XTIERRA INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six month period ended June 30, 2013

Dated August 19, 2013

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

(Form 51-102F1)

Date: August 19, 2013

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 June 30, 2013 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.

Xtierra Projects consist of:

- The Bilbao Project, a polymetallic sulphide and oxide replacement silver-lead-zinc-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 project comprises 1,407 hectares of mining claims and is located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas.

- 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 3,002 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 7,859 hectares of Exploration Properties in three groupings identified as the Villa de Ramos, Ojo Caliente, and in the Panfilo Natera Mining District of Zacatecas and neighbouring San Luis Potosi, in the general vicinity of the Bilbao Project.

Xtierra is currently focused on advancing the development of the Bilbao Silver-Lead-Zinc-Copper by completing a pre-feasibility study.

The highlights of the second quarter of 2013 include;

Bilbao Project

- Infill drilling program comprised six additional holes totaling 1,784 metres, completed in June 2013 with positive results;
- Runge, Pincock, Minarco (Canada) Limited (RPM) is in the process of generating an updated 43-101 compliant resource estimate, including the recently completed infill diamond drilling program, and completing a pre-feasibility study on the Bilbao project. The study is being co-authored by DRA Americas;
- Process plant and surface infrastructure design modifications are completed, capital cost estimates for both a 1,600 TPD and 2,000 TPD process plant are completed;
- Geotechnical (rock mechanics) final report is expected shortly;
- Paste plant and tailings dam design work are in progress.
- Underground mine design and related operating and capital costs are in progress and will be completed in August 2013.

Bilbao Silver-Lead-Zinc-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 Bilbao property in 2006 and acquired 100% interest 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.

Historically, approximately one million tonnes was extracted 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 June 2013 and the Bilbao deposit has now been investigated by a total of about 120 cored diamond drill holes spaced on a nominal 50-metre grid to a maximum depth of 472 metres, for a total of 31,274 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 as 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 in 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 recent exploration drilling has identified two silver targets immediately to the south of the Bilbao deposit.

(Expressed in US Dollars)

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. 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.

The resource estimate was calculated using a 3% zinc equivalent cut off and includes sulphide, oxide and mixed ore categories.

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 mixed 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

Runge, Pincock, Minarco (Canada) Limited (RPM) is in the process of generating an updated 43-101 compliant resource estimate including the recently completed infill diamond drilling program..

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 open pitable 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 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 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 the copper and 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 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 laboratories in Durango, Mexico and Lakefield, Ontario. The initial test results indicated only moderate recoveries, particularly for lead, from the oxide ore.

In 2010, the Company retained Dowding, Reynard and Associates ("DRA"), a recognized leader in the field of mineral processing, mine design, mine engineering, mineral processing, project management and mine construction, 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 program. 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. It was also concluded that there is no meaningful benefit in including the WHIMS pre-concentration process in the flow-sheet for the treatment of the oxide ore.

The results of the test-work on the oxide ore completed to date indicates that while it is possible to achieve acceptable recovery levels the costs involved in doing so, particularly for the amounts of reagent consumption required, is likely to be expensive. Further metallurgical test work on the oxide ore to optimize economic metal recoveries, including the recovery of lead by means of gravity separation, has shown some promise and further metallurgical test-work on the oxide ore will be continued at a later date.

In 2011, DRA recommended a final phase of metallurgical test work on the sulphide and mixed transition 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, including locked cycle testing, was completed in the first half of 2012. Testing of the effects of co-mingling the mixed transition ore with the sulphide ore was also completed.

Further confirmatory metallurgical test work was completed on sulphide and transition ore samples obtained from the 2012 infill drilling program. A final report on the sulphide ore test work was completed in December 2012. Further test work is required on the transition ore and will be undertaken once the pre-feasibility study has been completed.

Bilbao Feasibility Study / Pre-Feasibility Study

In July 2010, the Company commissioned DRA to oversee and complete the Feasibility Study for the Bilbao project. The initial phase of the Feasibility Study was comprised of 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.

An infill drilling program had been recommended in early 2012 in order to ascertain the grade in the core section of the orebody. Consequently, a ten (10) hole drilling program, totaling 2,032 metres, was completed during the third quarter of 2012. Of the ten (10) drill holes, nine (9) infill holes intersected significant mineralization while the tenth, an exploration hole, did not.

With a view to accelerating the project study process, in particular, the generation of a revised resource based on the 2012 infill drilling program, in January 2013, Xtierra commissioned Runge, Pincock, Minarco (Canada) Limited ("RPM") to complete a feasibility study on the Bilbao project.

RPM, after reviewing the extensive work already completed and the large amount of information generated, recommended the completion of a pre-feasibility study as an interim step. This will, importantly, provide an economic analysis of the project on a timely basis while highlighting the final component parts required to complete a definitive feasibility study. The RPM geological team also recommended extending the scope of the previously completed infill drilling program by a minimum of 4 holes and assaying core in strategic locations.

Six infill holes were drilled in June 2013, completing an additional drilling campaign in the southern part of the silver-zinc-lead-copper project. All six drill-holes, with a total of 1,784 metres, encountered thick intersections of good grade mineralization with notable high grade silver intersections throughout. Four of the drill-holes showed highly mineralized intervals comprising massive to semi-massive sulfide mineralization varying between 20 and 40m in thickness.

The fact that good grade mineralization has been discovered in all the drill-holes indicates the continuity of the sulfide mineralization down dip. It is particularly encouraging that the main Zn-Pb-Cu mineralization is associated with significant silver and sporadic high gold grades which are additional sweeteners for the Bilbao deposit.

The object of this drilling campaign was to provide confirmation of continuity of mineralization between drill-holes on closer drill spacing than the earlier 50m grid and thereby provide greater confidence in the estimation of minable reserves. This recent drilling campaign has confirmed the expected continuity of the upper silver breccia zone as well as the main lower sulfide body.

RPM are coordinating the preparation of a pre-feasibility study as an interim step prior to completion of the final feasibility study and are supervising the work of various third party consultants who continue to provide specific input into their respective aspects of the study, including DRA, who has focused on the process plant design, related surface infrastructure and metallurgical reports. DRA will co-author the pre-feasibility study with RPM. Golder Associates continue with the tailings, paste plant and geotechnical design.

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 Bilbao development plan and in conjunction with the ongoing metallurgical testing and preparation of the Feasibility Study, 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.

A program of five drill holes (1,928 metres) was completed in April 2012 and confirmed the down dip continuity of the argentiferous breccia zone for a further one hundred metres to the south, with a particularly strong development in drill-hole X96 which intersected 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, including 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. The 2013 revised resource will include this mineralization, likely in the inferred category.

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.

At the El Cabazon prospect, located approximately 1.3 kilometres south of the Bilbao project, there is the potential of a massive skarn deposit having a similar setting as Bilbao.

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 in February 2008 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.

In 2012, the Company advanced the Laguna Project through additional metallurgical testing and update work on the Micon Feasibility Study. Column leach test work, simulating a static vat leach process was completed at the Inspectorate Laboratory, Vancouver, BC, and results were good to excellent with recoveries in line with the previous Micon study based on an agitated vat leach process. A plan for a small pilot plant test program, requiring approximately 3 tonnes of material, has been formulated. The test work would determine the optimum processing option between the static and agitated vat leach processes.

The Company has also undertaken a program of community consultation 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 the Company intends to negotiate and enter into memoranda of understanding and, later, impact benefits agreement. We are in the process of evaluating a number of options which could potentially move the project forward including a possible marketing agreement with a third party.

El Dorado Gold Project

The El Dorado gold project located in the Pinos district of south-eastern Zacatecas State, Mexico. The project comprising 3,002 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.

On the El Dorado, El Centenario and Santa Patricia properties; further trenching and sampling was completed during Q1 2013. All data has been compiled and a final report, including a recommended drill program and budget has been presented.

Exploration Properties

The Company holds approximately 7,859 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 has 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 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.

In 2012, 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 indicated low or anomalous gold values. A future program will involve drilling on strike.

Future Plans

Xtierra is currently focused on advancing the Bilbao Project to the completion of a pre-feasibility study for an underground mine. The objective is to complete the Bilbao pre-feasibility study in the third quarter of 2013.

Items to be completed in the pre-feasibility study include the following:

- Generating a revised 43-101 compliant resource including results from the extended infill drilling program comprised of six additional holes totaling 1,784 metres. Drilling was completed in June 2013 and all data was forwarded to RPM in July 2013.
- Generating an underground mine plan, including operating and capital costs.
- Final geotechnical report related to underground mine design. Interim report has been made available enabling underground mine design to proceed.
- Final metallurgical test work report on the sulphide report was received in December 2012. Further confirmatory test work on the transition (mixed sulphide/oxide) ore will be conducted once the pre-feasibility study is completed.
- Modifications to the process plant design has been completed. Capital cost estimates for both a 1,600 TPD and 2,000 TPD processing plant are now complete.
- Paste plant design is basically completed while the preliminary design work for the tailings dam is in progress.
- Environmental – Once all the aforementioned input data is available the environmental impact assessment will be completed. This will be the final component to complete the pre-feasibility study.

The estimated cost to complete the pre-feasibility study is $685,000.

Exploration Properties - Schedule of Deferred Exploration Expenditures
For the six month period ended June 30, 2013 and 2012

	Bilbao		Laguna		El Dorado		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
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	249	469	-	-	-	23	-	56	249	548
Geology, geophysics and geochemistry	70	124	-	-	-	9	-	-	70	133
Pilot plant	-	55	-	-	-	-	-	-	-	55
Salaries	262	197	-	-	-	-	-	-	262	197
Feasibility study and technical reports	527	580	-	-	-	-	-	-	527	580
Mining tax concessions	10	1,069	-	-	5	4	46	23	61	1,096
Other	130	105	7	7	11	1	(12)	19	136	132
Total additions	1,248	2,599	7	7	16	37	34	98	1,305	2,741
Accretion expense	231	182	-	-	24	40	-		255	222
Net additions	1,479	2,781	7	7	40	77	34	98	1,560	2,963

Exploration Properties - Schedule of Deferred Exploration Expenditures
For the three month period ended June 30, 2013 and 2012

	Bilbao		Laguna		El Dorado		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
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	243	115	-	-	-	23	-	8	243	146
Geology, geophysics and geochemistry	25	38	-	-	-	7	-	-	25	45
Pilot plant	-	-	-	-	-	-	-	-	-	-
Salaries	131	117	-	-	-	-	-	-	131	117
Feasibility study and technical reports	367	222	-	-	-	-	-	-	367	222
Mining tax concessions	-	12	-	-	-	-	-	-	-	12
Other	55	22	4	6	8	(3)	3	6	70	31
Sub-total	821	526	4	6	8	27	3	14	836	573
Accretion expense	115	91	-	-	-	20	-	-	115	111
Total additions	936	617	4	6	8	47	3	14	951	684

Qualified Persons

Gerald Gauthier, P. Eng., President and Chief Operating Officer, is the Company's Qualified Person for the purposes of National Instrument 43-101 and has approved the technical disclosures in this MD&A.

Results of Operations

The Company recorded no revenue in the three month periods ended June 30, 2013 or June 30, 2012.

For the three month period ended June 30, 2013, the Company incurred a loss of ($16,000) ($0.000 per share), including a gain of $98,000 arising on a reduction in the fair value of the convertible notes liability as a result of the change in the price of the Company's shares during the quarter ended June 30, 2013.

For the three month period ended June 30, 2012, the Company recorded income of $407,000 ($0.004 per share), including a notional gain of $517,000 arising on a decrease in the fair value of the warrants liability and a gain of $51,000 arising on a reduction in the fair value of the convertible notes liability.

For the six month period ended June 30, 2013, the Company incurred a loss of ($31,000) ($0.000 per share), including a gain of $213,000 arising on a reduction in the fair value of the convertible notes.

For the six month period ended June 30, 2012, the Company recorded income of $180,000 ($0.002 per share), including a notional gain of $330,000 arising on a decrease in the fair value of the warrants liability and a gain of $106,000 arising on a reduction in the fair value of the convertible notes liability.

The Company's 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.

The conversion of some Canadian assets and liabilities, primarily cash, to US dollars resulted in a foreign exchange expense of $26,000 for the six month period ended June 30, 2013, compared to a gain of $15,000 during the same period in 2012.

Administrative expenses (excluding foreign exchange) for the six month period ended June 30, 2013 amounted to $220,000, compared to $277,000 during the same period in 2012.

During the six month period ended June 30, 2013 the Company invested $1,560,000 in exploration and development expenditures, $1,479,000 of which was spent on the Bilbao property.

Summary of Quarterly Results (IFRS)

	Sept. 30 2011 $000's	Dec. 31 2011 $000's	Mar. 31 2012 $000's	June 30 2012 $000's	Sept. 30 2012 $000's	Dec. 31 2012 $000's	Mar. 31 2013 $000's	June 30 2013 $000's
Net (loss) gain	1,130	(335)	(227)	407	(1,163)	1,085	(15)	(16)
Net (loss) gain per share	0.012	(0.003)	(0.002)	0.004	(0.011)	0.010	(0.000)	(0.000)
Total assets	27,890	28,026	28,068	28,016	27,978	27,863	28,024	28,000
Working Capital	8,408	7,759	5,489	4,800	3,953	2,889	2,244	1,305

- The income in the quarter ended September 30, 2011 included a notional gain of $1,328,000 arising on the decrease in the fair value of financial liabilities.
- The loss in the quarter ended December 31, 2011 included an expense arising on the increase in the fair value of financial liabilities of $273,000.
- The loss in the quarter ended March 31, 2012 included an expense arising on the increase in the fair value of financial liabilities of $132,000.
- The income in the quarter ended June 30, 2012 included a notional gain of $568,000 arising on the decrease in the fair value of financial liabilities.
- The loss in the quarter ended September 30, 2012 included an expense arising on the increase in the fair value of financial liabilities of $1,001,000.

- The income in the quarter ended December 31, 2012 included a gain on expiry of the unexercised warrants in the amount of $769,000 and a notional gain of $213,000 arising on the decrease in the fair value of the convertible notes.
- The loss in the quarter ended March 31, 2013 included a notional gain of $115,000 arising on the decrease in the fair value of financial liabilities.
- The loss in the quarter ended June 30, 2013 included a notional gain of $98,000 arising on the decrease in the fair value of financial liabilities.

Liquidity and Capital Resources

At June 30, 2013, the Company held $1,362,000 in cash and cash equivalents. At June 30, 2013, the Company had a working capital surplus of $1,305,000, excluding the financial liabilities related to convertible notes, compared to a working capital surplus of $2,889,000 at December 31, 2012.

Total assets increased to $28,000,000 at June 30, 2013 from $27,863,000 at December 31, 2012. Accounts payable and accrued liabilities increased to $274,000 at June 30, 2013 from $148,000 at December 31, 2012.

The estimated remaining cost to complete the Bilbao pre-feasibility study is $685,000 with an additional $300,000 to cover other property costs and overheads, for a total of $985,000. At June 30, 2013, the Company was on budget. The Company is adequately financed to complete the pre-feasibility study; however, additional funding will be required to further advance the Bilbao deposit into production.

In 2009, the Company issued $1,250,000 in non-interest bearing convertible notes to Pacific Road Group of Funds ("Pacific Road"). The Notes have a term of five years, maturing April 14, 2014, and are convertible, at the holders' option, into a number of common shares of the Company or its subsidiaries. Pacific Road 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 June 30, 2013, the Company recorded a current derivative financial liability of $1,349,000 related to the Company's convertible notes, of which $351,000 related to the conversion option component and $998,000 related to the debt component of the outstanding convertible notes.

Pacific Road also 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 June 30, 2013, no financing has been provided under these options.

At June 30, 2013, the Company had mineral properties with a total book value of $26,261,000. The balance sheet values may not represent this which could be obtained if the properties were to be offered for sale at this time.

At June 30, 2013, the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company has outstanding non-interest bearing convertible notes in the amount of $1,250,000 maturing April 14, 2014 payable to Pacific Road. Pacific Road holds 35.3 million shares in the Company, representing approximately 34% of the Company's outstanding shares, and is the Company's largest shareholder. Management recognizes that the Company will need to reach agreement with Pacific Road for the conversion, repayment or other settlement of these convertible notes. In the absence of an agreement to convert the company would need to raise sufficient cash to meet the payment on maturity and will also need to raise additional cash in order to meet planned expenditure to achieve its business objectives. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

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.

	June 30, 2013 $000's	June 30, 2012 $000's
Office and general	20	19
Administrative expenses	36	30
Professional fees	161	193
	217	242

No fees were paid by the Company to directors for their services as directors of the Company in the six month periods ended June 30, 2013 or June 30, 2012.

During the six month period ended June 30, 2013, the Company made payments or accrued $217,000 (2012 - $242,000) to related parties, including $6,000 to Steenberglaw Professional Corporation, a company controlled by Neil J.F. Steenberg, Director and Secretary, for legal fees, $36,000 to T.N. McKillen, Director, for administration and geological services, $36,000 to Tim Gallagher, Director, for investor relations services, $99,000 to Gerald Gauthier, Chief Operating Officer, for management services, $20,000 to Danesh K. Varma, C.F.O., for management fee and $20,000 to Labrador Iron Mines Holdings Limited, a company with common directors and/or officers, for office rent.

Included in accounts payable and accrued liabilities at June 30, 2013 is $3,000 (2012 – $35,000) due to the above noted related parties.

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 standards and interpretations within IFRS are subject to change. For further details, please refer to Note 3 of the December 31, 2012 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 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 June 30, 2013, 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 June 30, 2013, the Company held cash and cash equivalents in Canadian accounts totaling approximately Cdn$354,000 and US$1,008,000.

Under Canadian GAAP, the Company's convertible debt instruments 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 instruments was classified as a liability, and recorded as the present value of the Company's obligation to make future interest 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 instruments. The conversion option is recorded using the residual value approach. Under IFRS, the convertible notes are considered derivative financial instruments and are initially recognized at fair value at the date the derivative contract is entered into and subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognized in the profit or loss immediately. As at June 30, 2013, the Company had recorded $1,349,000 as the current value of the derivative financial liability.

Outstanding Share Capital

The Company has unlimited authorized share capital of a single class of common shares of which, at June 30, 2013, 103,425,892 common shares were issued.

At June 30, 2013, the Company had 6,576,250 stock options issued pursuant to the Company's Stock Option Plan. The options are exercisable over a period of five years.

As at August 19, 2013, the Company had 103,425,892 shares outstanding and 6,576,250 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: August 19, 2013