

FORM 51-102F3
Material Change Report

**MATERIAL CHANGE REPORT UNDER SECTION 7.1(2) OR (3) OF
NATIONAL INSTRUMENT NO. 51-102**

Item 1. Reporting Issuer

Xtierra Inc. ("Xtierra"), 220 Bay Street, Suite 700, Toronto, Ontario M5J 2W4

Item 2. Date of Material Change

April 25, 2014

Item 3. Press Releases

On April 25, 2014, a news release reporting the material change was disseminated.

Item 4. Summary of Material Change

Xtierra entered into an agreement with its two principal shareholders to exchange US\$1,750,000 principal amount of notes due April 28, 2014 plus US\$7,730.39 accrued interest for 11,944,444 common shares and US\$682,730.39 principal amount of 5% secured notes due April 30, 2014 and sold an additional US\$250,000 principal amount of 5% secured notes due April 30, 2014 to the same parties.

Item 5. Full Description of Material Change

On April 25, 2014 Xtierra Inc. entered into an exchange and investment agreement (the "Exchange and Investment Agreement") with its two principal shareholders, the Pacific Road Resources group of funds (collectively "PRRF") and Minco plc ("Minco"), which provides for the following transactions:

- The exchange by PRRF of US\$1,075,000 principal amount of the non-interest bearing unsecured convertible notes of Xtierra's subsidiary, Orca Minerals Limited ("Orca") due April 28, 2014 (the "Convertible Notes") for an aggregate of 11,944,444 Xtierra shares. The Convertible Notes were originally issued under a note purchase agreement dated April 14, 2009 and the right to exchange them for Xtierra shares and the pricing mechanism for such exchange were contained in such agreement;
- The exchange by PRRF of their remaining US\$175,000 principal amount of Convertible Notes for an equivalent amount principal amount of 5% interest bearing secured notes due April 30, 2015 (the "2015 Notes");
- The exchange by PRRF and Minco of US\$500,000 principal amount of 5% interest bearing unsecured notes originally due March 31, 2014 (the "2014 Notes") plus accrued interest of US\$7,730.39 for US\$507,730.39 principal amount of 2015 Notes; and
- The issue and sale by way of private placement to each of PRRF and Minco of US\$125,000 principal amount of 2015 Notes at a price of 100%.

See attached press release dated April 25, 2014 for further details.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

The report is not being filed on a confidential basis.

Item 7. Omitted Information

No information has been omitted.

Item 8. Executive Officer

Gerald Gauthier, President and Chief Operating Officer (647) 728-4131

Item 9. Date of Report

May 2, 2014.

- **CONVERSION OF US\$1,075,000 DEBT TO EQUITY**
- **NEW US\$250,000 WORKING CAPITAL FINANCING AND EXTENSION OF EXISTING NOTES**

Toronto, April 25, 2014, Xtierra Inc. (TSXV – XAG) (“Xtierra” or the “Company”), announces that it has entered into an exchange and investment agreement (the “Exchange and Investment Agreement”) dated April 25, 2014 with its two principal shareholders which provides for the following transactions completed today:

- The exchange by the Pacific Road Resources group of funds (collectively “PRRF”) of US\$1,075,000 principal amount of the non-interest bearing unsecured convertible notes of the Company’s subsidiary, Orca Minerals Limited (“Orca”) due April 28, 2014 (the “Convertible Notes”) for an aggregate of 11,944,444 Xtierra shares. The Convertible Notes were originally issued under a note purchase agreement dated April 14, 2009 and the right to exchange them for Xtierra shares was contained in such agreement;
- The exchange by PRRF of their remaining US\$175,000 principal amount of Convertible Notes for an equivalent amount principal amount of 5% interest bearing secured notes due April 30, 2015 (the “2015 Notes”);
- The exchange by PRRF and Minco plc (“Minco”) of US\$500,000 principal amount of 5% interest bearing unsecured notes originally due March 31, 2014 (the “2014 Notes”) plus accrued interest of US\$7,730.39 for US\$507,730.39 principal amount of 2015 Notes; and
- issue and sale by way of private placement to each of PRRF and Minco of US\$125,000 principal amount of 2015 Notes at a price of 100%.

The Convertible Notes were originally issued under a note purchase agreement dated April 14, 2009 and the right to exchange them for Xtierra shares was contained in such agreement.

The net effect of these agreements with the Company’s major shareholders is to settle its liability of US\$1,075,000 due April 28, 2014 by the issue of 11,944,444 shares, roll over US\$500,000 in notes due March 31 2014 until April 30, 2015 and secure further advances of US\$250,000 to fund its working capital for the remainder of 2014. The resultant US\$932,730 balance of shareholder advances from PRRF and Minco represented by the new 2015 Notes is now due April 30, 2015, carries interest of 5% and is secured by a pledge by the Company of its shares in its wholly owned subsidiary Orca in favour of PRRF and Minco, proportionately. The Exchange and Investment Agreement also grants PRRF and Minco information and board representation rights.

Proceeds from the placement will be used for working capital and general corporate expenses for 2014. To save costs, the Company has curtailed all other expenditures while examining strategic alternatives for advancing the Bilbao project.

Prior to these transactions, PRRF held, collectively, approximately 35.3 million common shares (34.15% of Xtierra’s issued and outstanding common shares) divided among two Australian based and one Belgium based private equity resource funds holding approximately 3.5 million shares (3.39%), 3.5 million shares

(3.39%) and 28.3 million shares (27.37%), respectively. As a result of these transactions, PRRF has increased its collective holdings to approximately 47.3 million shares (40.97%).

Minco holds approximately 30.0 million shares amounting to approximately 29.01% of the issued and outstanding common shares of Xtierra (26.0% after these transactions).

Related Party Transaction

Based upon their respective holdings of Xtierra shares detailed above, PRRF and Minco are related parties to Xtierra and accordingly this financing is subject to the rules contained in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* of the Canadian Securities Administrators (“MI 61-101”) and Policy 5.9 of the TSX Venture Exchange.

The issue of the 2015 Notes was considered and approved by the Board of Directors of Xtierra, three of the five members of which are independent. Mr. John Kearney, a director of Xtierra and Chief Executive of Minco and Mr. Lee Graber, a director of Xtierra who is engaged by Pacific Road Capital Management Pty. Ltd. (an adviser to PRRF) declared their respective interests in the transaction and neither voted on nor influenced the Board’s deliberations concerning the financing.

The exchange of Convertible Notes for Xtierra shares was pursuant to existing exchange rights contained in the 2009 note purchase agreement.

As the value of the new financing is less than 25% of its current \$10,342,589 market capitalization, Xtierra does not intend to complete a formal valuation in accordance with section 5.4 of MI 61-101 based upon Xtierra’s reliance on the exemption contained in subsection 5.5(a) of MI 61-101. Minority shareholder approval of the placement will not be sought based upon the exemption contained in subsection 5.7(a) which is applicable in these circumstances. No new control person or insider (as those terms are defined in the policies of the TSX Venture Exchange) will be created as a result of this financing.

About Xtierra Inc.

Xtierra Inc. is a Toronto based exploration and development company listed on the TSX Venture Exchange. Xtierra’s shares trade under the symbol “XAG”. As a result of these transactions Xtierra now has 115,370,336 shares issued and outstanding.

Xtierra’s objective is to become a mid-tier producer of silver and base metals through the development of its Bilbao and Laguna projects, both located in the Central Mexican Silver Belt in the State of Zacatecas.

ON BEHALF OF THE BOARD OF DIRECTORS OF XTIERRA INC.

Gerald Gauthier
President and COO

Cautionary Notes:

This press release may contain “forward-looking information” within the meaning of applicable Canadian securities legislation. The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this release.

For further information visit www.xtierra.ca or contact:

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