes.

In 2009, the Company issued $1,250,000 in non-interest bearing convertible notes. The Notes have a term of five years and are convertible, at the holders' option, into a number of common shares of the Company or its subsidiaries. The holder has a put right, exercisable at its option at any time prior to maturity, to require the Company to purchase the notes for a number of common shares equal to the principal amount of the notes divided by the volume weighted average trading price of Xtierra's common shares during the 30 day period prior to the exercise of such right.

On issuance of the convertible notes, the Company determined the debt component of the convertible notes to be a financial liability at amortized cost, and the conversion option component to be a financial liability at fair value through profit or loss.

At December 31, 2011, the fair value of the financial liability (current) related to convertible notes was $623,000 (2010 – $1,254,000). The change in fair value of convertible notes, as recorded in the consolidated Statement of Operations, is the result of the fair value adjustment of the conversion option component of the convertible notes.

Subsequent to initial recognition, the debt component of the convertible notes is measured at amortized cost using the effective interest method and is accreted to its fair value over the expected life of the obligation. At December 31, 2011, the amortized value of the debt component of the convertible notes was $627,000 (2010 – $453,000).

The Pacific Road Group of Funds ("Pacific Road") holds options pursuant to the Initial Agreement dated September 19, 2007, to provide financing of up to $15,000,000 and $17,500,000 directly to the Laguna and Bilbao projects, respectively, in order to obtain interests of up to 35% and 25% of the Company's interests, respectively. Such project financings may be converted into common shares of the Company based on the 30-day volume weighted average trading price at the time of conversion. A fee of 2.5% will be payable to the Manager/Advisor of the Pacific Road Group of Funds on any project financing provided under these options. As of December 31, 2011, no financing has been provided under these options.

The 2012 budget cost to complete the remaining aspects of the Bilbao Feasibility Study is estimated to be $3.3 million. Completion of the Feasibility Study is anticipated in the third quarter of 2012.

The Company is adequately financed to complete the Feasibility Study; however, additional funding will be required to further advance the Bilbao deposit into production.

Related Party Transactions

Related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts paid and accrued include the following expenditures which were incurred with directors and officers of the Company, corporations with directors and/or officers in common with the Company, and corporations controlled by directors and/or officers of the company.

Related Party Transactions	**December 31 2011**	December 31 2010
	$000's	$000's
Office expenses	39	38
Administrative expenses	63	89
Professional fees	410	381
Share-based payment	1,053	302
Key Management personnel Remuneration	1,526	772

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2011 or December 31, 2010.

During the year ended December 31, 2011, the Company made payments or accrued $512,000 (2010 - $508,000) to related parties, including $30,000 to Steenberglaw Professional Corporation, a company controlled by Neil J.F. Steenberg, Director and Secretary, for legal fees, $126,000 to T.N. McKillen, Director, for administration and geological services, $73,000 to Tim Gallagher, Director, for investor relations services, $204,000 to Gerald Gauthier, Officer, for consulting services, $40,000 to Danesh K. Varma, Director, for management fee and $39,000 to Labrador Iron Mines Holdings Limited, a company with common directors and/or officers, for office rent. The Company recorded $1,053,000 (2010 - $302,000) share-based payment to the share-based payment reserve on behalf of the directors and officers.

Included in accounts payable and accrued liabilities at December 31, 2011 is $4,000 (2010-$15,000) payable to Steenberglaw Professional Corporation for legal fees.

Critical Accounting Estimates

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and require management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuation of tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

The following is a discussion of the accounting estimates that are considered by management to be significant in determining the Company's financial results and position:

Mineral Property Interests

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the properties estimated current value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. These assessments are based on opinions, estimates and assumptions and are subject to risks and uncertainties, including geological and exploration risks.

Adoption of New Accounting Standards

The Company has adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. For further details, please refer to Note 3 of the December 31, 2011 audited consolidated financial statements.

Risk and Uncertainties

In conducting its business, the Company faces a number of risks common to the mining and exploration industry. These are summarized below. There are also certain specific risks including those listed below, associated with an investment in the Company and prospective investors should consider carefully these specific risk factors associated with an investment in the Company.

Title Risks

Title insurance is generally not available although the Company has exercised the usual due diligence with respect to determining title to and interests in the Properties, there is no guarantee that such title to or interests in the Properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers and title may be affected by, among other things, undetected defects. Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity of title of the Company to those lands or the size of such mineral lands.

Exploration, Development and Operating Risk

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. Many of the claims to which the Company has a right to acquire an interest are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained and a positive feasibility study is completed.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

No Assurance of Production

Mineral exploration is highly speculative in nature, involves many risks, and frequently does not lead to the discovery of commercial reserves of minerals. While the rewards can be substantial if commercial reserves of minerals are found, there can be no assurance that the Company's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places its resource properties into production and whether it will produce revenue, operate profitably or provide a return on investment in the future.

Factors beyond the Company's Control

The exploration and development of mineral properties and the marketability of any minerals contained in such properties will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and refining facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

Failure to Obtain Additional Financing

The Company does not currently have all the financial resources necessary to undertake its currently planned activities and there can be no assurance that the Company will be successful in obtaining any additional required funding necessary to conduct additional exploration, if warranted, on the Company's exploration properties or to develop mineral resources on such properties, if commercially mineable quantities of such resources are located thereon. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interest in such properties. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of shareholders in the net assets of the Company may be diluted.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or stope failures, cave-ins, changes in regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company will purchase insurance to protect against certain risks in such amounts as it considers reasonable, such insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Risks and Hazards

The Company's operations may be subject to environmental regulations in the various jurisdictions in which it operates. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to comply fully with all applicable environmental regulations.

Government Regulation and Permitting

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, state and local governmental authorities in Mexico, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety and other matters.

Mexico is considered among the desirable regions of the world for exploration and mining, according to results of a recent survey conducted by The Fraser Institute, an independent Canadian research organization. The country's desirability for mining companies results from a combination of factors including a strong mining culture, excellent geology, relative political stability and favourable tax and permitting structures. Under the country's foreign ownership laws, non-Mexican companies can maintain 100% ownership of their properties and reap the benefits of successful exploration.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations.

Delays

The Company is unable to predict the amount of time which may elapse between the date when any new mineral reserve may be discovered, the date upon which such discovery may be deemed to be economic pursuant to a feasibility study and the date when production will commence from any such discovery.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other mining companies in connection with the acquisition of properties producing or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical facilities than the Company. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future. Consequently, the Company's revenue, operations and financial condition could be materially adversely affected.

Management

The success of the Company is currently largely dependent on the performance of its directors and officers. There is no assurance the Company can maintain the services of its directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse affect on the Company and its prospects. Some of the directors and officers also serve as directors and/or officers of other companies which are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of applicable corporate and securities laws.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations could be affected.

Price Volatility of Publicly Traded Securities

Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports. Other factors unrelated to the

Company's performance that may have an effect on the price of the the Company Shares include the following:

- the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow its securities;
- the limited trading volume and general market interest in the Company's securities may affect an investor's ability to trade the Company Shares;
- the relatively small size of the publicly held shares will limit the ability of some institutions to invest in the Company's securities; and
- a substantial decline in the Company's share price that persists for a significant period of time could cause its securities to be delisted from any stock exchange upon which they are listed, further reducing market liquidity.

As a result of any of these factors, the market price of the Company Shares at any given point in time may not accurately reflect the Company's long-term value.

Fluctuating Mineral Prices

Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. The principal factors include: diminished demand which may arise if current rates of economic growth in North America, India and China are not sustained; supply interruptions due to changes in government policies in base and precious metals, war, or international trade embargos; increases in supply resulting from the alleviation of professional and skilled labour shortages experienced by the world's largest producers; and, increases in supply resulting from the discovery and the development of new sources of base and precious metals. The effect of these factors on the Company's operations cannot be predicted.

Foreign Currency Exchange

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's financing activities have been denominated in Canadian Dollars, while the expenditures to be incurred by the Company on its mineral exploration projects in Mexico will be denominated in US Dollars or Mexican Pesos. The Company also has certain liabilities denominated in US Dollars. The appreciation of the US Dollar against the Canadian Dollar, if it occurs, would result in increased costs of the Company's activities in Mexico in Canadian Dollar terms, and currency movements may have a significant impact on the Company's financial position and results of operations in the future. Fluctuations in the exchange rates between the Canadian Dollar and the Mexican Peso or US Dollar may have an adverse or positive effect on the Company.

Dividends

The Company has not paid any dividends on its Shares since incorporation. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Financial Instruments

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Fair value estimates of financial assets and liabilities are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates involve uncertainties and are subjective in nature. Other financial instruments included in current assets are classified as loans and receivables, which are measured at amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2011, the carrying and fair value amounts of the Company's financial instruments are the same.

The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the US Dollar. The Company's operations are carried out in Mexico and Canada and cash is held in Canadian Dollars and Mexican Pesos as well as in US Dollars, the Company is therefore subject to gains and losses due to fluctuations in these currencies. As at December 31, 2011, the Company held cash and cash equivalents in Canadian accounts totaling approximately Cdn$1,422,000 and US$6,214,000.

Under Canadian GAAP the Company classified warrants to purchase common shares issued in Canadian dollars as part of private placements, as equity instruments. Under IFRS, warrants issued by the Company to purchase common shares, for a fixed price stated in a currency other than the Company's functional currency and not offered pro rata to all existing shareholders of the same class at the time of issuance, are considered derivative financial liabilities. Such warrants are required to be measured and recognized at fair value with changes subsequent to initial recognition charged through profit and loss. The model used by the Company is the widely used Black-Scholes valuation model, which was developed for applications very different from the valuation of the Company's share purchase warrants and contains characteristics that are significantly different from those of traded warrants. Changes in any of the assumptions used can materially affect fair value estimates. As at December 31, 2011, the Company had recorded a $358,000 current liability in respect of the warrants outstanding. This is an accounting treatment under IFRS and does not represent a cash liability of the Company.

Under Canadian GAAP, the Company's convertible notes were segregated into debt and equity components at the date of issue, based on the relative fair market values of these components in accordance with the substance of the contractual agreements. The debt component of the notes were classified as a liability, and recorded as the present value of the Company's obligation to make future payments and settle the redemption value of the instrument. The carrying value of the debt component was accreted to the original face value of the instruments, over the term of the convertible debt instrument, using the effective interest method. The value of the conversion option made up the equity component of the notes.

Under IFRS, the entire carrying value of the convertible loan notes has been recorded as a financial liability, with the debt component of the convertible notes determined to be a financial liability at amortized cost, and the conversion option component determined to be a financial liability at fair value through profit or loss. The proceeds received were bifurcated between the debt component and the conversion option component based on the estimated fair value of each component on the date of issuance. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method, and the conversion option component is recorded at its estimated fair value at each reporting date, with changes in fair value being included in the statement of operations and comprehensive income (loss). As at December 31, 2011, the Company had recorded $623,000 as the conversion option component (current portion) of the derivative financial liability, and $627,000 as the debt component (non-current liability).

Outstanding Share Capital

The Company has unlimited authorized share capital of a single class of common shares of which, at December 31, 2011, 103,425,892 common shares were issued.

At December 31, 2011, the Company had 14,331,210 share purchase warrants outstanding and 8,826,250 stock options issued pursuant to the Company's Stock Option Plan. The options are exercisable over a period of five years.

As at April 25, 2012, the Company had 103,425,892 shares and 14,331,210 share purchase warrants outstanding, and 8,826,250 stock options issued. Upon conversion of the convertible notes, additional shares of the Company could be issued.

Additional Information

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website.

Forward-Looking Statements

This management's discussion and analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects changes in exchange rates, fluctuations in commodity prices, inflation and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Date: April 25, 2012