XTIERRA INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

Dated April 27, 2016

(Expressed in US Dollars, except per share amounts)

(Form 51-102F1)

Date: April 27, 2016

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, 2015 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 which holds 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.

The Company holds a 100% interest in the Bilbao zinc-silver-lead-copper project located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas, subject to a 1.5% net smelter royalty, on which it has invested a cumulative total of $22.5 million at December 31, 2015. Through its Mexican subsidiary, Minera Orca S.A de C.V., the Company holds an extraction licence for the silver-rich La Laguna Pedernalillo tailings deposit located near the city of Zacatecas in Mexico on which it has invested a cumulative total of $2.8 million at December 31, 2015.

These cumulative expenditures and investments may not reflect the realizable values of the properties if they were to be offered for sale at this time.

Bilbao Silver-Zinc-Lead-Copper Project

The Bilbao Project ("Bilbao") 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.

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 process proposes the treatment of the silver-lead-zinc sulphide 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.

In late 2014, the Company conducted a desktop analysis of an alternative development scenario of extracting only the high grade portion of the Bilbao resources and 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 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 raising additional financing and securing its continuation as a going concern.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $60,000 are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

In 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 did not identify any acceptable development or financing proposals.

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.

Financial Position of Xtierra

On April 14, 2009, the Company and Pacific Road Group of Funds ("Pacific Road") entered into an agreement, whereby Pacific Road subscribed for an aggregate principal amount of $1,250,000 in non-interest bearing convertible notes (the "Convertible Notes") issued by Orca Minerals Limited ("Orca Minerals"), a subsidiary of the Company. The Convertible Notes had a term of five years, maturing April 14, 2014, and were convertible, at Pacific Road's option, into a number of common shares of Orca Minerals which would equal ten percent (10%) of the issued shares of Orca Minerals on a fully diluted basis.

Pacific Road had a further right to exchange its holdings in Orca Minerals into either shares of Bilbao Resources, S.A. de C.V. ("Bilbao Resources"), an indirectly-owned Mexican subsidiary of Orca Minerals which holds the Company's interest in the Bilbao project, or common shares of Xtierra.

Pacific Road also had a put right, exercisable at its option at any time prior to maturity, to require Xtierra to purchase the Convertible Notes for a number of common shares equal to the principal amount of the Convertible 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.

In April 2014, the Company reached an agreement with Pacific Road whereby Pacific Road exercised its right to exchange $1,075,000 of its Convertible Notes for 11,944,444 shares of the Company, equivalent to approximately 10.4% of the then outstanding shares and taking its total shareholding to 40.6%.

In December 2013, Pacific Road and Minco plc, the Company's two major shareholders, which collectively hold 66.4% of the Company's shares, agreed to provide working capital financing to the Company and each agreed to purchase $250,000 principal amount of 5% working capital notes due March 31, 2014. Minco advanced $120,000 in December 2013 and advanced an additional $130,000 (total $250,000) on January 10, 2014. On January 10, 2014, Pacific Road advanced $250,000.

The remaining balance of Convertible Notes previously owed to Pacific Road in the amount of $175,000, together with the $250,000 working capital notes and together with a further advance of $125,000, were rolled into new non-convertible 5% secured notes (total $550,000) due April 30, 2015, secured, pari-passu with Minco, by a pledge by Xtierra of its shares of Orca Minerals.

At the same time, in April 2014, Minco also agreed to provide a further working capital advance of $125,000, which together with the $250,000 working capital Notes, were rolled into new non-convertible 5% secured notes (total $375,000) due April 30, 2015, secured, pari-passu with Pacific Road, by a pledge by Xtierra of its shares of Orca Minerals.

The net effect of the Company's April 2014 agreements with its major shareholders was to settle its liability of $1,075,000 due April 2014 by the issue of 11,944,444 shares, roll over $508,000 in working capital notes, including $8,000 interest, due September 30, 2014, until April 30, 2015 and obtain further advances of $250,000 to fund its working capital for the balance of 2014. The resultant balance of shareholder advances of $933,000 carried interest of 5% and was due April 30, 2015.

Debt Extension

On April 29, 2015, Pacific Road and Minco, both agreed 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 $15,000 each. On August 24, 2015, Pacific Road and Minco both agreed to further extend the due dates of the notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to $17,500 each to fund the Company's property maintenance costs and working capital. The Company agreed to a fee of $29,000 to obtain the extension, which amount was added to the principal amount of the notes.

On January 31, 2016, Pacific Road and Minco both agreed to extend the maturity date of the notes (in the aggregate amount of $1,110,000 at December 31, 2015) from January 31, 2016 to April 30, 2016.

The purpose of the extension of the maturity date of the secured notes was to provide the Company additional time to assess its strategic alternatives. Pacific Road advised that Xtierra should move within the extension period to either complete a strategic transaction or restructure the Company and that Pacific Road desires to see this process come to a conclusion but, in the absence of an acceptable outcome, Pacific Road reserved all its rights to demand repayment of the notes on maturity and if necessary to initiate foreclosure actions.

The notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Mineral, 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.

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.

The Company is considering various financing options and is engaged in discussions with its two major shareholders, which collectively control 66.4% of the Company shares and all of its secured debt. There are no assurances that these discussions will result in a further extension of the notes or a financial restructuring transaction or, if a transaction is undertaken, as to the commercial terms or timing of such a transaction.

If the Company is unable to negotiate an extension of the secured notes or other financial arrangement or obtain adequate additional financing, the Company may be required to cease all operations activities and may be required to conduct a sales process to liquidate its assets in a formal process. Furthermore, one or both of the Company's major shareholders, which collectively hold 66.4% of the Company's outstanding shares and all of its secured debt, may initiate foreclosure actions in respect of the secured notes in the aggregate amount of appropriate $1,110,000 which mature April 30, 2016.

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.

METAL PRICES

Metal prices will play a very important part in the Company's ability to finance and develop the Bilbao Project. The mineral processing plant described in the 2014 "Bilbao Silver-Zinc-Lead-Copper project – Preliminary Economic Assessment", completed by RPM, 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.

The prices of zinc, lead and silver, expressed in US dollars, were generally lower in 2015 than in 2014. Metal prices rose during the first half of the year, but declined later in the year as economic indicators signaled lower growth rates in China.

The US dollar strengthened significantly against most of the world's currencies in 2015, largely due to the relatively stronger performance by the US economy and expectations of US interest rate rises which resulted in declining local costs in producing countries measured in US dollars.

Zinc

Zinc prices on the LME averaged US$0.87 per pound for the year, down US$0.11, or 11%, per pound from the 2014 average on weak global demand for galvanized steel (which accounts for more than half of end use zinc consumption) and strong refined production growth in China. The price of zinc rose during the spring, reaching a high of just over US$2,400/tonne (US$1.09/lb), before falling again and by the end of the year had fallen back to US$1,600/tonne (US$0.73/lb) despite falling London Metal Exchange ("LME") stocks and announced production cuts.

Global mine production in 2015 grew by 3.2% to 13.4 million tonnes of contained zinc, while global smelter production rose by 4.9% to 13.9 million tonnes.

Initial data compiled by the International Lead and Zinc Study Group ("ILZSG") for the year 2015 show that the global market for refined zinc metal recorded a surplus during the first half of the year but was in deficit during the second half. Other sources reported that in 2015, global refined zinc metal demand was 14.1 million tonnes, which was an increase of 1.5% over 2014 levels. Refined zinc metal demand in China is estimated to have grown 3.7% in 2015 to 6.7 million tonnes corresponding to approximately 47% of global consumption. Demand fell in the rest of the world by just over 1%.

The ILZSG is anticipating that global demand for refined zinc metal will increase by 3.3% to 14.37 million tonnes in 2016. This growth will be primarily driven by rises in China where usage is forecast to increase by 4.9% in 2016 mainly as a consequence of further rises in galvanised steel sheet output.

Wood Mackenzie believes that 2016's global zinc mine production will fall 2.1% over 2015 to 13.1 million tonnes. Mine production in the rest of the world is expected to contract by about 8% in 2016 following the closure of the Century and Lisheen mines and the cutbacks by other operators including Glencore which in October 2015 announced a reduction mine production by 500,000 tonnes. Despite some mine production increases, closures of large long-life mines and production curtailments announced by major suppliers are expected to reduce annual global mine production by more than 1.2 million tonnes of contained zinc in 2016.

Wood Mackenzie is also forecasting an increase in global zinc refined metal demand in 2016 of 3.6% to 14.6 million tonnes, exceeding current estimates for global supply, keeping the refined market in deficit and further reducing global stockpiles of zinc metal.

Lead

The prices of lead on the LME averaged US$1783/t (US$0.80/lb) during 2015, 14.9% lower than during 2014. Global demand for lead totaled 11.1M tonnes, corresponding to an increase during the year of just under 1%. There was a modest increase in demand for batteries, both for new vehicles and for the replacement market. Lead demand in China remained virtually unchanged, year on year.

The ILZSG is forecasting global demand for refined lead metal to increase by 2.6% to 11.11million tonnes in 2016 due to increased usage in the automotive and industrial battery sectors.

Metals Bulletin suggested that lead could become one of the leading metals in 2016 as supply fundamentals continue to tighten. Auto sales in the three largest auto markets in the USA, China and Europe remain upbeat, but as lead prices increase, so too does the potential for additional scrap lead to enter the supply chain.

Silver

Precious metal prices in 2015 were also generally lower than in 2014, reflecting a stronger US dollar and expectations of continued low global rates of inflation. Silver prices continued to fall in 2015, in line with investor sentiment for gold and weak industrial demand. The gold/silver price ratio ended the year at 76 (compared with an average of 66 the past three decades).

(Expressed in US Dollars)

Reduced silver intensity in the electronic and photovoltaic sectors, combined with declining trends in photographic applications, contributed to declining consumption. Mine supply of primary silver is down owing to reductions in Australia, but production continues to expand elsewhere.

Longer Term Metal Price Outlook
With the Century mine in Australia and the Lisheen mine in Ireland now closed, almost 1.5 billion lbs. of annual zinc production, representing almost 5% of global production, has been removed from supply. Glencore has announced plans to cut zinc production by 500,000 tonnes, Nyrstar has announced plans to sell all of that company's mining assets which would cut its zinc concentrate production by 400,000 tonnes and a number of Chinese smelters have announced agreed smelter output reductions. Wood Mackenzie is forecasting an increase in global zinc refined metal demand in 2016, exceeding current estimates for global supply, keeping the refined market in deficit and further reducing global stockpiles of zinc metal.

The long term outlook for both lead and zinc is positive.

Change in Accounting Policy

During the year ended December 31, 2015, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. Under the new policy, all costs associated with the exploration and evaluation of properties are expensed as incurred until it has been established that a mineral property is commercially viable and a mine development decision has been made by the Company. The Company believes expensing such costs as incurred provides more relevant financial information in accordance with IFRS. The effect of the change in accounting policy is to retroactively expense exploration and evaluation expenditures incurred on the Bilbao and Laguna properties. Upon establishment of a NI 43-101 compliant resource, and where the directors consider that the resource is economic, the Company will capitalize any further evaluation expenditure under Exploration and evaluation assets. The audited financial statements as at and for the year ended December 31, 2014 have been restated to reflect adjustments made as a result of this change in accounting policy.

Exploration and Evaluation Expenditures

	December 31, 2015	Additions	December 31, 2014	Additions	January 1, 2014
	$	$	$	$	$
Bilbao	22,506	78	22,428	326	22,102
Laguna	2,832	-	2,832	2	2,830
Total	25,338	78	25,260	328	24,932

Results of Operations

The Company recorded no revenue in the year ended December 31, 2015 or December 31, 2014.

For the year ended December 31, 2015, the Company recorded a loss of $370,000 ($0.003 per share) compared to a loss of $401,000 during the same period in 2014. The main components of which were interest and extension fees related to the notes.

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 raising additional financing and securing its continuation as a going concern.

For the three month period ended December 31, 2015, the Company recorded a loss of $104,000 ($0.001 per share) compared to a loss of $101,000 during the same period in 2014.

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, 2015 $	Year ended Dec. 31, 2014 $	Year ended Dec. 31, 2013 $
Loss before other items	370	401	6,339
Net and comprehensive loss for the period	370	401	6,339
Net Loss per common share	0.003	0.004	0.061
Total assets	102	179	301
Cash and cash equivalents	59	117	128
Long-term debt and capital notes	1,392	1,212	748
Shareholders equity	(2,423)	(2,053)	(2,770)

Summary of Quarterly Results (IFRS)

	Dec. 31 2015 $000's	Sept. 30 2015 $000's	June 30 2015 $000's	Mar. 31 2015 $000's	Dec. 31 2014 $000's	Sept. 30 2014 $000's	June 30 2014 $000's	Mar. 31 2014 $000's
Net loss (gain)	104	115	71	80	101	74	63	163
Net loss (gain) per share	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.002
Total assets	102	125	127	142	179	243	332	240
Working Capital	(1,060)	(1,032)	(966)	(924)	(891)	(858)	(754)	(2,207)

Liquidity and Capital Resources

Total assets at December 31, 2015 were $102,000 compared to $179,000 at December 31, 2014.

Current liabilities at December 31, 2015 amounted to $1,133,000, including $1,110,000 non-convertible 5% secured notes payable to its major shareholders, Pacific Road Resources Funds (“Pacific Road”) and Minco plc (“Minco”), due January 31, 2016 extended to April 30, 2016, compared to $1,020,000 at December 31, 2014. Pacific Road and Minco collectively control 66.4% of the Company shares.

On April 29, 2015, Pacific Road and Minco, both agreed 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 $15,000 each. On August 24, 2015, Pacific Road and Minco both agreed to further extend the due dates of the Notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to $17,500 each to fund the Company’s property maintenance costs and working capital. On January 31, 2016, Pacific Road and Minco both agreed to extend the maturity date of the notes (in the aggregate amount of $1,110,000 at December 31, 2015) from January 31, 2016 to April 30, 2016.

The purpose of the extension of the maturity date of the secured notes was to provide the Company additional time to assess its strategic alternatives. Pacific Road has advised that Xtierra should move within the extension period to either complete a strategic transaction or restructure the Company and that Pacific Road desires to see this process come to a conclusion but, in the absence of an acceptable outcome, Pacific Road reserved all its rights to demand repayment of the notes on maturity and if necessary to initiate foreclosure actions.

The notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals, 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.

In August 2008, the Company acquired the outstanding 25% interest in the Bilbao property for total consideration of $5,000,000 of which $2,500,000 was paid on the closing date and a further $500,000 was paid one year after the closing date. The remaining balance of $2,000,000 is payable in four consecutive equal payments of $500,000 each, the first such $500,000 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concession but in any event shall be paid in full no later than August 2018.

At December 31, 2015, 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 negotiate an extension of the maturity date of its secured notes which currently mature and become due April 30, 2016 and 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.

The Company is considering various financing options and is engaged in discussions with its major shareholders. There are no assurances that these discussions will result in a financial arrangement or, if an arrangement is undertaken, as to the commercial terms or timing of such an arrangement. The outcome of this process will determine whether the Company can continue as a going concern. 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.

If the Company is unable to negotiate an extension of the secured notes or other financial arrangement or obtain adequate additional financing, the Company may be required to cease all operations activities and may be required to conduct a sales process to liquidate its assets in a formal process. Furthermore, one or both of the Company's major shareholders, which collectively hold 66.4% of the Company's outstanding shares and all of its secured debt, may initiate foreclosure actions in respect of the secured notes which mature April 30, 2016.

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 January 2014, April 2014, April 2015 and September 2015, the Company entered into various funding agreements with its major shareholders, see Liquidity and Capital Resources above and Note 13 to the audited financial statements.

No fees were paid by the Company to directors for their services as directors of the Company in the periods ended December 31, 2015 or December 31, 2014.

For the year ended December 31, 2015, the Company made payments or accrued $13,000 (2014 - $120,000) to related parties, including $11,000 to Steenberglaw Professional Corporation, a company controlled by Neil J.F. Steenberg, Director and Secretary, for legal fees, $2,000 to T.D. Gallagher, Director, for investor relations services. Included in accounts payable and accrued liabilities at December 31, 2015 is $4,000 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.

Adoption of New Accounting Standards
The standards and interpretations within IFRS are subject to change. For further details, please refer to Note 4 of the December 31, 2015 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, 2015 the Company held $59,000 in cash. The audited consolidated financial statements at as December 31, 2015 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, 2015 amounted to $1,133,000, including $1,110,000 non-convertible 5% secured notes payable to its major shareholders, Pacific Road Resources Funds and Minco plc, previously due January 31, 2016. On January 31, 2016, Pacific Road and Minco plc both agreed to extend the due date to April 30, 2016.

Pacific Road has advised that Xtierra should move within the extension period to either complete a strategic transaction or restructure the Company and that Pacific Road desires to see this process come to a conclusion but, in the absence of an acceptable outcome, Pacific Road reserves all its rights to demand repayment of the notes on maturity and if necessary to initiate foreclosure actions.

The notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals, 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.

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.

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 the Company's 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.

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.

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.

If the Company is unable to negotiate an extension of the secured notes or other financial arrangement or obtain adequate additional financing, the Company may be required to cease all operations activities and may be required to conduct a sales process to liquidate its assets in a formal process. Furthermore, one or both of the Company's major shareholders, which collectively hold 66.4% of the Company's outstanding shares and all of its secured debt, may initiate foreclosure actions in respect of the secured notes which mature April 30, 2016.

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 Mexican 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.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $60,000 are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

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, 2015, 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, 2015 and April 27, 2016, 116,370,336 common shares were issued and outstanding.

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 27, 2016