

X-Terra Resources Corporation

Unaudited Condensed Interim Consolidated Financial Statements
**Three and nine-month periods ended
September 30, 2013**

(expressed in Canadian dollars)

X-Terra Resources Corporation

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements for X-Terra Resources Corporation are the responsibility of the Management. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Corporation's audited consolidated financial statements for the year ended December 31, 2012. Where necessary, management has made informed judgments and estimates in accounting for transactions that were complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards applicable to the preparation of interim consolidated financial statements, including IAS 34.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

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

(S) Sylvain Champagne
Sylvain Champagne
Chief Financial Officer

Rouyn-Noranda, Canada
November 28, 2013

X-Terra Resources Corporation
Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

| | Note | As at September 30, 2013 \$ | As at December 31, 2012 \$ |
|--|------|--------------------------------------|-------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,836,316 | 2,054,073 |
| Marketable securities | | 509,825 | 515,165 |
| Investments | 3 | 100,000 | 420,000 |
| Accounts receivable | | 25,496 | 11,415 |
| Tax credits receivable | | 15,653 | 12,929 |
| Prepaid insurance | | 438 | 5,534 |
| | | <u>2,487,728</u> | <u>3,019,116</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 8,343 | 10,388 |
| Mining and oil and gas properties | 4 | 1,045,970 | 1,029,398 |
| Deferred exploration expenses | 5 | 676,811 | 641,287 |
| | | <u>1,731,124</u> | <u>1,681,073</u> |
| Total assets | | <u>4,218,852</u> | <u>4,700,189</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 15,575 | 16,487 |
| Total liabilities | | <u>15,575</u> | <u>16,487</u> |
| Equity | | | |
| Share capital | | 25,466,499 | 25,466,499 |
| Warrants | | - | 1,840,527 |
| Contributed surplus | | 4,586,837 | 2,694,860 |
| Accumulated other comprehensive income | 3 | 10,000 | - |
| Deficit | | (25,860,059) | (25,318,184) |
| Total equity | | <u>4,203,277</u> | <u>4,683,702</u> |
| Total liabilities and equity | | <u>4,218,852</u> | <u>4,700,189</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

X-Terra Resources Corporation

Interim Consolidated Statements of Loss

(expressed in Canadian dollars, except number of shares)
(unaudited)

Three-month periods ended September 30 / Nine-month periods ended September 30

| | 2013 \$ | 2012 \$ | 2013 \$ | 2012 \$ |
|--|---------------|---------------|----------------|----------------|
| Expenses | | | | |
| Professional fees | 4,648 | 10,070 | 43,533 | 51,133 |
| Consulting fees | 23,900 | 49,080 | 79,600 | 134,794 |
| Public company expenses | 8,751 | 9,337 | 22,581 | 22,952 |
| Office and general | 8,985 | 9,852 | 27,827 | 46,665 |
| Conference and promotion | 1,568 | 3,613 | 5,883 | 15,215 |
| Depreciation | 682 | 939 | 2,045 | 2,817 |
| Share-based compensation | 51,450 | 9,900 | 51,450 | 9,900 |
| Operating loss | 99,984 | 92,791 | 232,919 | 283,476 |
| Finance income | (8,773) | (14,576) | (26,384) | (44,449) |
| Unrealized loss on marketable securities at fair value through profit or loss | 715 | 2,565 | 5,340 | 5,995 |
| Impairment on available-for-sale investments (Notes 3 and 8) | - | - | 330,000 | - |
| Net loss for the period | 91,926 | 80,780 | 541,875 | 245,022 |
| Basic and diluted net loss per share | 0.01 | 0.01 | 0.05 | 0.02 |
| Weighted average number of shares outstanding | | | | |
| Basic and diluted | 11,783,069 | 11,783,069 | 11,783,069 | 11,783,069 |

Net loss is solely attributable to X-Terra Resources Corporation shareholders.

X-Terra Resources Corporation
Interim Consolidated Statements of Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

Three-month periods ended September 30 / Nine-month periods ended September 30

| | 2013 | 2012 | 2013 | 2012 |
|--|---------------|---------------|----------------|----------------|
| | \$ | \$ | \$ | \$ |
| Net loss for the period | 91,926 | 80,780 | 541,875 | 245,022 |
| Other comprehensive loss (income) that may be reclassified subsequently to net loss | | | | |
| Changes in fair value of available-for-sale investments (Note 3) | | | | |
| Unrealized loss (gain) | (10,000) | (20,000) | (10,000) | 300,000 |
| Other comprehensive loss (income) that may be reclassified subsequently to net loss | (10,000) | (20,000) | (10,000) | 300,000 |
| Comprehensive loss for the period | 81,926 | 60,780 | 531,875 | 545,022 |

Comprehensive loss is solely attributable to X-Terra Resources Corporation shareholders.

X-Terra Resources Corporation

Interim Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

| | Number of common shares | Share capital \$ | Warrants \$ | Contributed surplus \$ | Accumulated other comprehensive income (loss) \$ | Deficit \$ | Total equity \$ |
|--|-------------------------------|------------------------|----------------|------------------------------|--|---------------|-----------------------|
| Balance – January 1, 2013 | 11,783,069 | 25,466,499 | 1,840,527 | 2,694,860 | - | (25,318,184) | 4,683,702 |
| Net loss for the period | | | | | - | (541,875) | (541,875) |
| Other comprehensive income | | | | | 10,000 | - | 10,000 |
| Total comprehensive loss for the period | | | | | 10,000 | (541,875) | (531,875) |
| Warrants expired | - | - | (1,840,527) | 1,840,527 | - | - | - |
| Share-based compensation | - | - | - | 51,450 | - | - | 51,450 |
| Balance – September 30, 2013 | 11,783,069 | 25,466,499 | - | 4,586,837 | 10,000 | (25,860,059) | 4,203,277 |
| Balance – January 1, 2012 | 11,783,069 | 25,466,499 | 1,840,527 | 2,684,960 | (28,151) | (24,656,819) | 5,307,016 |
| Net loss for the period | | | | | - | (245,022) | (245,022) |
| Other comprehensive loss | | | | | (300,000) | - | (300,000) |
| Total comprehensive loss for the period | | | | | (300,000) | (245,022) | (545,022) |
| Share-based compensation | - | - | - | 9,900 | - | - | 9,900 |
| Balance – September 30, 2012 | 11,783,069 | 25,466,499 | 1,840,527 | 2,684,960 | (328,151) | (24,901,841) | 4,771,894 |

Accumulated other comprehensive income (loss) relates solely to available-for-sale investments.

X-Terra Resources Corporation
Interim Consolidated Statements of Cash Flows
For the nine-month periods ended September 30,

(expressed in Canadian dollars)
(unaudited)

| | Note | 2013 \$ | 2012 \$ |
|--|------|------------------|------------------|
| Cash flows from | | | |
| Operating activities | | | |
| Net loss for the period | | (541,875) | (245,022) |
| Adjustments for: | | | |
| Depreciation | | 2,045 | 2,817 |
| Unrealized loss on marketable securities arising from changes in fair value | | 5,340 | 5,995 |
| Share-based compensation | | 51,450 | 9,900 |
| Impairment on available-for-sale investments (note 8) | | 330,000 | - |
| | | <u>(153,040)</u> | <u>(226,310)</u> |
| Changes in items of working capital | | | |
| Accounts receivable | | (14,081) | (27,043) |
| Prepaid insurance | | 5,096 | 5,173 |
| Accounts payable and accrued liabilities | | (912) | (7,237) |
| | | <u>(9,897)</u> | <u>(29,107)</u> |
| Net cash used in operating activities | | <u>(162,937)</u> | <u>(255,417)</u> |
| Investing activities | | | |
| Tax credit received | | 16,404 | 26,075 |
| Expenditures on mining and oil and gas properties | | (16,572) | (14,633) |
| Expenditures on deferred exploration expenses | | (54,652) | (30,687) |
| | | <u>(54,820)</u> | <u>(19,245)</u> |
| Net cash used in investing activities | | <u>(54,820)</u> | <u>(19,245)</u> |
| Net change in cash and cash equivalents during the period | | <u>(217,757)</u> | <u>(274,662)</u> |
| Cash and cash equivalents – Beginning of period | | <u>2,054,073</u> | <u>1,858,836</u> |
| Cash and cash equivalents – End of period | | <u>1,836,316</u> | <u>1,584,174</u> |
| Supplemental information | | | |
| Deferred exploration expenses included in accounts payable and accrued liabilities | | 747 | 1,066 |
| Interest received | | 8,666 | 21,368 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

1 Nature of operations and liquidity

X-Terra Resources Corporation (the “Corporation”) was incorporated on February 24, 1987 under the Corporation Act of the Province of British Columbia in Canada and is listed on the TSX Venture Exchange. In 2008, shareholders approved a special resolution authorizing the continuance of the Corporation under the Canada Business Corporations Act. On September 4, 2008, the Corporation obtained a Certificate and Articles of Continuance under the Act, rendering the continuance effective. The address of the Corporation’s headquarters and registered office is 202-139 Québec Avenue, Rouyn-Noranda, Quebec, Canada. The Corporation, an exploration stage company, is in the business of acquiring, exploring and developing mining and oil and gas properties. It has interests in properties at the exploration stage located in Quebec, Canada, and has not yet determined whether they contain mineral deposits that are economically recoverable.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of mining and oil and gas properties and deferred exploration expenses is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to continue the exploration, evaluation and development of its properties; and obtaining certain government approvals and future profitable production or proceeds from the disposal of properties. Changes in future conditions could require material impairment of the carrying value of the mining and oil and gas properties and deferred exploration expenses. Although the Corporation has taken steps to verify title to its mining and oil and gas properties on which it is currently conducting exploration and in which it is acquiring an interest, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Corporation’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

As at September 30, 2013, the Corporation had working capital of \$2,472,153 (December 31, 2012 – \$3,002,629) including cash and cash equivalents of \$1,836,316 (December 31, 2012 – \$2,054,073) and accumulated deficit of \$25,860,059 (December 31, 2012 – \$25,318,184), and had incurred a net loss of \$91,926 for the three months then ended (2012 – \$80,780) and had incurred a net loss of \$541,875 (2012 – \$245,022) for the nine-months then ended.

Management of the Corporation believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its 2013 and 2014 budgeted exploration expenditures and to meet its liabilities, obligations and existing commitments for the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Corporation’s ability to continue future operations beyond September 30, 2014 and fund its exploration expenditures is dependent on management’s ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, the issuance of debt or equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

The Corporation’s financial year ends on December 31. The unaudited condensed interim consolidated financial statements were authorized by the Board of Directors for publication on November 28, 2013.

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

2 Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation’s audited annual consolidated financial statements for the year ended December 31, 2012, which were prepared in accordance with IFRS as issued by the IASB.

The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year, except as described below.

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

The Corporation has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Corporation to group other comprehensive loss items by those that will be reclassified subsequently to net loss. These changes did not result in any significant adjustments.

The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

The Corporation has adopted the amendments to IFRS 12 effective January 1, 2013. These amendments forward existing disclosures and also introduce significant additional disclosure that address the nature of, and risks associated with, an entity’s interests in other entities. These changes did not result in additional disclosures as the Corporation does not have an interest in other entities.

IFRS 11 replaces IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as a joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a corporation recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures. The adoption of IFRS 11 did not affect the Corporation.

IFRS 10 replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Corporation assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

3 Investments

Investments comprise:

| | As at September 30, 2013 \$ | As at December 31, 2012 \$ |
|---|--------------------------------------|-------------------------------------|
| Common shares of an oil and gas exploration public company | 100,000 | 420,000 |
| | <u>100,000</u> | <u>420,000</u> |

The unrealized gain on investments during the three-month periods ended September 30, comprises the following:

| | 2013 \$ | 2012 \$ |
|--|------------|------------|
| Available-for-sale investments classified to other comprehensive income | (10,000) | (20,000) |

The unrealized loss on investments during the nine-month periods ended September 30, comprises the following:

| | 2013 \$ | 2012 \$ |
|--------------------------------|------------|------------|
| Available-for-sale investments | 320,000 | 300,000 |

Following the impairment loss on the available-for-sale investment recorded in 2012, the subsequent unrealized losses on this investment are recorded directly to the consolidated statement of loss. Details on the restatement of prior unaudited condensed interim consolidated financial statements are presented in Note 8.

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

4 Mining and oil and gas properties

All mining and oil and gas properties are located in Canada.

| Property | Number of claims/ licences | Undivided interest % | Balance as at December 31, 2012 \$ | Net acquisitions \$ | Balance as at September 30, 2013 \$ |
|----------------|-------------------------------|----------------------------|---|---------------------------|--|
| Lindsay | 25 | 100 | 982,617 | - | 982,617 |
| Rimouski | 2 | 50 | 9,989 | 1,995 | 11,984 |
| Rimouski North | 3 | 50 | 13,157 | 2,628 | 15,785 |
| Trois-Pistoles | 8 | 50 | 23,635 | 7,879 | 31,514 |
| Sheldon Qc | 77 | 100 | - | 4,070 | 4,070 |
| | | | 1,029,398 | 16,572 | 1,045,970 |

5 Deferred exploration expenses

| Property | Undivided interest % | Balance as at December 31, 2012 \$ | Increase \$ | Refundable tax credits and mining duties \$ | Balance as at September 30, 2013 \$ |
|----------------|----------------------------|---|----------------|---|--|
| Lindsay | 100 | 550,528 | 1,087 | (380) | 551,235 |
| Rimouski | 50 | 43,171 | 62 | (22) | 43,211 |
| Rimouski North | 50 | 45,496 | 62 | (22) | 45,536 |
| Trois-Pistoles | 50 | 2,092 | - | - | 2,092 |
| Sheldon Qc | 100 | - | 53,441 | (18,704) | 34,737 |
| | | 641,287 | 54,652 | (19,128) | 676,811 |

6 Financial risks – Fair Value

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

The Corporation's financial instruments as at September 30, 2013 consist of cash and cash equivalents, marketable securities, available-for-sale investments and accounts payable and accrued liabilities. The fair value of these financial instruments (other than the cash and cash equivalents held in money market funds, the marketable securities and the available-for-sale investments) approximates their carrying value due to their short maturity and current market rates.

Fair value hierarchy

Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

or indirectly and Level 3 includes inputs for the assets or liabilities that are not based on observable market data. There are no financial instruments included in Level 3.

| | Financial assets measured at fair value As at September 30, 2013 | | | |
|--|---|----------------|---------------|------------------|
| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| Financial assets at fair value through profit or loss | | | | |
| Money market funds | 1,769,455 | - | - | 1,769,455 |
| Marketable securities | - | 509,825 | - | 509,825 |
| | <u>1,769,455</u> | <u>509,825</u> | <u>-</u> | <u>2,279,280</u> |
| Available-for-sale | | | | |
| Investment in common shares of public company | 100,000 | - | - | 100,000 |

7 Share purchase options

Changes in Corporation share purchase options were as follows:

| | Number of options | Weighted average exercise price \$ |
|--|----------------------|--|
| Outstanding options – December 31, 2012 | 1,020,000 | 1.06 |
| Options granted | 525,000 | 0.10 |
| Options expired | (545,000) | 1.61 |
| | <u>1,000,000</u> | <u>0.25</u> |
| Outstanding options – September 30, 2013 | 1,000,000 | 0.25 |
| Exercisable options | <u>1,000,000</u> | <u>0.25</u> |

Information relating to options outstanding and exercisable granted to directors and officers as at September 30, 2013, is as follows:

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

| Number of options outstanding | Number of options exercisable | Weighted average remaining contractual life | Exercise price \$ |
|-------------------------------|-------------------------------|---|-------------------|
| 265,000 | 265,000 | 0.75 year | 0.50 |
| 160,000 | 160,000 | 6.75 years | 0.35 |
| 50,000 | 50,000 | 8.83 years | 0.25 |
| <u>525,000</u> | <u>525,000</u> | 9.83 years | 0.10 |
| <u>1,000,000</u> | <u>1,000,000</u> | | |

The fair value of options at the time of grant, in 2013, was estimated at \$51,450 based on the Black-Scholes option pricing model, using the following weighted average assumptions:

| | 2013 |
|-------------------------|----------|
| Expected life | 10 years |
| Share price | \$0.10 |
| Risk-free interest rate | 2.41% |
| Expected volatility | 143% |
| Expected dividend yield | Nil |

8 Restatement of prior unaudited condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the first two quarters of the year ending December 31, 2013 have been restated to give effect to the recording of the additional declines in fair value of the Corporation's available-for-sale investment in shares of a public company directly in income instead of through other comprehensive income as it had been previously reported.

The effects of the restatement are as follows:

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Financial Position (unaudited)

As at March 31, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|--|------------------------|------------------------|---------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2,016,684 | - | 2,016,684 |
| Marketable securities | 515,220 | - | 515,220 |
| Investments | 140,000 | - | 140,000 |
| Accounts receivable | 19,876 | - | 19,876 |
| Tax credits receivable | 28,204 | - | 28,204 |
| Prepaid insurance | 4,538 | - | 4,538 |
| | <u>2,724,522</u> | - | <u>2,724,522</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9,707 | - | 9,707 |
| Mining and oil and gas properties | 1,033,468 | - | 1,033,468 |
| Deferred exploration expenses | 669,654 | - | 669,654 |
| | <u>1,712,829</u> | - | <u>1,712,829</u> |
| Total assets | <u>4,437,351</u> | - | <u>4,437,351</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 74,149 | - | 74,149 |
| Total liabilities | <u>74,149</u> | - | <u>74,149</u> |
| Equity | | | |
| Share capital | 25,466,499 | - | 25,466,499 |
| Warrants | 1,840,527 | - | 1,840,527 |
| Contributed surplus | 2,694,860 | - | 2,694,860 |
| Accumulated other comprehensive loss | (280,000) | 280,000 | - |
| Deficit | (25,358,684) | (280,000) | (25,638,684) |
| | <u>4,363,202</u> | - | <u>4,363,202</u> |
| Total equity | <u>4,363,202</u> | - | <u>4,363,202</u> |
| Total liabilities and equity | <u>4,437,351</u> | - | <u>4,437,351</u> |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Financial Position (unaudited)

As at June 30, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|--|------------------------|------------------------|---------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 1,931,084 | - | 1,931,084 |
| Marketable securities | 510,540 | - | 510,540 |
| Investments | 90,000 | - | 90,000 |
| Accounts receivable | 14,947 | - | 14,947 |
| Tax credits receivable | 30,326 | - | 30,326 |
| Prepaid insurance | 2,487 | - | 2,487 |
| | <u>2,579,384</u> | - | <u>2,579,384</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9,025 | - | 9,025 |
| Mining and oil and gas properties | 1,033,468 | - | 1,033,468 |
| Deferred exploration expenses | 674,952 | - | 674,952 |
| | <u>1,717,445</u> | - | <u>1,717,445</u> |
| Total assets | <u>4,296,829</u> | - | <u>4,296,829</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 63,076 | - | 63,076 |
| Total liabilities | <u>63,076</u> | - | <u>63,076</u> |
| Equity | | | |
| Share capital | 25,466,499 | - | 25,466,499 |
| Warrants | 1,840,527 | - | 1,840,527 |
| Contributed surplus | 2,694,860 | - | 2,694,860 |
| Accumulated other comprehensive loss | (330,000) | 330,000 | - |
| Deficit | (25,438,133) | (330,000) | (25,768,133) |
| | <u>4,233,753</u> | - | <u>4,233,753</u> |
| Total equity | <u>4,233,753</u> | - | <u>4,233,753</u> |
| Total liabilities and equity | <u>4,296,829</u> | - | <u>4,296,829</u> |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Loss (unaudited)

Three-month period ended March 31, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|--|------------------------|------------------------|---------------------------|
| Expenses | | | |
| Professional fees | - | - | - |
| Consulting fees | 31,140 | - | 31,140 |
| Public company expenses | 6,195 | - | 6,195 |
| Office and general | 9,555 | - | 9,555 |
| Conference and promotion | 1,499 | - | 1,499 |
| Depreciation | 681 | - | 681 |
| Share-based compensation | - | - | - |
| Operating loss | 49,070 | - | 49,070 |
| Finance income | (8,515) | - | (8,515) |
| Unrealized loss on marketable securities at fair value through profit or loss | (55) | - | (55) |
| Impairment on available-for-sale investments | - | 280,000 | - |
| Net loss for the period | 40,500 | 280,000 | 320,500 |
| Basic and diluted net loss per share | 0.00 | 0.03 | 0.03 |

Interim Consolidated Statements of Loss (unaudited)

Three-month period ended June 30, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|--|------------------------|------------------------|---------------------------|
| Expenses | | | |
| Professional fees | 38,885 | - | 38,885 |
| Consulting fees | 24,560 | - | 24,560 |
| Public company expenses | 7,635 | - | 7,635 |
| Office and general | 9,287 | - | 9,287 |
| Conference and promotion | 2,816 | - | 2,816 |
| Depreciation | 682 | - | 682 |
| Share-based compensation | - | - | - |
| Operating loss | 83,865 | - | 83,865 |
| Finance income | (9,096) | - | (9,096) |
| Unrealized loss on marketable securities at fair value through profit or loss | 4,680 | - | 4,680 |
| Impairment on available-for-sale investments | - | 50,000 | 50,000 |
| Net loss for the period | 79,449 | 50,000 | 129,449 |
| Basic and diluted net loss per share | 0.01 | 0.00 | 0.01 |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Loss (unaudited)

Six-month period ended June 30, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|--|------------------------|------------------------|---------------------------|
| Expenses | | | |
| Professional fees | 38,885 | - | 38,885 |
| Consulting fees | 55,700 | - | 55,700 |
| Public company expenses | 13,830 | - | 13,830 |
| Office and general | 18,842 | - | 18,842 |
| Conference and promotion | 4,315 | - | 4,315 |
| Depreciation | 1,363 | - | 1,363 |
| Share-based compensation | - | - | - |
| Operating loss | 132,935 | - | 132,935 |
| Finance income | (17,611) | - | (17,611) |
| Unrealized loss on marketable securities at fair value through profit or loss | 4,625 | - | 4,625 |
| Impairment on available-for-sale investments | - | 330,000 | 330,000 |
| Net loss for the period | 119,949 | 330,000 | 449,949 |
| Basic and diluted net loss per share | 0.01 | 0.03 | 0.04 |

Interim Consolidated Statements of Comprehensive Loss (unaudited)

Three-month period ended March 31, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|---|------------------------|------------------------|---------------------------|
| Net loss for the period | 40,500 | 280,000 | 320,500 |
| Other comprehensive loss that may be reclassified subsequently to net loss | | | |
| Changes in fair value of available-for-sale investments Unrealized loss | 280,000 | (280,000) | - |
| Other comprehensive loss that may be reclassified subsequently to net loss | 280,000 | (280,000) | - |
| Comprehensive loss for the period | 320,500 | - | 320,500 |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Comprehensive Loss (unaudited)

Three-month period ended June 30, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|---|------------------------|------------------------|---------------------------|
| Net loss for the period | 79,449 | 50,000 | 129,449 |
| Other comprehensive loss that may be reclassified subsequently to net loss | | | |
| Changes in fair value of available-for-sale investments | | | |
| Unrealized loss | 50,000 | (50,000) | - |
| Other comprehensive loss that may be reclassified subsequently to net loss | 50,000 | (50,000) | - |
| Comprehensive loss for the period | 129,449 | - | 129,449 |

Interim Consolidated Statements of Comprehensive Loss (unaudited)

Six-month period ended June 30, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|---|------------------------|------------------------|---------------------------|
| Net loss for the period | 119,949 | 330,000 | 449,949 |
| Other comprehensive loss that may be reclassified subsequently to net loss | | | |
| Changes in fair value of available-for-sale investments | | | |
| Unrealized loss | 330,000 | (330,000) | - |
| Other comprehensive loss that may be reclassified subsequently to net loss | 330,000 | (330,000) | - |
| Comprehensive loss for the period | 449,949 | - | 449,949 |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Cash Flows (unaudited)

Three-month period ended March 31, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|---|------------------------|------------------------|---------------------------|
| Cash flows from | | | |
| Operating activities | | | |
| Net loss for the period | (40,500) | (280,000) | (320,500) |
| Adjustments for: | | - | |
| Depreciation | 681 | - | 681 |
| Unrealized loss on marketable securities arising from changes in fair value | (55) | - | (55) |
| Share-based compensation | - | - | - |
| Impairment on available-for-sale investments | - | 280,000 | 280,000 |
| | <u>(39,874)</u> | <u>-</u> | <u>(39,874)</u> |
| Changes in items of working capital | | | |
| Accounts receivable | (8,461) | - | (8,461) |
| Prepaid insurance | 996 | - | 996 |
| Accounts payable and accrued liabilities | 57,662 | - | 57,662 |
| | <u>50,197</u> | <u>-</u> | <u>50,197</u> |
| Net cash provided by operating activities | <u>10,323</u> | <u>-</u> | <u>10,323</u> |
| Investing activities | | | |
| Tax credit received | - | - | - |
| Expenditures on mining and oil and gas properties | (4,070) | - | (4,070) |
| Expenditures on deferred exploration expenses | (43,642) | - | (43,642) |
| | <u>(47,712)</u> | <u>-</u> | <u>(47,712)</u> |
| Net cash used in investing activities | <u>(47,712)</u> | <u>-</u> | <u>(47,712)</u> |
| Net change in cash and cash equivalents during the period | (37,389) | - | (37,389) |
| Cash and cash equivalents – Beginning of period | 2,054,073 | - | 2,054,073 |
| Cash and cash equivalents – End of period | 2,016,684 | - | 2,016,684 |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

Interim Consolidated Statements of Cash Flows (unaudited)

Six-month period ended June 30, 2013

| | As previously reported | Effects of restatement | Balance after restatement |
|---|------------------------|------------------------|---------------------------|
| Cash flows from | | | |
| Operating activities | | | |
| Net loss for the period | (119,949) | (330,000) | (449,949) |
| Adjustments for: | | - | |
| Depreciation | 1,363 | - | 1,363 |
| Unrealized loss on marketable securities arising from changes in fair value | 4,625 | - | 4,625 |
| Share-based compensation | - | - | - |
| Impairment on available-for-sale investments | - | 330,000 | 330,000 |
| | <u>(113,961)</u> | <u>-</u> | <u>(113,961)</u> |
| Changes in items of working capital | | | |
| Accounts receivable | (3,532) | - | (3,532) |
| Prepaid insurance | 3,047 | - | 3,047 |
| Accounts payable and accrued liabilities | 46,589 | - | 46,589 |
| | <u>46,104</u> | <u>-</u> | <u>46,104</u> |
| Net cash provided by operating activities | <u>(67,857)</u> | <u>-</u> | <u>(67,857)</u> |
| Investing activities | | | |
| Tax credit received | 731 | - | 731 |
| Expenditures on mining and oil and gas properties | (4,070) | - | (4,070) |
| Expenditures on deferred exploration expenses | (51,793) | - | (51,793) |
| Net cash used in investing activities | <u>(55,132)</u> | <u>-</u> | <u>(55,132)</u> |
| Net change in cash and cash equivalents during the period | <u>(122,989)</u> | <u>-</u> | <u>(122,989)</u> |
| Cash and cash equivalents – Beginning of period | <u>2,054,073</u> | <u>-</u> | <u>2,054,073</u> |
| Cash and cash equivalents – End of period | <u>1,931,084</u> | <u>-</u> | <u>1,931,084</u> |

X-Terra Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2013 and 2012

(expressed in Canadian dollars)

(Unaudited)

9 Subsequent event

On October 3, 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 Venture Exchange. 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 Venture Exchange pending such press release.