

XTIERRA INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended September 30, 2022 and 2021

(Expressed in US Dollars)

NOTICE OF NO AUDIT OR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of Xtierra Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

XTIERRA INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Unaudited

For the three and nine months ended September 30, 2022

(Expressed in US Dollars)

<i>INDEX</i>	<i>PAGE</i>
Condensed Consolidated Interim Statements of Financial Position	1
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss	2
Condensed Consolidated Interim Statements of Changes in Equity (deficiency)	3
Condensed Consolidated Interim Statements of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5-12

XTIERRA INC.
Condensed consolidated interim statements of financial position
As at September 30, 2022
(Unaudited – prepared by management)

		September 30, 2022	December 31, 2021
(Expressed in US Dollars)	Notes	\$	\$
ASSETS			
Current assets			
Cash		2,940	38,954
Amounts receivable and other	3	3,637	573
Prepaid expenses	3	220	220
Total current assets		6,797	39,747
Non-current assets			
Investments	9,12	721,400	-
Mineral properties	4	1	1
Mineral royalty interests	5	187,379	187,379
Total non-current assets		908,780	187,380
Total assets		915,577	227,127
LIABILITIES			
Current liabilities			
Accounts payable and accruals	6,8	135,321	90,520
Notes payable	7	205,673	198,239
Current liabilities, before the undernoted		340,994	288,759
Other liability of subsidiary	15	2,000,000	2,000,000
Total current liabilities		2,340,994	2,288,759
SHAREHOLDERS' DEFICIENCY			
Capital stock	8	37,767,571	37,046,171
Warrants	7,8,9	219,637	219,637
Share-based payment reserve	11	361,750	361,750
Deficit		(39,795,164)	(39,709,979)
Deficiency attributable to equity holders of the company		(1,446,206)	(2,082,421)
Non-controlling interest	5	20,789	20,789
Total shareholders' deficiency		(1,425,417)	(2,061,632)
Total liabilities and shareholders' deficiency		915,577	227,127

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Notes 1, 7 and 15)

The financial statements were approved by the Board of Directors on November 28, 2022 and signed on its behalf by:

Signed - "Timothy Gallagher"
Timothy Gallagher, Director

Signed - "Andrew Robertson"
Andrew Robertson, Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

XTIERRA INC.

Condensed consolidated interim statements of operations and comprehensive loss

For the three and nine months ended September 30, 2022 and 2021

Unaudited – prepared by management

	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Expressed in US Dollars)	\$	\$	\$	\$
Expenses				
General and administrative	584	11,979	7,743	42,186
Corporate expenses	4,193	3,388	10,936	52,923
Professional fees	(156)	5,695	8,209	27,260
Exploration and evaluation	27,504	22,063	44,872	305,429
Operating loss	32,125	43,125	71,760	427,798
Other items				
Interest expense	2,505	4,219	7,434	4,219
Share-based compensation	-	-	-	42,557
Warrants issued	-	-	-	219,637
Foreign exchange (gain)	25,062	(962)	5,991	(37,644)
Net loss and comprehensive loss for the period	59,692	46,382	85,185	656,567
Net loss per share – basic and diluted	0.000	0.000	0.000	0.004
Weighted average Common Shares outstanding				
basic and diluted	175,910,448	167,251,961	175,766,317	167,251,961

See accompanying notes to the unaudited condensed consolidated interim financial statements.

XTIERRA INC.
Condensed consolidated interim statements of changes in equity (deficiency)
Unaudited – prepared by management

	Shares outstanding #	Share Capital \$	Warrants \$	Share- based payment reserve \$	Deficit \$	Attributable to equity holders of the company \$	Non- controlling interest \$	Total \$
Balance, December 31, 2020	162,693,057	36,522,116	186,492	401,964	(39,305,729)	(2,195,157)	20,789	(2,174,368)
Stock options granted	-	-	-	42,557	-	42,557	-	42,557
Warrants expired	-	-	(186,492)	-	186,492	-	-	-
Warrants issued	-	-	219,637	-	-	219,637	-	219,637
Shares issued	13,000,000	524,055	-	-	-	524,055	-	524,055
Net loss for the period	-	-	-	-	(656,567)	(656,567)	-	(656,567)
Balance as at September 30, 2021	175,693,057	37,046,171	219,637	444,521	(39,775,804)	(2,065,475)	20,789	(2,044,686)
Balance as at December 31, 2021	175,693,057	37,046,171	219,637	361,750	(39,709,979)	(2,082,421)	20,789	(2,061,632)
Shares issued	20,000,000	721,400	-	-	-	721,400	-	721,400
Net loss for the period	-	-	-	-	(85,185)	(85,185)	-	(85,185)
Balance as at September 30, 2022	195,693,057	37,767,571	219,637	361,750	(39,795,164)	(1,446,206)	20,789	(1,425,417)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

XTIERRA INC.

Condensed consolidated interim statements of cash flows

For the three and nine months ended September 30, 2022 and 2021

Unaudited – prepared by management

For the nine months ended September 30,

		2022	2021
(Expressed in US Dollars)	Note	\$	\$
Cash flow from operating activities			
Net loss for the period		(85,185)	(611,764)
Share-based compensation		-	42,557
Warrants issued		-	219,637
Non-cash interest expense		7,434	1,579
Operating cash flow before movements in working capital		(77,751)	(347,991)
Movements in working capital			
Amounts receivable		(3,064)	7,560
Prepaid expense		-	39,243
Accounts payable and accrued liabilities		5,330	(49,170)
Net cash used in operating activities		(75,485)	(350,358)
Financing activities			
Subscription receipts payable	8	39,471	-
Total cash provided by financing activities		39,471	-
Investing activities			
Partial payment of note payable	7	-	(80,624)
Total cash used in investing activities		-	(80,624)
Decrease in cash		(36,014)	(430,982)
Cash, beginning of period		38,954	523,651
Cash, end of period		2,940	92,669
Supplemental information			
Share issuance	9,12	721,400	-

See accompanying notes to the unaudited condensed consolidated interim financial statements.

XTIERRA INC.

Notes to the unaudited condensed consolidated interim financial statements

(Expressed in US Dollars)

For the three and nine months ended September 30, 2022 and 2021

1. NATURE OF OPERATIONS

Xtierra Inc. (the "Company" or "Xtierra") has interests in exploration and evaluation properties located in Mexico. There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral deposits which are economically recoverable. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable mineral deposits, the achievement of profitable operations, or the ability of the Company to raise additional financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. All of the Company's mineral exploration interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, and mineral royalty interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, local indigenous or aboriginal claims and regulatory and environmental requirements.

Basis of measurement and going concern

These unaudited condensed consolidated interim financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the current fiscal year. Several conditions discussed below create a material uncertainty and significant doubt about the Company's ability to continue as a going concern.

At September 30, 2022, 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 have to rely on equity financing to generate additional financial resources to fund its working capital requirements and will need to generate additional financial resources to fund its planned programs. 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 continue to obtain additional financial resources and/or achieve positive cash flows or profitability. Based on the assumptions that such finance will become available, the Directors believe that the going concern basis is appropriate for group financial statements.

The underlying value and the recoverability of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS and available under the Company's profile on www.SEDAR.com.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except cash flow information. These unaudited condensed consolidated interim financial statements are expressed in United States Dollars ("US\$").

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. Actual results may differ from these estimates. There have been no changes in the judgments, estimates or assumptions from those disclosed in the Company's audited annual consolidated financial statements for the year ended December 31, 2021.

XTIERRA INC.**Notes to the unaudited condensed consolidated interim financial statements****(Expressed in US Dollars)****For the three and nine months ended September 30, 2022 and 2021****Basis of consolidation**

The unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

3. AMOUNTS RECEIVABLE AND OTHER AND PREPAID EXPENSES

	September 30, 2022 \$	December 31, 2021 \$
Receivable sales taxes – Canada	2,365	573
Receivable sales taxes – Mexico	1,272	-
Prepaid expenses	220	220
	3,857	793

4. EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures:

	September 30, 2022 \$	Additions \$	December 31, 2021 \$	Additions \$	December 31, 2020 \$
Bilbao	23,285,972	44,872	23,241,100	254,381	22,986,719
Laguna	7,281,000	-	7,281,000	-	7,281,000
	30,566,972	44,872	30,522,100	254,381	30,267,719

Bilbao

The Company, through its indirectly wholly owned Mexican subsidiaries, holds a 100% interest in the Bilbao zinc-silver-lead-copper project, including the necessary surface lands for surface installations and development of the Bilbao deposit. See Note 5.

Laguna

The Company holds a 100% interest in the Laguna silver-gold-mercury tailings development project and has been granted a twenty-year concession dated December 10, 2003 by the *Comision Nacional del Agua* ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MX\$11.00 (approximately US\$1.00) per cubic metre of tailings.

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 (MXN \$1,200,000) 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.

5. MINERAL ROYALTY INTERESTS

On April 22, 2020, the Company entered into an agreement to acquire 88% of the shares of Minera Portree in consideration of the payment of Cdn\$56,000, and the issue to the vendors of 2,000,000 shares of the Company. The fair value of the Common Shares issued of \$99,330, was estimated based on the market price of the shares on the date of issuance. Liabilities of \$14,280 were assumed and a non-controlling interest of \$20,789 was recognized as a result of the purchase. Minera Portree holds various legal or royalty interests in certain mineral properties in Mexico, and an asserted claim to a 2% net smelter royalty emanating from its former ownership of six mining concessions located adjacent to the Cozamin Mine in Zacatecas operated by Capstone Mining Corp. (TSX:CS) ("Capstone"). The entitlement of Minera Portree to the 2002 royalty is contested by a third party and Capstone. Minera Portree filed lawsuits against both parties to properly recognize the 2% NSR. In August 2022, the Zacatecas courts requested the Public Mines Registry in Mexico City to register the Minera Portree royalty claims on title. The timing and outcome of the lawsuits are uncertain.

XTIERRA INC.**Notes to the unaudited condensed consolidated interim financial statements****(Expressed in US Dollars)****For the three and nine months ended September 30, 2022 and 2021****6. ACCOUNTS PAYABLE AND ACCRUALS**

	September 30, 2022 \$	December 31, 2021 \$
Trade creditors	17,650	20,104
Payable to related parties (Note 12)	39,242	41,303
Subscription receipts (Note 8)	55,259	15,788
Accrued liabilities	23,170	13,325
	135,321	90,520

7. NOTES PAYABLE

	September 30, 2022 \$	December 31, 2021 \$
Opening balance	198,239	796,477
Reduction through issue of shares on exercise of warrants	-	(524,055)
Payment	-	(80,624)
Interest expense	7,434	6,441
	205,673	198,239

On February 14, 2018, Buchans had entered into a two-year Support and Standstill Agreement ("Support Agreement") to defer repayment of principal and accrued interest of its Notes receivable in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn\$0.05 per share for a term of two years expiring February 14, 2020.

By an Extension Agreement dated as of February 7, 2020, as amended by an Amending Agreement dated April 30, 2020, the term of the Support Agreement was extended for an additional period to April 30, 2021, in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn\$0.05 per share for a term to April 30, 2021.

On April 27, 2021, Buchans exercised its Xtierra warrants and acquired 13,000,000 shares of Xtierra for a consideration of \$524,055 (Cdn-\$650,000), in addition, the Company paid \$80,624 (Cdn-\$100,000) as part payment of the Notes payable to Buchans.

By a Second Extension Amendment Agreement dated April 27, 2021, the Support Agreement between Buchans and Xtierra dated January 17, 2018, was further amended to provide that interest on the remaining balance of the notes payable to Buchans in the amount of \$191,798 resume to accrue interest at the rate of 5% per annum effective May 1, 2021, until paid, and the term of the Support Agreement was extended for a further period to April 30, 2023. For the three and nine months ended September 30, 2022, interest expense in the amount of \$2,663 and \$7,592 respectively is included in operations.

In connection with the Second Extension Amendment Agreement, Xtierra agreed to issue to Buchans 5,000,000 share purchase warrants, each warrant entitling Buchans to purchase one common share of Xtierra at a price of Cdn\$0.10 per share for a term of two years (Note 9).

XTIERRA INC.**Notes to the unaudited condensed consolidated interim financial statements****(Expressed in US Dollars)****For the three and nine months ended September 30, 2022 and 2021****8. CAPITAL STOCK****Common Shares****Authorized**

Unlimited number of Common Shares

	Shares #	Amount \$
Balance, December 31, 2020 and September 30, 2021	162,693,057	36,522,116
Shares issued from the exercise of warrants	13,000,000	524,055
Balance as at December 31, 2021	175,693,057	37,046,171
Shares issued	20,000,000	721,400
Balance as at September 30, 2022	195,693,057	37,767,571

On April 27, 2021, Buchans exercised its Xtierra warrants and acquired 13,000,000 shares of Xtierra for a consideration of \$524,055 (Cdn\$650,000). Share subscription proceeds totaling Cdn\$50,000 (US\$39,471) were received in the quarter ended March 31, 2022 (balance as at December 31, 2021 Cdn\$20,000 (US\$15,788)).

On September 30, 2022, the Company entered into an acquisition agreement ("Royalty Acquisition") with Tim Gallagher, Director and Chief Executive Officer of the Company (the "CEO") whereby, in exchange for 20,000,000 shares in Xtierra at an acquisition price of Cdn\$0.05 totaling Cdn\$1,000,000 (US\$721,400), the Company received 2,000,000 Common Shares in Music Royalties Inc. ("MRI") held by the CEO. The MRI shares had a value of Cdn\$0.50 or Cdn\$1,000,000 (US\$721,400). MRI currently pays a monthly dividend yielding 6% on invested capital and shares are expected to generate approximately Cdn\$5,000 (US\$3,700) in dividends per month. Refer also to note 12.

9. WARRANTS

	Warrants #	Amount \$
Balance, December 31, 2020	13,000,000	186,492
Warrants exercised	(13,000,000)	(186,492)
Warrants issued	5,000,000	219,637
Balance as at December 31, 2021 and September 30, 2022	5,000,000	219,637

On April 30, 2020, and in consideration for the extension for the Support and Standstill Agreement, the Company issued 13 million, non-transferable warrants to Buchans, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn\$0.05 per share for a period of one year expiring April 30, 2021. See Note 7.

On April 27, 2021, Buchans exercised the warrants and acquired 13,000,000 shares of Xtierra for a consideration of Cdn\$650,000 and Xtierra agreed to issue to Buchans 5,000,000 new share purchase warrants, each warrant entitling Buchans to purchase one common share of Xtierra at a price of Cdn\$0.10 per share for a term of two years. The value of the new warrants received was estimated to be \$219,637 and was included in operations during the period ended September 30, 2021.

10. STOCK OPTIONS

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of Common Shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of Common Shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

XTIERRA INC.**Notes to the unaudited condensed consolidated interim financial statements****(Expressed in US Dollars)****For the three and nine months ended September 30, 2022 and 2021****10. STOCK OPTIONS (CONTINUED)**

Stock options transactions during the periods ended September 30, 2022 and December 31, 2021 were as follows:

	Options Granted September 30, 2022 #	Options Exercisable September 30, 2022 #	Estimated Grant Date Fair Value \$	Exercise Price \$
Balance as at December 31, 2020	13,600,000	12,350,000	401,964	Cdn\$0.054
Share-based payment	-	1,250,000	42,557	Cdn\$0.060
Balance as at September 30, 2021	13,600,000	13,600,000	444,521	Cdn\$0.054
Balance as at December 31, 2021 and September 30, 2022	11,800,000	11,800,000	361,750	Cdn\$0.056

During the year ended December 31, 2020, 700,000 stock options were exercised for gross proceeds of Cdn\$35,000 (\$27,471). The weighted average life in years of the remaining stock options is 1.69 years.

In June 2020, the Company granted a total of 5,000,000 incentive stock options to consultants and service providers pursuant to the Company's Stock Option Plan. All these stock options are exercisable at a price of Cdn\$0.06 per share for a period of five years from June 4, 2020, all vesting quarterly over a period of one year. The grant date fair value of these options was calculated at \$151,919.

During the quarter ended June 30, 2021, the Company recorded \$42,557 to share-based compensation and share-based payment reserve.

At December 31, 2021, 1,800,000 stock options were terminated.

No options were issued or expired during the three and nine months ended September 30, 2022.

11. SHARE-BASED PAYMENT RESERVE

There were no share-based payment reserve transactions during the nine months ended September 30, 2022. Share-based payment reserve transactions for the period ended December 31, 2021 were as follows:

	\$
Balance, December 31, 2020	401,964
Stock options granted	42,557
Balance, September 30, 2021	444,521
Balance, December 31, 2021 and September 30, 2022	361,750

12. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

On September 30, 2022, the CEO acquired 20 million Common Shares of the Company pursuant to the Royalty Acquisition disclosed in Note 9. Prior to the Royalty Acquisition, the CEO owned 10,775,000 Common Shares of the Company and 3,600,000 stock options. As a result of the Royalty Acquisition, the CEO beneficially owns and controls 30,775,000 Common Shares of the Company and 3,600,000 stock options representing approximately 15.7% of the issued and outstanding Common Shares of the Company on a non-diluted basis and approximately 17.2% on a partially diluted basis.

No fees were paid by the Company to directors or the CEO for their services during the periods ended September 30, 2022 and 2021.

During 2021 and 2020, the Company entered into various funding agreements with its major shareholder Buchans Resources Limited (Notes 7 and 9).

Included in accounts payable and accruals at September 30, 2022 is \$41,303 (December 31, 2021 - \$41,303) due to Steenberg Law Professional Corporation, a company controlled by Neil J.F. Steenberg, Secretary, for legal fees. These balances are due on demand, unsecured and non-interest bearing.

XTIERRA INC.**Notes to the unaudited condensed consolidated interim financial statements****(Expressed in US Dollars)****For the three and nine months ended September 30, 2022 and 2021****12. RELATED PARTY TRANSACTIONS (CONTINUED)**

Also included in accounts payable and accruals at September 30, 2022 is \$5,870 (December 31, 2021 - \$Nil) due to Jaqi Logan Financial Services Inc., a company controlled by Jacqueline Logan, Chief Financial Officer of the Company, for professional fees. These balances are due on demand, unsecured and non-interest bearing.

The subsidiaries of the Company at September 30, 2022 and December 31, 2021 were as follows:

Name of Subsidiary	Country of Incorporation	Percentage owned	Principal activity
Orca Minerals Limited	Canada	100%	Holding company for Orca Gold International
Orca Gold International Ltd.	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources SA de CV	Mexico	100%	Exploration
Bilbao Mining SA de CV	Mexico	100%	Exploration
Minera Orca SA de CV	Mexico	100%	Exploration
Orca Mining Exploration SA de CV	Mexico	100%	Exploration
Minera Portree de Zacatecas SA de CV	Mexico	88%	Holding company for mineral royalty interests

13. FINANCIAL INSTRUMENTS

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and managed and that the capital base is adequate in relation to those risks. For further details, please refer to Note 15 to the December 31, 2021 audited consolidated financial statements. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during the nine-month period ended September 30, 2022.

The principal risks to which the Company is exposed to are described below:

Fair value:

The carrying amounts for cash, amounts receivable and other, accounts payable and accruals, notes payable and other liability of the subsidiary on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Capital Risk:

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration and evaluation projects.

Credit Risk:

Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

Liquidity Risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2022, the Company had cash of \$2,940 to settle current liabilities of \$340,994, excluding the \$2,000,000 contingent liability of a subsidiary. The Company's accounts payable and accruals generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

XTIERRA INC.

Notes to the unaudited condensed consolidated interim financial statements

(Expressed in US Dollars)

For the three and nine months ended September 30, 2022 and 2021

13. FINANCIAL INSTRUMENTS (CONTINUED)

Price Risk:

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Interest Rate Risk:

The Company is not subject to interest rate risk due to the minimal cash levels, and the debt being at a fixed rate or not interest-bearing.

Foreign Currency Risk:

The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in Mexico and in currencies other than the United States dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the United States dollar.

Sensitivity Analysis:

Financial instruments included in cash and amounts receivable are measured at amortized cost. Accounts payable and accruals, notes payable and other liability of subsidiary are classified as financial liabilities, measured at amortized cost.

A one percent change in interest rates will result in a corresponding change in interest income of approximately \$Nil based on monetary asset and liability balances existing at September 30, 2022.

Fair Value Hierarchy and Liquidity Risk Disclosure:

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at September 30, 2022 and December 31, 2021, the Company did not have any financial instruments carried at fair value.

14. CAPITAL MANAGEMENT

The Company's capital structure consists of its capital stock, warrants and share-based payment reserve.

The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will utilize its existing working capital and seek to raise additional amounts as needed through the issue of Common Shares or other securities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended September 30, 2022 and December 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) Cdn\$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months.

XTIERRA INC.

Notes to the unaudited condensed consolidated interim financial statements

(Expressed in US Dollars)

For the three and nine months ended September 30, 2022 and 2021

15. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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 (MXN \$1,200,000) 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. See Note 4.

Under an Indemnity and Guarantee Agreement dated August 11, 2008, entered into in connection with the acquisition by Orca Gold International Ltd. ("Orca Gold"), from Shoshone Silver Mining Company ("Shoshone Silver"), of the shares of Shoshone Mexico S.A. de C.V., ("Shoshone Mexico"), the registered owner of four mining concessions comprising the bulk of the Bilbao property, subject to a 1.5% net smelter royalty, and the beneficial owner of a 25% interest in the Bilbao concessions, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any damages or losses suffered from all liabilities and obligations of Shoshone Mexico, in consideration of the agreement by Orca Gold to pay to Shoshone Silver the total sum of \$4,900,000. Of this total amount, \$2,400,000 was paid on the date of transfer of the shares of Shoshone Mexico to Orca Gold in August 2008 and a further \$500,000 was paid one year after the date of the first payment.

The balance of \$2,000,000 expressed to be payable by Orca Gold to Shoshone Silver pursuant to the Indemnity and Guarantee Agreement was to be payable in four consecutive equal annual 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 concessions, but in any event not less than six years after the date of the first payment of \$2,400,000 in August 2008 and provided that the remaining balance of \$2,000,000 was to be paid in full no later than ten years after the date of the first payment of \$2,400,000. Construction of a mine on the Bilbao concessions has not commenced to date. The payment was secured by a charge granted by Shoshone Mexico in favor of Shoshone Silver and registered against the four Bilbao mining concessions.

Orca Minerals Limited, the parent company of Orca Gold, guaranteed the payments and obligations of Orca Gold to Shoshone Silver. Orca Gold is treating any potential claim that may become due to Shoshone Silver under the Indemnity and Guarantee Agreement as a contingent liability as the likelihood of this occurring cannot be predicted at this time. Xtierra acquired Orca Minerals Limited on August 29, 2008, but did not assume or guarantee, on a corporate non-consolidated basis, the payments or obligations of Orca Gold. Xtierra has no direct liability for any payments that may become due to Shoshone Silver, however under IFRS 9 *Financial Instruments*, upon consolidation, the Company is required to recognise this potential payment as a financial liability.

16. PROPOSED CHANGE OF BUSINESS

On September 23, 2022, the Company announced a proposed change of business ("Change of Business") to refocus its operations from a mineral resource exploration company to a company focused on seeking cash flow generating royalty opportunities in various industries – a diversified royalties company. The Company believes that the experience of its management and board members will enable it to identify and capitalize upon royalty opportunities. In particular, if the Change of Business is completed, the Company expects to focus initially on resource royalties, media entertainment royalties (such as music, film and television) and green royalty industries, but may determine to expand the scope of the industries it will focus on in the future. In connection with the Change of Business, the Company intends to change its name to "Royalties Inc." and to seek a listing of its common shares on the Canadian Securities Exchange (the "CSE") and concurrent delisting of the common shares from the TSXV. The directors and officers will remain unchanged following the Change of Business. The completion of the Change of Business and listing on the CSE is subject to the receipt of all necessary approvals, including without limitation regulatory approval for the listing of the common shares of the Company on the CSE and the delisting of the common shares from the TSXV. Completion of the transaction is subject to a number of conditions, including but not limited to, CSE and TSXV acceptance (if required) and if applicable, disinterested shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.