

**XTIERRA INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the three-month period ended March 31, 2020**

Dated May 21, 2020

**(Expressed in US Dollars, except per share amounts)**

(Form 51-102F1)

**XTIERRA INC.**  
**Management Discussion and Analysis**  
**For the three-month period ended March 31, 2020**  
(Expressed in US Dollars)

---

*Date: May 21, 2020*

## **General**

This Management's Discussion and Analysis (MD&A) reviews the activities of Xtierra Inc. ("Xtierra" or the "Company") and compares the financial results for the three-month period ended March 31, 2020.

For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2019 and 2018, a copy of which is filed on the SEDAR website.

All monetary amounts are in US dollars unless otherwise stated.

## **Company Overview**

Xtierra is a natural resource company which holds mineral exploration properties located in the Central Silver Belt of Mexico in the State of Zacatecas and is also pursuing new opportunities, including mineral exploration and development projects, and the potential acquisition of mineral and other royalties.

Xtierra is pursuing a strategy for realizing some value on its Bilbao and other Mexican projects in the context of the current resource cycle, as well as identifying and evaluating new potential royalty acquisitions.

Xtierra, through its Mexican subsidiaries, currently holds a 100% interest in the Bilbao zinc-silver-lead-copper project, in the southeastern part of the State of Zacatecas, on which an independent Technical Report in accordance with NI 43-101 containing an updated resource estimate and preliminary economic assessment (PEA) was completed in 2014. The Company maintains the Bilbao mineral concessions and title to the property in good standing while at the same time examining strategic alternatives for further exploring and /or development of the property.

## **Mineral Royalty Interests**

On July 31, 2019, the Company acquired, indirectly through a wholly owned subsidiary, a 1.5% net smelter royalty and all legal interests of the vendors and Minera Portree de Zacatecas, S.A. de C.V in the four mining concessions comprising the bulk of the Bilbao property, previously held by four individuals, for \$76,829 (Cdn\$100,000), paid as to Cdn\$51,000 in cash and Cdn\$49,000 by the issue of 980,000 common shares of the Company.

On August 13, 2019, the Company signed a letter of intent, to acquire Minera Portree De Zacatecas, S.A. de C.V ("Minera Portree"), subject to due diligence and final agreement on price, terms and conditions. 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, less the deposit of \$20,000 previously paid, with the remaining Cdn\$30,000 payable in installments subject to certain milestones, and the issue to the vendors of 2,000,000 shares of the Company.

Minera Portree holds various legal or royalty interests in certain mineral properties in Mexico, including the Company's Bilbao property and an asserted claim to a 2% net smelter royalty on six mining concessions located adjacent to the Cozamin Mine in Zacatecas operated by Capstone Mining Corp. (TSX:CS), five of which were acquired by Capstone from a third party in 2017 and 2019. The third-party had acquired the six mining concessions from Minera Portree in 2002, subject to a 2% net smelter royalty retained by Minera Portree. The entitlement of Minera Portree to the royalty may be contested by the third party and/or Capstone.

The Cozamin Mine is an operating polymetallic copper-silver underground mine, located 3.6 km north-northwest of Zacatecas City, with a 3,990 tonne per day milling capacity, which is expected to increase its production to 50 to 55 million pounds of copper and 1.4 to 1.5 million ounces of silver starting in early 2021, upon completion of the underground debottlenecking development project. The current mine plans maintain the Cozamin Mine operations life to 2024.

**XTIERRA INC.**  
**Management Discussion and Analysis**  
**For the three-month period ended March 31, 2020**  
(Expressed in US Dollars)

---

Based on public disclosure, Capstone reported that during the third quarter of 2019 Cozamin acquired the Portree claim block that laid within the Mala Noche Footwall Zone area. The claim block is surrounded by high grade Inferred Mineral Resources and provides access to continuously infill drill and eventually mine the Portree area.

During the fourth quarter of 2019, Cozamin started drilling into the Portree claim block. Prior to this, Portree was an untested inlier within Cozamin's land position covering the Mala Noche Footwall Zone area. Portree is surrounded by high grade Inferred Mineral Resources that future drilling is expected to increase to Indicated categorization. Capstone has reported that mining has already started within the Portree claim.

In the first quarter of 2020, Capstone reported that drilling of the Mala Noche Footwall Zone, associated with infilling or stepping out from regions of Inferred Mineral Resource category of the Mineral Resource estimate, was undertaken with 5 surface and 1 underground diamond drilling rigs. The drill program is aiming to upgrade Inferred Mineral Resources to the Indicated category to maximize subsequent conversion to Mineral Reserves in support of a doubling of mine life.

### **Support Extension Agreement**

By an Extension Agreement dated as of February 7, 2020, the term of the Support and Standstill Agreement ("Support Agreement") with Buchans Resources Limited to defer repayment of principal and accrued interest, was extended for an additional one year expiring February 7, 2021, in consideration of the issue to Buchans of 13 million, non-transferable warrants, subject to TSXV approval, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn\$0.05 per share for a term of two years.

By an Amending Agreement dated April 30, 2020, the term of the Extension 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. Following receipt of TSXV approval 13,000,000 warrants were issued to Buchans. At March 31, 2020, \$800,000 was due to Buchans. See Notes 7 and 10 to the Interim Financial Statements for the period ended March 31, 2020.

The Company maintains the Bilbao mineral concessions and title to the property in good standing while at the same time examining strategic alternatives for further exploring and /or development of the property. Exploration programs carried out in 2016 and 2017 confirmed the potential for the identification of additional resources at ten favorable target sites on the wider Bilbao property. Examination of previous metallurgical studies and the evaluation of potential solutions to increase viable tonnage and improve metal recovery at the Bilbao deposit continued intermittently within limited financial resources.

The continuing operations of Xtierra in the short term are dependent upon continued support from its major shareholder and the ability to raise adequate working capital to continue as a going concern. Additional funding will be required for exploration and development and /or to pursue new potential royalty acquisitions or other initiatives.

The Company's operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus, causing the outbreak of COVID-19 respiratory disease which was declared a pandemic by the World Health Organization on March 11, 2020. The Company cannot predict the impact the COVID-19 pandemic will have on its operations, including the impact on schedules and timelines for planned operations or exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. On March 31, 2020, the Federal Government of Mexico, as part of its nationwide effort to slow the spread of the COVID-19 virus, issued a Decree requiring non-essential businesses, including mining and mineral exploration, to suspend all activities until April 30, 2020 and on April 22, 2020 the Decree was extended until May 31, 2020.

In addition, this COVID health crisis has adversely affected the economies and financial markets, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations

**XTIERRA INC.**  
**Management Discussion and Analysis**  
**For the three-month period ended March 31, 2020**  
(Expressed in US Dollars)

**Exploration and Evaluation Expenditures**

	March 31, 2,020	Additions	December 31, 2,019	Additions	December 31, 2,018
	\$	\$	\$	\$	\$
Bilbao	22,848,776	10,078	22,838,698	104,508	22,734,190
Laguna	7,281,000	-	7,281,000	-	7,281,000
<b>Total</b>	<b>30,129,776</b>	<b>10,078</b>	<b>30,119,698</b>	<b>104,508</b>	<b>30,015,190</b>

**Results of Operations**

The Company recorded no revenue for the three-month period ended March 31, 2020 or 2019.

For the three-month period ended March 31, 2020, the Company recorded a loss of \$23,272 (\$0.000 per share). The main component being exploration expense of \$10,078.

For the three-month period ended March 31, 2019, the Company recorded a loss of \$21,634 (\$0.000 per share). The main component being exploration expense of \$12,057.

The Company has minimized its administrative and holding costs to maintain its properties and has curtailed all other expenditures, while examining strategic alternatives for realizing some value on its Bilbao and other Mexican projects and identifying and evaluating new potential royalty acquisitions.

**Summary of Quarterly Results**

	Mar. 31 2020 \$000's	Dec. 31 2019 \$000's	Sept 30 2019 \$000's	June 30 2019 \$000's	Mar. 31 2019 \$000's	Dec. 31 2018 \$000's	Sept 30 2018 \$000's	June 30 2018 \$000's
Net loss	23	75	38	31	22	31	25	110
Net loss per share	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001
Total assets	34	61	120	119	15	12	18	38
Working Capital	(2,846)	(2,823)	(2,805)	(2,734)	(2,853)	(2,833)	(2,804)	(2,781)

- The fourth quarter of 2019 included the investment of Cdn\$100,000 (\$76,829) to acquire a royalty on the Bilbao project which was expensed to exploration and evaluation costs as incurred and was included in the statement of operations.

**Liquidity and Capital Resources**

The book value of total assets at March 31, 2020 were \$33,875 compared to \$60,990 at December 31, 2019. The Company has invested \$22,848,776 on its Bilbao mineral project, which in accordance with the Company's accounting policies has been fully impaired.

At March 31, 2020, the Company had cash of \$9,832 to settle current liabilities of \$63,887, excluding \$796,477 due to Buchans and \$2,000,000 contingent liability of a subsidiary. See Notes 6 and 7 to the condensed interim consolidated financial statements for the three-month period ended March 31, 2020.

The continuing operations of the Company in the short term are dependent upon continued support from its major shareholder to continue as a going concern.

**XTIERRA INC.**  
**Management Discussion and Analysis**  
**For the three-month period ended March 31, 2020**  
(Expressed in US Dollars)

---

By an Extension Agreement dated as of February 7, 2020, the term of the Support and Standstill Agreement (“Support Agreement”) with Buchans Resources Limited to defer repayment of principal and accrued interest, was extended for an additional one year expiring February 7, 2021. By an Amending Agreement dated April 30, 2020, the term of the Extension 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. Following receipt of TSXV approval 13,000,000 warrants were issued to Buchans. At March 31, 2020, \$800,000 was due to Buchans. See Notes 6 and 9 to the Interim Financial Statements for the period ended March 31, 2020.

Under the Support Agreement Buchans has the option at any time, upon 60 days written notice, to require the transfer to Buchans of the Secured Property (shares of Orca Minerals Limited, which indirectly holds Xtierra’s mineral properties in Mexico) in full satisfaction of the outstanding secured notes, unless during that 60-day period the notes are repaid in full, in cash.

Upon expiry of the extended term of the Support Agreement on April 30, 2021, Xtierra has the right to discharge the notes, including accrued interest, in full, by transferring the Secured Property (shares of Orca Minerals Limited) to Buchans.

### **Related Party Transactions**

The Company has entered into various funding agreements or arrangements with its major shareholder, see Note 10 to the condensed interim financial statements for the three-month period ended March 31, 2020.

No fees were paid by the Company to directors and key management personnel for their services as directors and officers of the Company in the three-month period ended March 31, 2020.

Included in accounts payable and accruals at March 31, 2020 is \$31,175 due to Steenberg law Professional Corporation, a company controlled by Neil J. F. Steenberg, Director and Secretary, for legal fees and \$10,000 due to a director for a working capital advance. These balances are due on demand, unsecured and non-interest bearing.

### **Commitments and Contingencies**

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 \$52,000 (MXN \$1,228,000) are required annually.

### **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.

### **Risk and Uncertainties**

The risk factors and uncertainties associated with the Company’s business are described in detail in the Company’s Management’s Discussion and Analysis for the year ended December 31, 2019, as well as in the Company’s Annual Financial Statements (under the headings “Nature of Operations and Going Concern” and “Significant Accounting Policies” and elsewhere within that document), all as filed on the SEDAR website at [www.sedar.com](http://www.sedar.com). Such risks and uncertainties could have a material adverse effect on the Company’s business, financial condition and/or results of operations, and on the trading price of the Company’s shares.

In conducting its business, the Company faces a number of risks common to the mining and exploration industry. These are summarized below.

### **Failure to Obtain Additional Financing – Going Concern**

The continuing operations of the Company in the short term are dependent upon continued support from its major shareholder and its ability to raise adequate working capital to continue as a going concern.

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's operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus, causing the worldwide outbreak of COVID-19 respiratory disease which was declared a pandemic by the World Health Organization on March 11, 2020. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's ability to finance its operations.

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 6 months.

### **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 mining claims in which the Company has 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.

#### **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 \$52,000 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.

#### **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

**XTIERRA INC.**  
**Management Discussion and Analysis**  
**For the three-month period ended March 31, 2020**  
(Expressed in US Dollars)

---

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 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 Metal Prices**

Metal prices are subject to significant fluctuations and are affected by several factors which are beyond the control of Buchans. The principal factors include: diminished demand, which may arise if economic growth in China, North America, and/or Europe is not sustained; increases in supply resulting from the discovery and the development of new sources of metals; and supply interruptions, due to changes in government policies, war, or international trade disputes or embargos. The effect of these factors on the future price of metals and their effect 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 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.

**Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements.

**Financial Instruments**

All financial instruments included in current assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, notes payables and other liability of subsidiary are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2019, the carrying and fair value amounts of the Company's financial instruments are the same because of the limited term of the instruments.

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.

**Outstanding Share Capital**

The Company has unlimited authorized share capital of a single class of common shares of which, at March 31, 2020, 139,993,057 shares were issued and outstanding, and at May 21, 2020, 142,293,057 shares were issued and outstanding. In May 2020, the Company issued 2,000,000 shares to the vendors of Minera Portree.

**XTIERRA INC.**  
**Management Discussion and Analysis**  
**For the three-month period ended March 31, 2020**  
(Expressed in US Dollars)

---

Subsequent to the end of the quarter, the Company issued 13,000,000, non-transferable warrants to Buchans Resources Limited, each warrant entitling Buchans to purchase one common share for Cdn\$0.05 per share for a term expiring April 30, 2021.

At May 21, 2020, there were 9,000,000 share options outstanding, pursuant to the Company's Stock Option Plan.

### **Additional Information**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://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: May 21, 2020