X-Terra Resources Corporation

Unaudited Condensed Interim Consolidated Financial Statements
Six-month period ended June 30, 2013

(expressed in Canadian dollars)

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.

The unaudited condensed interim consolidated financial statements which are included in this report have not been subject to a review by the Corporation's external auditors.

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	(S) Sylvain Champagne
Martin Dallaire	Sylvain Champagne
President and Chief Executive Officer	Chief Financial Officer

Rouyn-Noranda, Canada
August 27, 2013

X-Terra Resources Corporation

Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Note	As at June 30, 2013 $	As at December 31, 2012 $
Assets			
Current assets			
Cash and cash equivalents		1,931,084	2,054,073
Marketable securities		510,540	515,165
Investments	3	90,000	420,000
Accounts receivable		14,947	11,415
Tax credits receivable		30,326	12,929
Prepaid insurance		2,487	5,534
		2,579,384	3,019,116
Non-current assets			
Property, plant and equipment		9,025	10,388
Mining and oil and gas properties	4	1,033,468	1,029,398
Deferred exploration expenses	5	674,952	641,287
		1,717,445	1,681,073
Total assets		4,296,829	4,700,189
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		63,076	16,487
Total liabilities		63,076	16,487
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)	-
Deficit		(25,438,133)	(25,318,184)
Total equity		4,233,753	4,683,702
Total liabilities and equity		4,296,829	4,700,189

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

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

	Three-month periods ended June 30 / Six-month periods ended June 30			
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Expenses				
Professional fees	38,885	36,210	38,885	41,063
Consulting fees	24,560	41,494	55,700	85,714
Public company expenses	7,635	7,071	13,830	13,615
Office and general	9,287	11,829	18,842	36,813
Conference and promotion	2,816	6,211	4,315	11,602
Depreciation	682	939	1,363	1,878
Operating loss	83,865	103,754	132,935	190,685
Finance income	(9,096)	(14,881)	(17,611)	(29,873)
Unrealized loss on marketable securities at fair value through profit or loss	4,680	2,850	4,625	3,430
Net loss for the period	79,449	91,723	119,949	164,242
Basic and diluted net loss per share	0.01	0.00	0.01	0.01
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 June 30 / Six-month periods ended June 30			
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Net loss for the period	79,449	91,723	119,949	164,242
Other comprehensive loss that may be reclassified subsequently to net loss				
Changes in fair value of available-for-sale investments (Note 3)				
Unrealized loss	50,000	240,000	330,000	320,000
Other comprehensive loss that may be reclassified subsequently to net loss	50,000	240,000	330,000	320,000
Comprehensive loss for the period	129,449	331,723	449,949	484,242

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 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					-	(119,949)	(199,949)
Other comprehensive loss					(330,000)	-	(330,000)
Total comprehensive loss for the period					(330,000)	(119,949)	(449,949)
Balance – June 30, 2013	11,783,069	25,466,499	1,840,527	2,694,860	(330,000)	(25,438,133)	4,233,753
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					-	(162,242)	(162,242)
Other comprehensive loss					(320,000)	-	(320,000)
Total comprehensive loss for the period					(320,000)	(162,242)	(484,242)
Balance – June 30, 2012	11,783,069	25,466,499	1,840,527	2,684,960	(348,151)	(24,821,061)	4,822,774

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

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

X-Terra Resources Corporation

Interim Consolidated Statements of Cash Flows

For the six-month periods ended June 30,

(expressed in Canadian dollars)
(unaudited)

	Note	2013 $	2012 $
Cash flows from			
Operating activities			
Net loss for the period		(119,949)	(164,242)
Adjustments for:			
Depreciation		1,363	1,878
Unrealized gain on marketable securities arising from changes in fair value		4,625	3,430
		(113,961)	(158,934)
Changes in items of working capital			
Accounts receivable		(3,532)	(18,647)
Prepaid insurance		3,047	3,103
Accounts payable and accrued liabilities		46,589	8,842
		46,104	(6,702)
Net cash used in operating activities		(67,857)	(165,636)
Investing activities			
Tax credit received		731	-
Expenditures on mining and oil and gas properties		(4,070)	(9,873)
Expenditures on deferred exploration expenses		(51,793)	(21,662)
Net cash used in investing activities		(55,132)	(31,535)
Net change in cash and cash equivalents during the period		(122,989)	(197,171)
Cash and cash equivalents – Beginning of period		2,054,073	1,858,836
Cash and cash equivalents – End of period		1,931,084	1,661,665
Supplemental information			
Deferred exploration expenses included in accounts payable and accrued liabilities		825	10,050
Interest received		8,479	21,151

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

(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 June 30, 2013, the Corporation had working capital of $2,516,308 (December 31, 2012 – $3,002,629) including cash and cash equivalents of $1,931,084 (December 31, 2012 – $2,054,073) and accumulated deficit of $25,438,133 (December 31, 2012 – $25,318,184), and had incurred a net loss of $79,449 for the three months then ended (2012 – $91,723) and had incurred a net loss of $119,949 (2012 – $164,242) for the six-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 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 December 31, 2013 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.

(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 lAS 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 lAS 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 Entites. IFRS 10 requires consolidation of an investee only of 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 lAS 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.

(expressed in Canadian dollars)
(Unaudited)

3 Investments

Investments comprise:

	As at June 30, 2013 $	As at December 31, 2012 $
Common shares of a mining exploration public company	90,000	420,000
	90,000	420,000

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

	2013 $	2012 $
Available-for-sale investments	50,000	240,000

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

	2013 $	2012 $
Available-for-sale investments	330,000	320,000

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 June 30, 2013 $
Lindsay	25	100	982,617	-	982,617
Rimouski	2	50	9,989	-	9,989
Rimouski North	3	50	13,157	-	13,157
Trois-Pistoles	8	50	23,635	-	23,635
Sheldon Qc	77	100	-	4,070	4,070
			1,029,398	4,070	1,033,468

(expressed in Canadian dollars)
(Unaudited)

5 Deferred exploration expenses

Property	Undivided interest %	Balance as at December 31, 2012 $	Increase $	Refundable tax credits and mining duties $	Balance as at June 30, 2013 $
Lindsay	100	550,528	1,000	(350)	551,178
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	-	50,669	(17,734)	32,935
		641,287	51,793	(18,128)	674,952

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

	Financial assets measured at fair value As at June 30, 2013			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Money market funds	1,864,991	-	-	1,864,991
Marketable securities	-	510,540	-	510,540
	1,864,991	510,540	-	2,375,531
Available-for-sale				
Investment in common shares of public company	90,000	-	-	90,000

(expressed in Canadian dollars)
(Unaudited)

7 Share purchase options

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

Number of options outstanding	Number of options exercisable	Weighted average remaining contractual life	Exercise price $
170,000	170,000	0.16 years	1.00
265,000	265,000	1.0 years	0.50
160,000	160,000	7.0 years	0.35
50,000	50,000	9.08 years	0.25
645,000	645,000		

8 Subsequent event

In July 2013, X-Terra's Board of Directors granted an aggregate of 525,000 stock options to X-Terra's six directors. The exercise price of the options is $0.10 and the options expire on July 4, 2023. The options were granted pursuant to X-Terra's amended stock option plan.