

XTIERRA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three-month period ended March 31, 2021

(Expressed in US Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of 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 condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

XTIERRA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three-month period ended March 31, 2021

(Expressed in US Dollars)

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

XTIERRA INC.
Condensed Interim Statements of Financial Position
As at March 31, 2021

Unaudited - prepared by management

| (Expressed in US Dollars) | Notes | March 31, 2021 \$ | December 31, 2020 \$ |
|--|-------|-------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 220,960 | 523,651 |
| Amounts receivable and other | 3 | 10,217 | 14,776 |
| Prepaid expenses | 3 | 20,075 | 39,470 |
| Total current assets | | <u>251,252</u> | <u>577,897</u> |
| Non-current assets | | | |
| Mineral properties | 4 | 1 | 1 |
| Mineral royalty interests | 5 | 187,379 | 187,379 |
| Total non-current assets | | <u>187,380</u> | <u>187,380</u> |
| Total assets | | <u>438,632</u> | <u>765,277</u> |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accruals | 6 | 103,224 | 143,168 |
| Notes payable | 7 | 796,477 | 796,477 |
| Current liabilities, before the undernoted | | 899,701 | 939,645 |
| Other liability of subsidiary | 15 | 2,000,000 | 2,000,000 |
| Total current liabilities | | <u>2,899,701</u> | <u>2,939,645</u> |
| SHAREHOLDERS' DEFICIENCY | | | |
| Capital stock | 8 | 36,522,116 | 36,522,116 |
| Warrants | 9 | 186,492 | 186,492 |
| Share-based payment reserve | 11 | 444,521 | 401,964 |
| Deficit | | (39,634,987) | (39,305,729) |
| Deficiency attributable to equity holders of the company | | (2,481,858) | (2,195,157) |
| Non controlling interest | | 20,789 | 20,789 |
| Total shareholders' deficiency | | <u>(2,461,069)</u> | <u>(2,174,368)</u> |
| Total liabilities and shareholders' deficiency | | <u>438,632</u> | <u>765,277</u> |

COMMITMENTS AND CONTINGENCIES (Notes 1, 7 and 15)
SUBSEQUENT EVENT (Note 16)

The financial statements were approved by the Board of Directors on May 27, 2021 and signed on its behalf by:

Signed "Timothy Gallagher", Director

Signed "Gerald Gauthier", Director

See accompanying notes to the consolidated financial statements.

XTIERRA INC.**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss***Unaudited - prepared by management***For the three-month periods ended March 31, 2021 and 2020**

| (Expressed in US\$000's, except for per share amounts) | Notes | March 31, 2021 \$ | March 31, 2020 \$ |
|--|-------|-------------------------|-------------------------|
| Expenses | | | |
| General and administrative expenses | | 15,615 | 4,853 |
| Corporate expenses | | 22,964 | 4,841 |
| Professional fees | | 3,973 | 1,233 |
| Exploration and evaluation expenses | 4 | <u>281,960</u> | <u>10,078</u> |
| Loss before other items | | 324,512 | 21,005 |
| Other item | | | |
| Foreign exchange loss/(gain) | | (37,811) | 2,267 |
| Share-based compensation | | <u>42,557</u> | <u>-</u> |
| Net loss and comprehensive loss for the period | | <u>329,258</u> | <u>23,272</u> |
| Net loss per share – basic and diluted | | 0.002 | 0.000 |
| Weighted average common shares outstanding | | | |
| – basic and diluted | | 156,646,482 | 139,955,824 |

See accompanying notes to the consolidated financial statements.

XTIERRA INC.**Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)***Unaudited - prepared by management*

| (Expressed in US Dollars) | Share Capital \$ | Warrants \$ | Share-based payment reserve \$ | Deficit \$ | Attributable to equity holders of the company \$ | Non-controlling interest \$ | Total \$ |
|--|---------------------|----------------|---|---------------|---|-----------------------------------|-------------|
| Balance as at December 31, 2019 | 35,643,062 | 310,440 | 296,112 | (39,052,831) | (2,803,217) | - | (2,803,217) |
| Shares issued | 186,879 | - | - | - | 186,879 | - | 186,879 |
| Share issue costs | (4,540) | - | - | - | (4,540) | - | (4,540) |
| Stock options exercised | 13,896 | - | (6,368) | - | 7,528 | - | 186,492 |
| Net loss for the period | - | - | - | (23,272) | (23,272) | - | (23,272) |
| Balance as at March 31, 2020 | 35,839,296 | 310,440 | 289,744 | (39,076,102) | (2,636,622) | - | (2,636,622) |
| Warrants expired | - | (310,440) | - | 310,440 | - | - | - |
| Warrants issued | - | 186,492 | - | - | 186,492 | - | 186,492 |
| Stock options exercised | 35,393 | - | (15,451) | - | 19,942 | - | 19,942 |
| Stock options granted | - | - | 127,671 | - | 127,671 | - | 127,671 |
| Shares issued | 647,887 | - | - | - | 647,887 | - | 647,887 |
| Share issue costs | (461) | - | - | - | (461) | - | (461) |
| Acquisition of mineral interest | - | - | - | - | - | 20,789 | 20,789 |
| Net loss for the period | - | - | - | (540,066) | (540,066) | - | (540,066) |
| Balance as at December 31, 2020 | 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 |
| Net loss for the period | - | - | - | (329,258) | (329,258) | - | (329,258) |
| Balance as at March 31, 2021 | 36,522,116 | 186,492 | 444,521 | (39,634,987) | (2,481,858) | 20,789 | (2,461,069) |

See accompanying notes to the consolidated financial statements.

XTIERRA INC.**Condensed Interim Consolidated Statements of Cash Flows***Unaudited - prepared by management*

| (Expressed in US Dollars) | Notes | March 31, 2021 \$ | March 31, 2020 \$ |
|---|-------|-------------------------|-------------------------|
| Cash flow from operating activities | | | |
| Net loss for the period | | (329,258) | (23,272) |
| Share-based compensation | | 42,557 | - |
| Operating cash flow before movements in working capital | | <u>(286,701)</u> | <u>(23,272)</u> |
| Movements in working capital | | | |
| (Increase) in amounts receivable | | 4,559 | (1,118) |
| (Increase) in prepaid expense | | 19,395 | - |
| Increase/(decrease) in accounts payable and accruals | | <u>(39,944)</u> | <u>(3,843)</u> |
| Net cash used in operating activities | | <u>(302,691)</u> | <u>(28,233)</u> |
| Change in cash | | (302,691) | (28,233) |
| Cash, beginning of the period | | <u>523,651</u> | <u>38,065</u> |
| Cash, end of the period | | <u><u>220,960</u></u> | <u><u>9,832</u></u> |

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

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 Company's head office is located at 55 University Ave, Suite 1805, Toronto, Ontario M5J 2H7.

Basis of measurement and going concern

These consolidated 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 March 31, 2021, 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 financing 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.

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. The Company cannot predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the severity of the disease, the duration of the outbreak, the impact on schedules and timelines for planned operations or exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. 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 operations and ability to finance its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements of the Company and its subsidiaries were 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 periods presented, unless otherwise noted.

These condensed interim consolidated 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, 2019 prepared in accordance with IFRS.

These condensed interim consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information. These condensed 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, 2020.

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The condensed interim consolidated 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 statement 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

| | March 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Receivable sales taxes - Canada | 5,251 | 8,488 |
| Receivable sales taxes - Mexico | - | 226 |
| Amounts receivables and other | 4,966 | 6,062 |
| Prepaid expenses | 20,075 | 39,470 |
| | <u>30,292</u> | <u>54,246</u> |

4. EXPLORATION AND EVALUATION EXPENDITURES

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

| | March 31, 2021 | Additions | December 31, 2020 | Additions | December 31, 2019 |
|--------|-------------------|----------------|----------------------|----------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Bilbao | 23,268,679 | 281,960 | 22,986,719 | 148,021 | 22,838,698 |
| Laguna | 7,281,000 | - | 7,281,000 | - | 7,281,000 |
| Total | <u>30,549,679</u> | <u>281,960</u> | <u>30,267,719</u> | <u>148,021</u> | <u>30,119,698</u> |

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 6.

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 \$1,228,000) 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.

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

5. MINERAL ROYALTY INTERESTS

On April 22, 2020, the Company acquired 88% of the shares of Minera Portree in consideration of the payment of Cdn\$52,977, less the deposit of Cdn\$26,000 previously paid, 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 also 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 on six mining concessions located adjacent to the Cozamin Mine in Zacatecas operated by Capstone Mining Corp. (TSX:CS). The entitlement of Minera Portree to the royalty may be contested by a third party and/or Capstone.

6. ACCOUNTS PAYABLE AND ACCRUALS

| | March 31, 2021 | December 31, 2020 |
|--------------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Trade creditors | 34,248 | 75,004 |
| Payable to related parties (Note 12) | 41,840 | 41,348 |
| Accrued liabilities | 27,136 | 26,816 |
| | <u>103,224</u> | <u>143,168</u> |

7. NOTES PAYABLE

| | March 31, 2021 | December 31, 2020 |
|-----------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Notes payable | | |
| Note payable to Buchans Resources | 796,477 | 796,477 |
| Total notes payable | <u>796,477</u> | <u>796,477</u> |

Notes payable

Under agreements with its major shareholder, Buchans Resources Limited ("Buchans"), the Company had outstanding notes payable as at December 31, 2019 and December 31, 2020 of \$796,477 which are secured by a pledge by Xtierra of its shares of Orca Minerals Limited.

On February 14, 2018, Buchans entered into a two-year Support and Standstill Agreement ("Support Agreement") to defer repayment of principal and accrued interest until February 7, 2020, and also to provide additional financial support of up to US\$100,000, on the following terms:

- The Notes, including the additional advances, remain secured by a pledge to Buchans of the shares of Orca Minerals Limited, which indirectly holds Xtierra's mineral properties in Mexico (the "Secured Property");
- The accrual of interest is suspended during the term of the Support Agreement;
- Buchans has the option at any time, upon 60 days written notice, to require the transfer of the Secured Property to Buchans in full satisfaction of the debt, unless during that 60-day period the debt is repaid in full, in cash;
- Xtierra has the right to repay the debt in cash at any time; and
- Upon expiry of the term of the Support Agreement, Xtierra may discharge the debt in full by transferring the Secured Property to Buchans.

In consideration for the Support and Standstill Agreement, the Company issued 13 million, non-transferable warrants during 2018 to Buchans, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn\$0.05 per share for a period of two years expiring February 14, 2020. These warrants expired unexercised on 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 Notes was extended for an additional period to April 30, 2021, in consideration of the issue to Buchans, following TSXV approval, of 13 million, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for \$0.05 per share for a term to April 30, 2021.

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

7. NOTES PAYABLE (CONTINUED)

On April 27, 2021, Xtierra reduced the notes due to Buchans by the payment of \$600,000. By a Second Extension Amendment Agreement dated April 27, 2021, the Support and Standstill Agreement between Buchans and the Company was further amended to provide that interest on the remaining balance of the notes due to Buchans in the amount of \$200,000 will resume to accrue at the rate of 5% per annum effective May 1, 2021 until paid. The Term was extended for a further period to April 30, 2023. The Company agreed to issue 5,000,000 share purchase warrants to Buchans exercisable at Cdn \$0.10 per share for a period of two years, subject to the approval of the TSXV.

See Note 16.

8. CAPITAL STOCK

Common shares

Authorized

Unlimited number of common shares

| Issued | Shares | Amount \$ |
|---|--------------------|-------------------|
| Balance, December 31, 2019 | 139,993,057 | 35,643,062 |
| Stock options exercised | 700,000 | 49,616 |
| Shares issued for acquisition of royalty | 2,000,000 | 99,330 |
| Shares issued | 20,000,000 | 735,436 |
| Share issue costs | - | (5,001) |
| Balance, December 31, 2020 and March 31, 2021 | <u>162,693,057</u> | <u>36,522,443</u> |

On July 10, 2020, the Company completed a private placement and received \$735,436 (Cdn\$1,000,000) for the issue of 20,000,000 common shares at Cdn\$0.05 per share. A company controlled by an officer and director subscribed for 3,800,000 shares as part of this private placement.

On May 15, 2020, the Company issued 2,000,000 shares in the acquisition of the Minera Portree royalty, see Note 5.

During the year ended December 31, 2020, 700,000 stock options were exercised.

9. WARRANTS

| | Warrants | Amounts \$ |
|---|-------------------|----------------|
| Balance, December 31, 2019 | 13,000,000 | 310,440 |
| Warrants expired | (13,000,000) | (310,440) |
| Warrants issued | <u>13,000,000</u> | <u>186,492</u> |
| Balance, December 31, 2020 and March 31, 2021 | <u>13,000,000</u> | <u>186,492</u> |

In connection with the Support and Standstill Agreement dated January 17, 2018 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 two years expiring February 14, 2020. These warrants expired unexercised on February 14, 2020.

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.

Subsequent to the period end, on April 27, 2021, Buchans exercised the warrants and acquired 13,000,000 shares of Xtierra for a consideration of CDN\$650,000 (See Note 10). See Note 16.

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

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.

Stock options transactions during the periods ended March 31, 2021 and December 31, 2020 were as follows:

| | Number of Options Granted at March 31, 2021 | Number of Options Exercisable at March 31, 2021 | Estimated Grant Date Fair Value | Exercise Price | Expiry Date |
|----------------------------|---|---|---------------------------------------|----------------|------------------|
| Balance, December 31, 2019 | 9,300,000 | 9,300,000 | 296,112 | Cdn\$0.05 | January 30, 2023 |
| Stock options exercised | (700,000) | (700,000) | (21,819) | | |
| Stock options granted | 5,000,000 | 3,750,000 | 127,671 | Cdn\$0.06 | June 4, 2025 |
| Balance, December 31, 2020 | 13,600,000 | 12,350,000 | 401,964 | Cdn\$0.054 | |
| Stock options granted | - | 1,250,000 | 42,557 | Cdn\$0.06 | |
| Balance, March 31, 2021 | 13,600,000 | 13,600,000 | 444,522 | Cdn\$0.054 | |

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 2.94 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 \$170,228. During 2020, the Company recorded \$127,671 to share-based compensation and share-based payment reserve. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.71%, share price of Cdn\$0.055 and expected life of five years.

11. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the period ended March 31, 2021 were as follows:

| | |
|----------------------------|----------|
| | \$ |
| Balance, December 31, 2019 | 296,112 |
| Stock options exercised | (21,819) |
| Stock options granted | 127,671 |
| Balance, December 31, 2020 | 401,964 |
| Stock options granted | 42,557 |
| Balance, March 31, 2021 | 444,522 |

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

12. RELATED PARTY TRANSACTIONS

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

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 periods ended March 31, 2021 and 2020.

During 2021 and 2020, the Company entered into various funding agreements with its major shareholder Buchans Resources Limited, see Note 7, 9 and 16.

Included in accounts payable and accruals at December 31, 2020 is \$41,840 (2020 - \$41,348) due to Steenberglaw 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.

During 2020, 500,000 stock options exercisable at Cdn\$0.06 per share for a period of five years were granted to a close family member of a member of management as compensation for services rendered.

The subsidiaries of the Company during 2021 and 2020 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 17 to the December 31, 2020 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 three-month period ended March 31, 2021.

The principal financial risks to which the Company may be exposed to are described below.

Fair value:

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

Capital Risk:

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

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

13. FINANCIAL INSTRUMENTS (CONTINUED)

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 March 31, 2021, the Company had cash of \$220,960 to settle current liabilities of \$103,224, excluding \$796,477 due to Buchans and \$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.

Commodity Price Risk:

The Company is exposed to price risk with respect to commodity prices. 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 ("US") dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the US dollar.

Sensitivity Analysis:

Financial instruments included in cash and amounts receivable and other are classified as loans and receivables, which 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 March 31, 2021.

14. CAPITAL MANAGEMENT

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

The Company manages its capital structure 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's capital management objectives, policies and processes have remained unchanged during the period ended March 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 6 months.

XTIERRA INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars)

For the three-month period ended March 31, 2021 and 2020

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 \$1,228,000) 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. SUBSEQUENT EVENTS

On April 27, 2021, Buchans exercised its share purchase warrants and acquired 13,000,000 shares of Xtierra for a consideration of CDN\$650,000 (See Note 9). On the same date, Xtierra reduced its debt due to Buchans by the payment of \$600,000 (See Note 7).

By a Second Extension Amendment Agreement dated April 27, 2021, the Support and Standstill Agreement between Buchans and the Company dated January 17, 2018 was further amended to provide that interest on the remaining balance of the debt due to Buchans in the amount of \$200,000 will resume to accrue at the rate of 5% per annum effective May 1, 2021 until paid. The Term was extended for a further period to April 30, 2023. The Company agreed to issue to Buchans, subject to TSXV approval, 5 million share purchase warrants with 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. See Note 7.