XTIERRA INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2014

Dated April 29, 2015,

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

(Form 51-102F1)

Date: April 29, 2015

General

The following discussion of financial condition, results of operations and future prospects should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 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 State of Zacatecas.

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.

Overall Performance

In April 2014 Runge Pincock Minarco (Canada) Limited (RPM) delivered an independent Technical Report in accordance with NI 43-101 containing an updated resource estimate and PEA on the Bilbao Project. The mine plan incorporated in the PEA targets the extraction of the sulphide zone only based on a production rate of 2,000 tonnes per day, or 720,000 tonnes per year with an average grade of 2.1%, 1.4% and 63.96 g/t of zinc, lead and silver, respectively, over a mine life of approximately 8 years,

The mineral processing plant described in the PEA proposes the treatment of the silver-lead-zinc sulfide ore at a design throughput rate of 2,000 tonnes per day, which would produce on average, 16,913 dry tonnes per year of silver-rich lead concentrate, and 26,966 dry tonnes per year of zinc concentrate, containing an average combined total of approximately 20 million pounds of zinc, 17 million pounds of lead and one million ounces of silver, per year.

Economic results of the pre-tax cash flow model in the PEA indicated an Internal Rate of Return (IRR) of 13.2% and a pre-tax Net Present Value (NPV) of US$11.0 million at a 10% discount rate and a pre-tax NPV of US$18.7 million at an 8% discount rate, using metal prices of Zinc $0.92/lb, Lead $1.00/lb and Silver $30.38/oz. (see below "Bilbao Silver-Zinc-Lead-Copper Project- Preliminary Economic Assessment")

In the second half of 2014 the Company initiated a strategic review to consider alternatives for the development of the Bilbao Project, including the sale of all or a portion of the Company's interest in the Bilbao Project or a corporate transaction, and retained Jennings Capital Inc. (now Mackie Research) to assist in the strategic review process. The strategic review has not, to date, identified any acceptable development or financing proposals. There are no assurances that the strategic review process will result in a transaction or, if a transaction is undertaken, as to the commercial terms or timing of such a transaction.

In accordance with the Company's accounting policies, and as required by IAS 36 – Impairment of Assets, as indications of impairment exist, the Company carried out an impairment assessment of the Bilbao property as at December 31, 2014 and based on such assessment recorded a non-cash impairment charge against its mineral property interests in the amount of $10,000 (2013 – $4,000).

For the December 31, 2014 impairment analysis, the Company updated the metal prices used in the cash flow model in the PEA to take account of the lower price for silver and used price forecasts for silver of $16.00/oz. The application of the lower silver price in the financial model indicated that the Bilbao project, as contemplated in the PEA, would not generate a positive NPV at a 10% discount rate.

The Company then conducted an internal review of a modified project concept with milling of the ore mined from Bilbao at an existing third party mill within a reasonable trucking distance from the Bilbao property, but otherwise using the same mining plan and operating costs as indicated in the PEA. This scenario would reduce the projected capital costs by eliminating the proposed mill at Bilbao. The resulting pre-tax net present value of the Bilbao project was estimated at $4,985 discounted at 10%, and $6,886 discounted at 8%, over the projected eight year mine life, using long term price forecasts of: Zinc $0.92/lb, Lead $1.00/lb and Silver $16.00/oz.

The Company also conducted a desktop analysis of an alternative development scenario of extracting only the higher grade portion of the Bilbao resource and, again, milling of the ore mined from Bilbao at an existing mill within a reasonable trucking distance. By focusing only on the higher grade portion of the resource, this alternative development scenario would reduce the projected mining and processing rate and concentrate and metal production but maintain an eight year mine life. This scenario would reduce the projected capital costs by reducing the amount of mine development required and eliminating the proposed mill at Bilbao.

The resulting pre-tax net present value of the Bilbao project in this high grade scenario was estimated at $8,200, discounted at 12%, over the projected eight year mine life, using long term price forecasts of Zinc $1.00/lb, Lead $0.90/lb and Silver $16.00/oz. The 12% discount rate was considered appropriate after considering all relevant aspects of this impairment evaluation as determined by management. The high grade scenario was evaluated by a desktop analysis only and has not been the subject of a detailed technical or economic assessment.

In conducting the impairment analysis, the Company also considered the exploration potential of the Bilbao property, recognising its location close to existing infrastructure and in proximity to other operating mines in a well-recognised mineral district. The assessment also considered a review of other mineral property transactions that have occurred in the Bilbao area.

Based on the forgoing assessment, the Company recorded an impairment charge on the Bilbao project as at December 31, 2014 in the amount of $10,000 (2013 – $4,000), reducing the estimated fair value of the Bilbao property to $8,380.

Cautionary Note: No Pre-Feasibility Study or Feasibility Study has been completed on the Bilbao Project. Project economics are not proven as the Project has not to date declared a reserve. All analyses are based on Indicated and Inferred Resources. Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them.

The Company has taken steps to reduce administrative and property holding costs in order to maintain its Bilbao properties and has curtailed all other expenditures, while examining strategic alternatives for advancing the Bilbao Project.

The continuing operations of the Company in the short term are dependent upon its ability to raise adequate working capital to continue as a going concern. Additional funding will be required for optimisation and feasibility studies, further exploration and for financing in the longer term to develop the Bilbao project.

On April 29, 2015, the Company's major shareholders, Pacific Road Group of Funds and Minco plc, both agreed, subject to execution of definitive documentation, to extend the due dates of the non-convertible 5% secured notes in the amount of $965,000 from April 30, 2015 to August 31, 2015, and to provide further advances up to $15 each to fund the Company's property maintenance costs and working capital. The purpose of the extension of the maturity date of the secured notes is to provide the Company additional time to assess its strategic alternatives. The notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds the Company's Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited.

(Expressed in US Dollars)

Bilbao Silver-Zinc-Lead-Copper Project- Preliminary Economic Assessment

A Technical Report in accordance with NI 43-101, completed by Runge Pincock Minarco (Canada) Limited entitled "Preliminary Economic Assessment of the Bilbao Silver-Lead-Zinc Project, 720,000 Tonnes per year Processing Plant, District of Panfilo-Natera, Zacatecas State, Mexico" was filed on SEDAR on April 29, 2014.

The Bilbao Project is a polymetallic sulphide and oxide replacement silver-lead-zinc-copper deposit located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas.

Mineral Resource Estimates

The total resources by mineral type at 3% Zn equivalent cut-off, excluding approximately 1 million tonnes of previously mined out ore, estimated by RPM and reported in April 2014 are shown in the following tables:

Indicated Resource

Mineralization Type	Zn equiv. (%)	Tonnes	Zn %	Pb %	Ag (ppm)	Cu %
Oxide	6.69	791,082	1.73	2.53	39	0.18
Mixed	7.93	778,336	2.52	2.48	51	0.21
Sulphide	7.56	4,555,809	2.38	1.57	72	0.18
Total	7.50	6,125,227	2.31	1.81	65	0.19

Inferred Resource

Mineralization Type	Zn equiv. (%)	Tonnes	Zn %	Pb %	Ag (ppm)	Cu %
Oxide	6.38	3,069,852	1.69	2.23	42	0.16
Mixed	4.43	238,923	0.59	1.13	55	0.11
Sulphide	4.31	1,201,032	0.67	0.77	60	0.11
Total	5.73	4,509,807	1.36	1.78	47	0.15

RPM used three year trailing average prices of US$0.94 lb/Zn, US$1.01 lb/Pb, and US$30.24 oz/Ag for purposes of determining cutoff grades and Zn equivalent ("Zn equiv.") values. Metallurgical recoveries were applied in the equivalent equation as 76.7%, 90.6% and 73.4% for Zn, Pb, and Ag, respectively. The Zn equiv. equation used is as follows: Zn equiv. = Zn + 0.969*Pb + 0.09947*Ag.

Cautionary Note: Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that all or any part of an inferred mineral resource will ever be upgraded to a measured or indicated mineral resource or to a mineral reserve.

Mine Design and Production Planning

The mine plan incorporated in the PEA targets the extraction of the sulphide zone only.The mine production schedule is based on a production rate of 2,000 tonnes per day, or 720,000 tonnes per year. This provides for a mine life of approximately 8 years, mining out the resources available. Underground mining methods will be used to access the sulphide zone located approximately 50 meters below surface, and accessed via a portal and ramp system.

The mineral processing plant described in the PEA is for the treatment of a silver-lead-zinc sulfide ore at a design throughput rate of 2,000 tonnes per day. The mill plant will be capable of processing 720,000 tonnes per year with an average grade of 2.1%, 1.4% and 63.96 g/t of zinc, lead and silver respectively. The plant will produce, on average, 16,913 dry tonnes per year of silver-rich lead concentrate, and 26,966 dry tonnes per year of zinc concentrate which will be transported off-site.

Project capital costs, as of April 2014, were estimated by RPM to be US$99.5 million including an allowance for contingencies of US$8.7 million. The capital cost outlines total pre-production capital of US$91.2 million and remaining other capital and sustaining capital costs of US$8.3 million for the eight year production life, including acquisition to replace mine equipment fleet, plant and infrastructure.

The average total unit operating cost over the life of the project was estimated in the PEA at US$66.90/t of ore, including mining, processing, general and administration, freight and insurance, smelting, refining and penalty costs.

Exploration and Enhancement Opportunities 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 future Bilbao development plan, the Company would continue 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.

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 may be undertaken at a later date.

Recommendations and Opportunities

The Company's focus going forward is to maximize the value of its Bilbao Silver-Zinc-Lead project in Zacatecas, Mexico.

RPM have made numerous recommendations throughout the PEA identifying various opportunities to increase the mineable portion of the resource and reduce operating costs through additional exploration and engineering, improving the overall economics of the Bilbao project. RPM recommendations include:

- Additional definition drilling targeted at the Bilbao transition and sulphide zones could lead to re-classification of inferred resources to indicated resources, potentially adding to the total mineable portion of the indicated resource;

- The potential to increase level spacing and correspondingly reduce level development, through use of cable bolts, may lead to lower mine development costs and should be further assessed;

- Further analysis of hydraulic and sand backfilling options, in terms of preparation and distribution, may further reduce overall operating costs;

- There may also be opportunity to reduce operating costs significantly (~US$5/t to US$6/t) by reducing the number of stopes filled with backfill all together. Further geotechnical study would need to be carried out for this scenario to better understand possible ore losses with pillars left in place, and possible recovery of these pillars through caving activity. Potential also exists for deferral of ramp and associated development;

- Inclusion of transition zone material in the mine plan should be investigated (requiring additional metallurgical testwork) to extend the life of mine and/or potentially increase the mining rate per year;

- Further optimization of stope sequencing could lead to improved cash flow and should be studied;

- Exploration drilling at the Bilbao 2 area, approximately 1.5 km south of Bilbao, has potential to offer additional mineral resources to the project due to the fact that current trenching, sampling and resulting soil geochemistry information identifies similarities between the two areas. An additional source of feed to the designed plant could lengthen the overall life of the mine, increase the daily production rate, or result in a combination of the two, improving the NPV and IRR of the project.

RPM noted that the Bilbao deposit contains a reasonable quantity of mineral resources between the oxide, transition, and sulphide mineral zones; however, the lack of metallurgical test data available for the transition zone and identified recovery challenges for the oxide zone limited the scope of the PEA to the total mineable portion of the sulphide resources.

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 should be undertaken.

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.

On October 25, 2013, Conagua, the Mexican authority responsible for water resources, advised the Company of their decision to rescind the Company's December 10, 2003, twenty year extraction licence for the Laguna project on the basis that no extraction has been done for at least three years. The Company appealed this decision through the courts. The appeal was heard by the Court of Zacatecas in June 2014 and a judgment in favor of the Company and setting aside the rescission was issued on October 7, 2014.

Qualified Person: Gerald J. Gauthier, P.Geo., President and Chief Operating Officer of the Company, who is a Non-Independent Qualified Person as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), has reviewed, the parts of this MD&A that are of a scientific or technical nature.

Exploration Properties - Schedule of Deferred Exploration Expenditures
For the years ended December 31, 2014 and 2013

	Bilbao		Laguna		El Dorado		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
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	-	344	-	-	-	-	-	-	-	344
Geology, geophysics and geochemistry	-	143	-	-	-	-	-	-	-	143
Salaries	-	594	-	-	-	-	-	-	-	594
Feasibility study and technical reports	101	1,005	-	-	-	-	-	-	101	1,005
Mining tax concessions	18	20	2	-	-	11	-	77	20	108
Other	77	351	-	21	-	13	-	73	77	458
Total additions	196	2,457	2	21	-	24	-	150	198	2,652
Accretion (reversal)/expense	(36)	461	-	-	-	-	-		(36)	461
Net additions	160	2,918	2	21	-	24	-	150	162	3,113

Results of Operations

The Company recorded no revenue in the year ended December 31, 2014 or December 31, 2013.

For the year ended December 31, 2014, the Company recorded a loss of $10,248,000 ($0.092 per share), including impairment of $10,000,000 on exploration and evaluation assets, an expense of $139,000 on mineral claims surrendered, and a gain of $132,000 arising on a reduction in the fair value of the convertible notes liability.

For the year ended December 31, 2013, the Company incurred a loss of $6,339,000 ($0.061 per share), including impairment of $4,000,000 on exploration and evaluation assets, an expense of $2,245,000 arising on the relinquishment of mineral claims and a gain $329,000 arising on a reduction in the fair value of the convertible notes.

The Company's convertible notes were classified under IFRS as derivative financial liabilities and changes in fair value were credited or charged through profit or loss. In April 2014, $1,075,000 of convertible notes were exchanged for 11,944,444 shares of the Company resulting in a gain of $132,000. The changes in fair value recorded are non-cash adjustments that have no cash effect on the Company.

Administrative expenses for the year ended December 31, 2014 amounted to $237,000, compared to $433,000 during the same period in 2013, as a result of cost control.

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.

	Year ended Dec. 31, 2014 $	Year ended Dec. 31, 2013 $	Year ended Dec. 31, 2012 $
Loss before other items	10,248	6,339	102
Net and comprehensive loss for the period	10,248	6,339	102
Net Loss per common share	0.092	0.061	0.001
Total assets	11,389	21,358	27,863
Cash and cash equivalents	117	128	2,761
Long-term debt and capital notes	1,212	748	2,525
Shareholders equity	9,157	18,287	24,626

Summary of Quarterly Results (IFRS)

	Mar. 31 2013 $000's	June 30 2013 $000's	Sept. 30 2013 $000's	Dec. 31 2013 $000's	Mar. 31 2014 $000's	June 30 2014 $000's	Sept. 30 2014 $000's	Dec. 31 2014 $000's
Net loss (gain)	(15)	(16)	(28)	6,466	45	63	74	10,066
Net loss (gain) per share	(0.000)	(0.000)	(0.000)	0.063	0.000	0.001	0.001	0.090
Total assets	28,024	28,000	28,010	21,358	21,406	21,404	21,394	11,389
Working Capital	2,244	1,305	(1,499)	(2,099)	(2,207)	(754)	(858)	(891)

- 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.
- The income in the quarter ended September 30, 2013 included a notional gain of $157,000 arising on the decrease in the fair value of financial liabilities.
- The loss in the quarter ended December 31, 2013 included impairment of $4,000,000 on exploration and evaluation assets, an expense of $2,245,000 arising on the relinquishment of mineral claims and an expense arising on the increase in the fair value of financial liabilities of $41,000.
- The loss in the quarter ended March 31, 2014 included a notional gain of $132,000 arising on the decrease in the fair value of financial liabilities, and an expense of $122,000 on mineral claims surrendered.
- The loss in the quarter ended December 31, 2014 included impairment of $10,000,000 on exploration and evaluation assets

Liquidity and Capital Resources

Total assets at December 31, 2014 were $11,389,000 compared to $21,358,000 at December 31, 2013. At December 31, 2014, the Company had mineral properties with a total book value of $11,210,000. The balance sheet values may not represent this which could be obtained if the properties were to be offered for sale at this time.

Current liabilities at December 31, 2014 amounted to $1,020,000, including $965,000 non-convertible 5% secured notes payable to its major shareholders, Pacific Road Resources Funds (“Pacific Road”) and Minco plc (“Minco”), due April 30, 2015, compared to $2,323,000 at December 31, 2013.

In April 2014 the Company obtained further advances of $250,000, Pacific Road and Minco, to fund its working capital for the remainder of 2014. At December 31, 2014, the Company held $117,000 in cash and cash equivalents.

On April 29, 2015, the Company’s major shareholders, Pacific Road Group of Funds and Minco plc, both agreed, subject to execution of definitive documentation, to extend the due dates of the non-convertible 5% secured notes in the amount of $965,000 from April 30, 2015 to August 31, 2015, and to provide further advances up to $15 each to fund the Company’s property maintenance costs and working capital. The purpose of the extension of the maturity date of the secured notes is to provide the Company additional time to assess its strategic alternatives. The notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds the Company’s Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited.

There is a significant risk that an extension of the maturity date of the secured notes, or a successful financial restructuring, may not be achieved and/or that additional financing will not be available to the Company on a timely basis or on acceptable terms, or at all.

In the second half of 2014 the Company initiated a strategic review to consider alternatives for the development of the Bilbao Project, including the sale of all or a portion of the Company’s interest in the Bilbao Project, or through a corporate transaction, and retained Jennings Capital Inc. (now Mackie Research) to assist in the strategic review process. The outcome of this process will determine whether the company can continue as a going concern. The strategic review has not, to date, identified any acceptable development or financing proposals. There are no assurances that the strategic review process will result in a transaction or, if a transaction is undertaken, as to the commercial terms or timing of such a transaction.

The Company has taken steps to control costs in order to maintain its Bilbao properties and has curtailed all other expenditures, other than minimal corporate administration costs, while examining strategic alternatives for advancing the Bilbao Project.

At December 31, 2014, the Company had not achieved profitable operations, had a working capital deficiency, had an accumulated deficit since inception and expects to incur further losses in the development of its business.

The Company will need to generate additional financial resources in order to meet its planned business objectives and continue as a going concern.

The continuing operations of the Company in the short term are dependent upon its ability to raise adequate working capital financing to continue as a going concern. Additional funding will be required for optimisation and feasibility studies, further exploration and for financing in the longer term to develop the Bilbao project.

There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will be able to obtain additional financial resources on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail its 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

In December 2013, January 2014 and April 2014, the Company entered into various funding agreements with its major shareholders, see Liquidity and Capital Resources above and Note 14 to the Audited Financial Statements.

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.

	December 31, 2014 $000's	December 31, 2013 $000's
Office and general	3	39
Administrative expenses	-	35
Professional fees	120	325
	123	399

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2014 or December 31, 2013.

During the year ended December 31, 2014, the Company made payments or accrued $123,000 (2013 - $399,000) to related parties, including $50,000 to Steenberglaw Professional Corporation, a company controlled by Neil J.F. Steenberg, Director and Secretary, for legal fees, $30,000 to Tim Gallagher, Director, for investor relations services, $40,000 to Gerald Gauthier, Chief Operating Officer, for management services, and $3,000 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 December 31, 2014 is $4,000 (2013 – $9,000) 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, 2014 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.

Failure to Obtain Additional Financing – Going Concern

At December 31, 2014 the Company held $117,000 in cash. The audited consolidated financial statements at as December 31, 2014 have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Several conditions discussed below create a material uncertainty about the Company's ability to continue as a going concern.

Current liabilities at December 31, 2014 amounted to $1,020,000, including $965,000 non-convertible 5% secured notes payable to its major shareholders, Pacific Road Resources Funds ("Pacific Road") and Minco plc ("Minco"), due April 30, 2015.

On April 29, 2015, the Company's major shareholders, Pacific Road Group of Funds and Minco plc, both agreed, subject to execution of definitive documentation, to extend the due dates of the non-convertible 5% secured notes in the amount of $965,000 from April 30, 2015 to August 31, 2015, and to provide further advances up to $15 each to fund the Company's property maintenance costs and working capital. The purpose of the extension of the maturity date of the secured notes is to provide the Company additional time to assess its strategic alternatives. The Notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds the Company's Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited.

There is a significant risk that a successful financial restructuring may not be achieved and that additional financing will not be available to the Company on a timely basis or on acceptable terms, or at all.

Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interest in its 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.

The continuing operations of the Company are dependent upon its ability to raise adequate financing, and funding will be required for working capital, optimization and further project studies, and for financing in the longer term to develop the Bilbao project. The ongoing development of the Company's properties, including its Bilbao Project, will require substantial additional capital investment. The continued operation and successful development of the Company's properties depends upon the Company's ability to obtain financing through private placement financing, public financing, advance payment for product, the joint venturing of projects, bank financing or other means.

There is no assurance that the Company will be successful in obtaining the required financing. It cannot be guaranteed that such financing will be available on a timely basis or on acceptable terms. Failure to secure additional financing would result in delaying or indefinite postponement of development or production of these properties. There can be no assurance that such additional financing will be available when needed or that, if available, the terms of such financing will be on terms favorable to the Company.

There are no assurances that the Company will continue to be able to obtain additional financial resources and/or achieve positive cash flows or profitability. The Company has not achieved profitable operations, has an accumulated deficit since inception and expects to incur further losses in the development of its business. If the Company is unable to successfully complete a financial restructuring and obtain adequate additional financing, the Company will be required to curtail standby activities and all exploration and development activities and may be required to liquidate its assets under a formal process.

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.The consolidated financial statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited consolidated financial statements.

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 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.

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.

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 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 effect 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.

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 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, 2014, 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.

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.

Outstanding Share Capital

The Company has unlimited authorized share capital of a single class of common shares of which, at December 31, 2014 and April 29, 2015, 115,370,336 common shares were issued and outstanding.

At December 31, 2014, the Company had 6,576,250 stock options issued pursuant to the Company's Stock Option Plan. On February 15, 2015, 2,351,250 stock options expired unexercised. On April 29, 2015, the Company had 4,225,000 stock options outstanding which expire on April 27, 2016.

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 29, 2015