X-TERRA RESOURCES CORPORATION

(an exploration stage company)

(the "Corporation" or "X-Terra")

MANAGEMENT DISCUSSION AND ANALYSIS
("MD&A")

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013
(the "Period")

The following management's discussion and analysis of X-Terra's operating results and financial position follows regulation 51-102 *respecting Continuous Disclosure Obligations* for reporting issuers. It is a complement and supplement to the Corporation's unaudited condensed interim consolidated financial statements and related notes for the nine-month period ended September 30, 2013 and should be read in conjunction with it, and with the audited consolidated financial statements for the year ended December 31, 2012 and the related notes thereto. The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The unaudited condensed interim consolidated financial statements for the nine-month period ended September 30, 2013 have been prepared in accordance with IFRS applicable to the preparation of financial statements, including IAS 34 – Interim Financial Reporting, including comparative figures. Unless otherwise indicated, all amounts in this MD&A are in Canadian dollars. Management is responsible for the preparation of the consolidated financial statements and other financial information relating to the Corporation included in this report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of four directors, three of whom are independent and not members of management. The Committee meets with management and the auditors in order to discuss results of operations and the financial condition of the Corporation prior to making recommendations and submitting the financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Corporation's financial statements on November 28, 2013.

DATE

This MD&A is prepared as of November 28, 2013.

OVERALL PERFORMANCE

Description of Business

X-Terra, an exploration stage company, is in the business of acquiring, exploring and developing mining properties. It has interests in graphite and rare earths properties as well as an important portfolio of shales gas licenses at the exploration stage located in the province of Quebec in Canada. In October 2013, the Corporation has entered into a letter of intent with an arm's-length Toronto-based private company for a reverse take-over of X-Terra and the "spin-out" of X-Terra's resource properties in a new public company. The letter of intent provides that X-Terra will amalgamate or otherwise combine with the Toronto-based company and become a natural resources merchant bank. At the same time, X-Terra will transfer all of its resource properties and all of its liabilities to a new company, and distribute the shares of the new company to X-Terra's shareholders. As a result, at the closing of the proposed transaction, X-Terra's shareholders will become shareholders of a new natural resources merchant bank and shareholders of a new company which will carry on X-Terra's current natural resource business.

The Corporation capitalizes property acquisition and exploration expenses relating to mineral and oil and gas properties in which it has an active interest. In the event that such properties become inactive or prove uneconomic, they are written-off. Any reference in this document to "properties" means any mining resources and oil and gas properties in which the Corporation has earned or in the future may earn an interest.

The Corporation is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario and is traded on the TSX Venture Exchange ("**TSX-V**"), under the symbol XT. It also trades on the Frankfurt, Munich and Berlin Exchanges in Europe under the symbol DFUA.

PROPERTIES

1. Mining Properties

Lindsay Property (25 claims)

The 100% owned Lindsay rare earth elements (REE) project is located approximately 125 kilometres south of Rouyn-Noranda, Quebec and 70 kilometres east-northeast of North Bay, Ontario, along the provincial border, halfway between the Elliot Lake uranium camp and the Abitibi gold belt, within the Grenville front. The project consists of 25 unpatented mining claims (1,534 hectares) in the Villedieu Township.

The property is underlaid by gneiss derived from a mature sequence of detrital and chemical metasedimentary rocks called the Kipawa formation that has been metamorphosed to upper amphibolite facies (Rive 1973b). The Kipawa alkaline intrusive complex is situated immediately north of the property and this plutonic mass could extend to the south of the property. The composition and texture of the complex is heterogeneous. Three principal internal units are present: a syenitic-monzonite facies; a banded mafic gneiss facies; and a peralkaline granite facies. The discovery of uranium and gold mineralization at Hunter's Point in 1957 increased uranium exploration in the Kipawa region. In addition, a till sampling survey was conducted by Aurizon Mines in the regions considered most favourable for gold mineralization. This survey has defined four trends of gold dispersion utilizing the analysis of heavy mineral concentrates. The northeast dispersion trend of gold in heavy mineral concentrate is located immediately to the northwest of the property and is evident along the length of a major geological structure in a northwest direction that covers the property at its centre. The heavy mineral concentrates have yielded analyses of more than 0.1 g/t of gold in 27% of samples, including analyses of 1.3 g/t and 2.0 g/t of gold. In April 2012, Fieldex Exploration reports encouraging rare earth results on their Lac Sairs project, they drilled 19.55 metres of 1.10% TREO+Y_2O_3 north of the Lindsay property. In 2010, a total of three diamond drill holes totaling 358 metres have been done on the Lindsay property. More than 110 samples were sent to a lab for assaying; however, no economic results were obtained from this drilling campaign. The Corporation has completed a National Instrument 43-101 technical report on its Lindsay rare earth property in Kipawa. The Lindsay project is a mid-stage exploration project with historical uranium and rare-earth-elements occurrences and economic potential for these commodities. Area participants, like Matamec Explorations and Fieldex Exploration continue to make progress confirming the potential for other significant discoveries in the Kipawa alcalin complex.

Sheldon Qc Property (77 claims - Graphite)

In today's world graphite is a critical, strategic material and X-Terra's management believes that the Corporation should be involved in this very interesting mineral for these specific reasons:

- Importance will grow with green technologies;
- Up to 10 times more graphite in a li-ion battery than lithium;
- Demand will outstrip supply;
- Just for one market – EV cars – demand by 2020 will require more than is produced globally today;
- Then you've got the electronics market, nuclear energy and then there's Graphene; and
- Alternative exploration to the indefinite shale gas moratorium imposed by the Quebec provincial government.

X-Terra acquired by designation on the GESTIM platform 77 mining claims totaling 43 square kilometres located in the Gaspesia area, west of the former "Federal Mine" (Lead-Zinc-Silver) and north of the city of Chandler (Province of Quebec).

It is estimated that the world reserves of graphite exceed 800 million tons. China is the most significant graphite-producing nation, providing nearly one-half of the United States' annual graphite demand. Flake graphite is also imported to the United States from Brazil, Canada, and Madagascar. Lump graphite is imported from Sri Lanka. Graphite resources in the United States are very small. At one time a significant deposit at Ticonderoga, New York, was exploited, but this source no longer produces graphite. For a number of years, the United States has not produced natural mineral graphite and is completely dependent on the combination of imported, synthetic graphite, and recycled graphite sources.

Uses

Because graphite flakes slip over one another, giving it its greasy feel, graphite has long been used as a lubricant in applications where "wet" lubricants, such as oil, cannot be used. Technological changes are reducing the need for this application. Natural graphite is used mostly in what are called refractory applications. Refractory applications are those that involve extremely high heat and therefore demand materials that will not melt or disintegrate under such extreme conditions. One example of this use is in the crucibles used in the steel industry. Such refractory applications account for the majority of the usage of graphite. It is also used to make brake linings, lubricants, and molds in foundries. A variety of other industrial uses account for the remaining graphite consumed each year.

The data compilation phase in currently in progress and an exploration budget will be presented to the Board of Directors in the coming months.

Other projects

The Corporation is continuously looking to add resource based projects in its portfolio of properties.

2. Shale gas properties

The Canadian province of Quebec, citing public concerns, unveiled a bill on May 15, 2013 to impose a moratorium on hydraulic fracturing, known as fracking, in a region rich in shale gas deposits. The province's minority *Parti Québécois* government needs opposition support to adopt the moratorium - which would last a maximum of five years. It would ban gas exploration and extraction in the Lowlands region of the St. Lawrence River, site of the rich Utica and Lorraine shale gas formations. The moratorium bill would add legal weight to an effective ban on using fracking technology now in force while an expert panel studies its impact on health and the environment. The panel is expected to present its conclusions next year, at which point the provincial legislature will develop a legally-binding framework for energy extraction. Quebec is among several jurisdictions that have stopped companies from using the extraction technology - which involves horizontal drilling and hydraulic rock fracturing using water, chemicals and sand - while they study the impact. Oil and gas companies insist the practice is safe, but opponents fear it can contaminate drinking water supplies and deplete local water sources. Companies including X-Terra, Talisman Energy Inc and Questerre Energy Corp have already suspended most natural gas development operations and exploration in Quebec.

Rimouski and Rimouski North Properties (5 licences)

Oil and gas exploration in Quebec has been ongoing for the last 140 years. Notable gas discoveries include the Quaternary Pointe-du-Lac Gas Field, the Ordovician age St. Flavien Gas Field, and the Devonian Silurian Galt gas discovery near the town of Gaspé. Oil discoveries include the Port-au-Port oil discovery in Newfoundland and minor oil accumulation at Haldimand, near Gaspé. While the province is known to be petroliferous, the discoveries have been modest. Reservoirs can be found in the Cambrian, Ordovician, Silurian, Devonian and the Quaternary. Up until the "discovery" of the Utica Shale plays, most oil and gas accumulations in the area were conventional.

A compilation has been completed and a 50/50 farm out deal has been finalized with a well-known oil and gas networked partner/operator named Brownstone Energy Inc. ("Brownstone"). In 2008, X-Terra entered into an agreement with Brownstone pursuant to which Brownstone acquired a 50% interest in the exploration licenses in exchange for the issuance to X-Terra of 2,000,000 common shares and 2,000,000 common shares purchase warrants. X-Terra still owns theses shares but all warrants have expired.

X-Terra and its partner Brownstone Energy Inc. have made a 5,543-kilometre airborne magnetic survey on the Rimouski, and Rimouski North projects in the St. Laurent Lowlands, Quebec. The survey is composed of 5,543 kilometres of 300-metre-spacing flight lines and 3,000-metre-spacing control lines and was completed by Geophysics GPR International-KalusAir Services Inc. (KASI). Preliminary results from this last study suggest structural fabrics, which could generate targets on the three projects. These structural fabrics have been investigated by a geological field survey in 2010, in order to renew the licences of Rimouski and Rimouski North properties which have good potential targets. The maps are available on the Corporation's website at www.xterraresources.com.

Trois-Pistoles property (8 licences)
The Corporation with its partner Brownstone Energy Inc. have acquired 157,570 hectares of additional land in the St. Laurent Lowlands between Rimouski and Riviere-du-Loup for the potential in oil and gas. An airborne magnetic survey which was flown over the Trois-Pistoles project by the Quebec Natural Resources department is now available.

SUMMARY QUARTERLY INFORMATION

Summary of Quarterly results
The following table sets a comparison of selected quarterly financial information for the previous eight quarters:

Period	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Year	**2013**	**2013**	**2013**	**2012**	**2012**	**2012**	**2012**	**2011**
Revenues	8,773	9,096	8,515	11,367	14,576	14,881	14,992	16,061
Net loss for the period	(91,926)	(129,449)*	(320,500)*	(416,343)	(80,780)	(91,723)	(72,519)	(246,429)
Basic and diluted loss per share	(0.01)	(0.01)	(0.03)	(0.04)	(0.01)	(0.00)	(0.01)	(0.02)
Total assets	4,218,852	4,296,829	4,437,351	4,700,189	4,796,293	4,863,252	5,201,747	5,338,652

* The net loss of the first and second quarters of 2013 have been restated to give effect to the recording of the additional declines in fair value of the Corporation's available-for-sale investments in shares of a public company directly in the consolidated statement of loss instead of through other comprehensive loss as it had been previously reported. The details of the restatement are disclosed on note 8 to the unaudited condensed interim consolidated financial statements for the nine-month period ended September 30, 2013.

X-Terra has not since the date of its incorporation, declared or paid any dividends on its Common Shares. For the foreseeable future, X-Terra anticipates that it will retain future earnings and other cash resources for the operation and development of its business.

Operating activities and results
The Corporation is an exploration company, and, accordingly, does not generate revenue on a regular basis and must continually issue shares in order to further explore its mineral and oil and gas properties and its operations. During the three-month period ended September 30, 2013, the Corporation registered a net loss of $91,926 in comparison with a net loss registered for the three-month period ended September 30, 2012 of $80,780. The Corporation has recorded, for the quarter ended September 30, 2013, interest income of $8,773 ($14,576 for the same quarter in 2012), and an unrealized loss on marketable securities and investments at fair value through profit or loss of $715 (loss of $2,565 for the quarter ended September 30, 2012). The Corporation's expenses for the three-month period ended September 30, 2013 are at $99,984 ($92,791 for the three-month period ended September 30, 2012). Professional fees have decreased from $10,070 for the three-month period ended September 30, 2012 to $4,648 for the three-month period ended September 30, 2013. Office and general fees have decreased and went from $9,852 for the quarter ended September 30, 2012 to $8,985 for the quarter ended September 30, 2013. Consulting fees have decreased and went from $49,080 for the quarter ended September 30, 2012 to $23,900 for the quarter ended September 30, 2013. This decrease is partly due to the fact that the President of the Corporation decreased its consultant fees from $6,000 per month to $3,000. Conference and promotion fees have decreased and went from $3,613 for the quarter ended September 30, 2012 to $1,568 for the quarter ended September 30, 2013 and show low promotion activity. Share-based compensation amounted to $51,450 for the quarter ended September 30, 2013 in comparison to $9,900 for the quarter ended September 30, 2012. The other administrative expenses remained relatively stable, are cyclical and may fluctuate according to the events, which are not always predictable.

Office and general expenses

Set out below are the details for office and general expenses for the three-month periods ended September 30:

	$	$
	2013	**2012**
Office leasing	6,285	6,285
Insurance	2,049	2,070
Office operations and facilities	651	1,497
	8,985	9,852

Financing activities
No financing has been raised during the third quarter of 2013.

Investing activities
During the third quarter of 2013, the Corporation had a cash outflow in acquisition of mining and oil and gas properties of $16,572 and a cash outflow of $54,625 in deferred exploration expenses.

Liquidity and working capital
As at September 30, 2013, the Corporation had a working capital of $2,472,153 (December 31, 2012 - $3,002,629), which included cash and cash equivalents of $1,836,316 (December 31, 2012 - $2,054,073). As at September 30, 2013, the Corporation's liquidity ($1,836,316) with investments and marketable securities ($509,825) represents $0.20 per share.

The exercise of the 1,000,000 outstanding stock options as of the date of this report represents an added potential financing of $253,500. These options expire between 2014 and 2023 and have an exercise price between $0.10 and $0.50.

PROJECTED OPERATIONS

The Corporation does not foresee any important acquisition or disposal of property, with the exception of the proposed transaction described in the subsequent event section below.

OFF-BALANCE SHEET ARRANGEMENT

X-Terra has not entered into any specialized financial agreements to minimize its investments, currency or commodity risk. There are no off-balance sheets arrangements, such as a guarantee contract, contingent interest in assets transferred to an entity, derivative instruments obligations and/or any obligations that trigger financing, liquidity, market or credit risk to the Corporation.

RELATED PARTY TRANSACTIONS

Related party transactions occurred in the normal course of business. Unless indicated otherwise, the following transactions are included in consulting fees and office and general expenses for the three-month periods ended September 30:

	2013 $	2012 $
Leasing contract*	6,000	6,000
Management consulting fees charged by a company controlled by a director of the Corporation	9,000	18,000
Administrative consulting fees charged by a company controlled by a director of the Corporation	14,900	31,080
	29,900	55,080

* The Corporation has entered into a leasing agreement for an office in Rouyn-Noranda with a company controlled by directors and officers of the Corporation.

SUBSEQUENT EVENT

In October 2013, the Corporation has entered into a letter of intent with an arm's-length Toronto-based private company for a reverse take-over of X-Terra and the "spin-out" of X-Terra's resource properties in a new public company.

The letter of intent provides that X-Terra will amalgamate or otherwise combine with the Toronto-based company and become a natural resources merchant bank. At the same time, X-Terra will transfer all of its resource properties and all of its liabilities to a new company, and distribute the shares of the new company to X-Terra's shareholders. As a result, at the closing of the proposed transaction, X-Terra's shareholders will become shareholders of a new natural resources merchant bank and shareholders of a new company which will carry on X-Terra's current natural resource business.

Completion of the proposed transaction is subject to numerous conditions, including negotiation and execution of definitive agreements, shareholder approval, completion of financing, and regulatory approval, including that of the TSX-V. No assurances can be given that the proposed transaction will be completed as proposed or at all. X-Terra will issue a detailed press release regarding the proposed transaction when its terms and conditions are finalized. X-Terra understands that its stock will be halted on the TSX-V pending such press release.

NEW ACCOUNTING POLICIES IN EFFECT

The new accounting policies in effect for the three and nine-month periods ended September 30, 2013 are set out in Note 2 to the Corporation's unaudited condensed interim consolidated financial statements.

RISK FACTORS

The risk factors are discussed in the Corporation's most recent Annual Information Form on file with Canadian provincial regulatory authorities, available at www.sedar.com.

OTHER MD&A REQUIREMENTS

Share capital

As at November 28, 2013, the Corporation had the following:
Issued and outstanding- 11,783,069 shares

Stock purchase options outstanding:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price ($)
July 2014	265,000	265,000	0.50
June 2020	160,000	160,000	0.35
July 2022	50,000	50,000	0.25
July 2023	525,000	525,000	0.10
	1,000,000	1,000,000	

Stock-based compensation is a non-cash item, resulting from the application of the Black-Scholes option pricing model using assumptions for expected dividend yield, average risk-free interest rates, expected life of the options and expected volatility.

OTHER INFORMATION

The Corporation's web address is www.xterraresources.com. Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be obtained from www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this document that are not supported by historical facts are forward-looking, which means that they are subject to risks, uncertainties and other factors that may result in actual results differing from those anticipated or implied by such forward-looking statements. There are many factors that may cause such a disparity, notably unstable metals prices, the impact of fluctuations in foreign exchange markets and interest rates, poor reserves estimates, environmental risks (more stringent regulations), unexpected geological situations, unfavorable mining conditions, political risks arising from mining in developing countries, changing regulations and government policies (laws or policies), failure to obtain required permits and approval from government authorities, or any other risk related to mining and development. Even though the Corporation believes that the assumptions relating to the forward-looking statements are plausible, it is unwise to rely unduly on such statements, which were only valid as of the date of this document.

November 28, 2013.

(S) Martin Dallaire
Martin Dallaire, President and Chief Executive Officer

(S) Sylvain Champagne
Sylvain Champagne, Chief Financial Officer