X-TERRA RESOURCES CORPORATION
(the “Company” or “X-Terra”)

MANAGEMENT DISCUSSION AND ANALYSIS
(“MD&A”)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009
(the “Period”)

The Company prepares its financial statements in accordance with Canadian generally accepted auditing standards (“GAAP”). The following management’s analysis of X-Terra’s operating results and financial position should be read in conjunction with the Company’s unaudited consolidated interim financial statements for the three months period ended March 31, 2009 and the Company’s audited consolidated financial statements for the year ended December 31, 2008 and the related notes. 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 Company 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 three directors, who are independent and not members of management. The Committee meets with management in order to discuss results of operations and the financial condition of the Company 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 Company’s financial statements.

DATE

This MD&A is prepared as at May 29, 2009.

OVERALL PERFORMANCE

Description of Business

X-Terra, an exploration stage company, is in the business of acquiring, exploring and developing mining and energy properties. It has interests in properties at the exploration stage located in Canada. The Company is in the process of exploring its mining property interests and has not yet determined whether they contain mineral deposits that are economically recoverable.

The Company capitalizes property acquisition and exploration expenditures 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 mineral resources and oil and gas properties in which the Company has earned or in the future may earn an interest.

The Company 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 Frankfort and Berlin Exchanges in Europe under the symbol DFUA.

For the three months period ended March 31, 2009, X-Terra purchased 200,000 common shares pursuant to the normal course issuer bid for a total amount of $48,500. In April 2009, the Company purchased 120,500 shares and completed its normal course issuer bid through the facilities of the TSX Venture Exchange. In total, the Company repurchased and cancelled 612,000 shares at an average price of $0.34. Under the normal course issuer bid, which was effective from September 15, 2008 to September 14, 2009, X-Terra could repurchase for cancellation a maximum of 612,250 common shares over a 12-month period, representing approximately 5% of the “public float” of X-Terra’s shares outstanding as at September 3, 2008. Purchases of common shares under the normal course issuer bid have been made at market prices and otherwise in accordance with the policies of the TSX Venture Exchange. X-Terra did not purchase any common shares during the twelve months preceding the normal course issuer bid.

The normal course issuer bid has been instituted in that X-Terra considers that the repurchase of common shares at certain market prices is beneficial to X-Terra. The normal course issuer bid has been conducted through Desjardins Securities Inc. No director or senior officer of X-Terra or their associates or affiliates have sold any shares of X-Terra during the course of the normal course issuer bid.

PROPERTIES

1. Energy Properties

Lindsay Property (26 claims)

The 100% owned Lindsay gold-uranium-rare earth element 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 26 unpatented mining claims (1,534 hectares) in Villedieu Township. The Lindsay project is an early stage exploration project with historical uranium and rare-earth-element occurrences and economic potential for these commodities.

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. Since then, several mining companies have sporadically undertaken exploration work in the region. The increased price of uranium over the last several years (presently around $42US/pound; http:www.uxc.com/review/uxc_prices.aspx) has reinvigorated interest in uranium exploration in this region. Many companies are currently active in this sector. More recently, many mining companies have undertaken major exploration work in the region. The gold producer, Aurizon Mines Ltd.(TSX:ARZ), has carried out a magnetic, electromagnetic and airborne radiometric survey, covering a vast territory of this sector. 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 February 2009, Aurizon reports encouraging rare earth frilling results, they drilled 104 metres of 0.063% REE+Y at Kipawa. The company spent close to $300,000 in exploration work on this property in 2008.

No exploration work has been executed on the Lindsay property in the first quarter of 2009 (except compilation) but the company will investigate in the coming months the rare earth elements results obtained in the 2008 exploration program. The 2008 exploration program has consisted of exploration and 76 till samples on a 1,000-metre-by-500-metre grid, conducted on a portion of the area covered by the government airborne survey. The objective of the till sampling was to delineate isolated heavy mineral concentrate gold anomalies.

Gold:

- One sample returned 1.22 grams per tonne (g/t);
- Four samples over 0.2 g/t or 200 parts per billion;
- One sample between 100 to 200 ppb;
- Eighteen samples between 21 to 50 ppb.

To view a location map of the 1,490-hectare claim blocks, please visit the Company's website. The 2009 exploration program will consist of MMI (Mobile Metal Ion) work. The MMI is a totally integrated geochemical approach to precious metal, base metal and kimberlite exploration. The 2008 exploration program was carried out under the supervision of Laurent Hallé, geologist and qualified person as per National Instrument 43-101.

Cool Lake Property (39 claims)
No exploration work has been executed on the Cool Lake property in the first quarter of 2009 This 100% owned project area occurs within sedimentary and granitoid-dominated parts of the Pontiac subprovince in the eastern Superior Province of the Canadian Shield. Approximately 15-20 km south-southwest of the project area, a large Archean supracrustal belt, the Belleterre-Anglier greenstone belt (BAG) also occurs within the Pontiac subprovince. The BAG is the most southerly greenstone belt in the Superior Province, lying approximately 100 kilometres south of Abitibi greenstone belt of Rouyn-Noranda-Val d'Or area and immediately north of Grenville Front (Proterozoic Grenville Province). Both volcano-sedimentary and various granitoid rocks are present but volumetrically, the latter are dominant, especially in the western-half of the property. The granitic rocks, which host the uranium and other associated rare-elements, are widely distributed in this area. Granitoid rocks mainly comprise monzonite, monzodiorite, pegmatite granite, pegmatite dikes, syenite and granodiorite, in the decreasing order of abundance.

Although main focus of this project is to find economic grade uranium, there is also high potential for rare-element minerals that contain tantalum, niobium and possibly cesium. Tantalum, in particular, is a valuable commodity with a wide variety of industrial applications, most notably in the computer and steel sectors. The Cool Lake property is a still a "grass root" property and the 2008 exploration program has consisted mainly of prospection and geophysics. The data accumulated over the summer will be compiled during fall and then a map will be published on the Company website. A ground radiometric survey is planned for summer 2009.

2. Shale gas properties

Rimouski, Rimouski North and Shawinigan Properties (8 permits)
Oil and gas exploration in Québec 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.

An exhaustive compilation is currently in progress and a 50/50 farm out deal has been finalized in October 2008 with a well known oil and gas networked partner/operator named Brownstone Ventures Inc ("Brownstone"). On October 28, 2008 X-Terra entered into 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. The maps are available on the Company's website at www.xterraresources.com.

In the coming weeks and in collaboration with its partner Brownstone, the Company will put in place an exploration budget and strategy for 2009-2010.

SUMMARY QUARTERLY INFORMATION

Comparative figures
Certain comparative figures have been reclassified to conform to the presentation adopted for the period ended March 31, 2009.

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

Period	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Years	2009	2008	2008	2008	2008	2007	2007	2007
Current assets	4,856,967	5,233,450	4,898,577	618,524	457,584	488,484	238,055	357,382
Mining and oil and gas properties	988,365	988,074	996,034	989,757	976,521	975,864	975,500	544,500
Current liabilities	45,304	59,180	215,529	72,054	75,628	51,222	37,354	70,311
Shareholders' Equity (Deficiency)								
Share Capital	25,703,086	26,191,429	26,413,577	23,732,912	23,195,520	23,195,520	23,117,511	22,712,011
Deficit	(22,738,064)	(22,625,731)	(23,367,883)	(23,124,202)	(22,839,872)	(22,778,943)	(22,827,604)	(22,732,264)
Income (loss) for the period	(112,333)	742,152	(243,681)	(284,330)	(60,929)	48,661	(95,340)	(230,646)
Working capital (deficit)	4,811,663	5,174,270	4,683,048	546,470	381,956	437,262	200,701	287,071
Basic and diluted income (loss) per share	(0.01)	0.06	(0.02)	(0.04)	(0.00)	0.01	(0.02)	(0.06)

Results of operations

During the three months period ended March 31, 2009, the Company registered a net loss of $112,333 in comparison with the net loss of $60,929 for the same quarter in 2008. The Company has recorded, for the quarter ended March 31, 2009, interest income of $14,604 ($3,662 for the quarter ended March 31, 2008), and unrealized loss on short-term investments of $34,316 (nil for the quarter ended March 31, 2008). The difference regarding the interest revenue is mainly due to the liquidity increasing. The Company's administrative expenses for the quarter ended March 31, 2009 are at $92,621 ($64,591 for the quarter ended March 31, 2008). Professional fees have increased from $2,612 for the quarter ended March 31, 2008 to $6,304 for the quarter ended March 31, 2009. General administrative expenses have increased and went from $35,725 for the quarter ended March 31, 2008 to $75,009 for the quarter ended March 31, 2009 and is mainly due to the management and administrative fees which went from $27,885 for the quarter ended March 31, 2008 to $55,560 for the quarter ended March 31, 2009 and show more activities in the Company. The other administrative expenses for the first quarter of 2009 remained relatively stable, are cyclical and may fluctuate according to the events, which are not always predictable.

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.

Liquidity and Capital Resources

As at March 31, 2009, the Company had a working capital of $4,811,663 (December 31, 2008 – $5,174,270), which included cash and cash equivalents of $4,176,121 (December 31, 2008 – $4,296,385).

As at March 31, 2009, the Company had stock options outstanding allowing for the purchase of up to 115,000 common shares at $1.10 per share until June 2012, 437,500 common shares at $1.90 per share until June 2013 and 270,000 common shares at $1.00 per share until August 2013. The exercise of all the share purchase options represents an added potential financing of $1,227,750. The exercise of 6,759,999 warrants and brokers' options outstanding represent a potential financing of $9,106,665. These warrants and brokers' options expire in May and October 2009, July 2010 and February 2011 and have an exercise price between $0.70 and $1.50.

For the quarter ended March 31, 2009, X-Terra has purchased 200,000 common shares for a total amount of $48,500 pursuant to the normal course issuer bid.

Going concern

Even if the Company has cash and cash equivalents of $4,176,121, the Company has limited financial resources and its ability to continue operating is always dependent on management's ability to secure financing. Failure to obtain additional financing could result in limited exploration work. The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by option, joint ventures or sales) in order to finance further acquisitions, undertake exploration and development of other mineral properties, and meet general and administrative expenses. There can be no assurance that the Company will be successful in raising the future required financing. The management team could pursue additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Because of this uncertainty, there is substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

PROJECTED OPERATIONS

The Company does not foresee for the moment any important acquisition or disposal of property.

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 sheet 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 company.

RELATED PARTY TRANSACTIONS

Related party transactions occurred in the normal course of business and were recorded at the exchange values, which is the consideration determined and agreed to by the related parties. Unless indicated otherwise, the following transactions are included in general administrative expenses for the three months period ended March 31:

	2009 **$**	**2008** **$**
Leasing contract	6,000	6,000
Management consulting fees charged by a company controlled by a director of the Company	18,000	-
Administrative service fees charged by a company controlled by a director of the Company	37,560	-
	61,560	6,000

SUBSEQUENT EVENTS

a) In April 2009, the Company purchased 120,500 common shares at an average price of $0.38 in the course of the normal course issuer bid. In the same vein, X-Terra has announced the completion of its normal course issuer bid through the facilities of the TSX Venture Exchange. Under the bid, X-Terra repurchased for cancellation 612,000 shares out of the permitted maximum of 612,250 common shares over an eight-month period, representing approximately 5% of the "public float" of X-Terra's shares at the commencement of the normal course issuer bid. The 612,000 shares were repurchased by X-Terra at an average price of $0.34.

b) In May 2009, the Company has announced that it has applied to the TSX Venture Exchange for a one-year extension of the term of 650,000 common share purchase warrants that were issued by X-Terra as part of a private placement in May 2007 and the TSX Venture Exchange has accepted this extension on May 20, 2009. Each warrant currently entitles its holder to purchase one additional common share of X-Terra at an exercise price of $0.70 until May 28, 2009. Now, the term of the warrants is extended to May 28, 2010, for a total term of three years. X-Terra issued a total of 1,000,000 warrants in the May 2007 private placement, of which 350,000 warrants have to date been exercised.

GENERAL ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES

This is the detail for general administrative expenses for the quarter ended March 31:

	$ 2009	$ 2008
Bank charges	3,127	880
Advertising and promotion	275	39
Office operations and facilities	7,873	6,516
Website	3,000	405
Traveling expenses	5,174	-
Management and administrative services	55,560	27,885
	75,009	35,725

This is the detail for professional fees for the quarter ended March 31:

	$ 2009	$ 2008
Legal	4,803	2,612

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant areas where management judgment is applied are the useful life of assets for amortization purposes, the valuation of mining and oil and gas properties and deferred exploration expenses, valuation allowances for future income taxes and the valuation of stock-based compensation and warrants. Actual results could differ from those estimates and such differences could be material.

NEW ACCOUNTING POLICIES

Accounting standards newly adopted

Effective January 1, 2009, the Company adopted a new accounting standard related to goodwill and intangible assets that was issued by the Canadian Institute of Chartered Accountants ("CICA"). The new CICA standard is as follows:

Section 3064, *Goodwill and Intangible Assets*

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets,* which replaces Section 3062, *Goodwill and Other Intangible Assets*. This new Section provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new Section specifically excludes mining activities related to prospecting, acquisition of mineral rights, exploration, drilling and mineral development from being considered as intangible assets, as existing Section 3061, *Property, Plant and Equipment*, contains standards for measurement, presentation and disclosure of mining properties. Adoption of this standard did not have any effect on financial statements.

EIC-173, *Credit risk and the fair value of financial assets and financial liabilities*

In January 2009, the CICA issued EIC-173, *Credit risk and the fair value of financial assets and financial liabilities.* The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2009. Adoption of this EIC did not have any effect on financial statements.

EIC-174, *Mining exploration costs*

In March 2009, the CICA issued EIC-174, *Mining exploration costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC applies to interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2009. Adoption of this EIC did not have any effect on financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Management is presently working on a changeover plan to adopt IFRS by 2011. Management will start shortly the process of assessing accounting policy choices and elections that are allowed under IFRS and will also assess the impact of the conversion on its business activities including the effect on information technology and data systems, internal controls over financial reporting and disclosure controls. X-Terra's management will continually review and adjust its changeover plan to ensure its implementation process properly addresses the key elements of the plan.

Risk and Uncertainties

The securities of the Company are highly speculative. In evaluating the Company, it is important to consider that it is a resources exploration enterprise in the exploratory stage of its operations. To date, the Company has had no revenues and there is no immediate expectation of revenues. A prospective investor or other person reviewing the Company should not consider an investment in it unless the investor is capable of sustaining an economic loss of the entire investment. All costs have been funded through equity. Certain risks are associated with the Company's business including:

Mineral Exploration and Development

The Company's properties are in the exploration stage and are without a known body of commercial ore. Development of any of its properties will only follow after obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in the discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery and development of commercial mineable mineralized deposits.

Most exploration projects do not result in the discovery of commercially mineralized deposits. The commercial viability of exploiting any precious or base metal deposit is dependant on a number of factors including infrastructure and governmental regulation, in particular those relating to environment, taxes, and royalties. No assurance can be given that minerals will be discovered of sufficient quality, size and grade on any of the Company's properties to justify a commercial operation.

Economics of Developing Mineral Properties

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operation or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Environmental Factors

The Company proposes to conduct exploration activities in various parts of Canada. Such activities are subject to laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. In Canada, extensive environmental legislation has been enacted by federal, provincial and territorial governments. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulations, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held by the Company.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceed all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company is currently engaged in exploration with nil to minimal environmental impact.

Uncertainty of Ownership Rights and Boundaries of Resource Properties

There is no assurance that the rights of ownership and other rights in concessions held by the Company are not subject to loss or dispute particularly because such rights may be subject to prior unregistered agreements or transfers or other land claims and may be affected by defects and adverse laws and regulations which have not been identified by the Company. Notwithstanding that the exploration and operating concessions in respect of which the Company may hold various interests have been surveyed, the precise boundary locations thereof may be in dispute. Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in its name and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title.

Potential Conflicts of Interest

The directors of the Company serve as directors of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The Canada Business Corporations Act, to which the Company is subject, requires the directors and officers of the Company to act honestly and in good faith with a view to the best interests of the Company. However, in conflict of interest situations, directors of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger programs; (ii) acquire an interest in a greater number of programs; and (iii) reduce their financial exposure with respect to any one program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Governmental Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labor; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot by predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on crown Mineral land or to stake a claim) in any Canadian province in which it is carrying out work. Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labor standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

Precious and base metal prices

The price of precious and base metal prices can fluctuate widely and is affected by numerous factors including demand, inflation, strength of the US dollar and other currencies, interest rates, gold sales by the central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major producing regions. In addition, prices are sometimes subject to rapid short-term changes because of speculative activities.

Even if the Company discovers commercial amounts of metals on its properties, it may not be able to place the property into commercial production if precious and base metal prices are not at sufficient levels

Need for Additional Financing

Currently, exploration programs are pursued by the Company with the objective of establishing mineralization of commercial quantities. The Company may fund the proposed programs through equity financing and the possible exercise of outstanding options. Such funding would be dilutive to current shareholders. Should sources of equity financing not be available to the Company, the Company would seek a joint venture relationship in which the funding source could become entitled to a shared, negotiated interest in the property or the projects. If exploration programs carried out by the Company are successful in establishing ore of commercial quantities and/or grade, additional funds will be required to develop the properties and reach commercial production. In that event, the Company may seek capital through further equity funding, debt instruments, by offering an interest in the property being explored and allowing the party or parties carrying out further exploration or development thereof to earn an interest, or through a combination of funding arrangements. There can be no assurance of such funding sources. Furthermore, if the Company is not able to obtain the capital resources necessary to meet property payments or exploration or development obligations which now apply or which would apply in joint ventures with others, its potential as a "going concern" could be seriously affected.

Management and Directors
The Company is dependent on a relatively small number of key directors and officers: Martin Dallaire and Sylvain Champagne. Loss of any one of these persons could have an adverse affect on the Company. The Company does not maintain "key-man" insurance in respect of any of its management.

Lack of operating profit
The Company was incorporated on February 24, 1987 and since incorporation, has not realized net income except for 2008 nor paid dividends. Variations in annual and quarterly loss and loss per shares are affected by administration costs and the write-down or write-off of mineral property carrying costs. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

OTHER MD&A REQUIREMENTS

Share data

As at May 29, 2009, the Company had the following:
Issued and outstanding- 11,783,069 shares

The Company defines its capital as the shareholder's equity.

The Company's capital management objectives are to:

- have sufficient capital to be able to meet the Company's mining properties exploration and mining development plan in order to ensure the growth of the activities.
- have sufficient cash to fund the exploration expenses and investing activities and the working capital requirements.

As at March 31, 2009, the capital of the Company consists of shareholder's equity amounting to $6,234,817.

Warrants and brokers' options outstanding:

Expiry date	Number of warrants and brokers' options outstanding	Exercise price ($)
May 2010[1]	650,000	0.70
October 2009	133,333	0.75
October 2009	426,666	1.00
July 2010 [2]	5,400,000	1.50
February 2011	150,000	1.50
	6,759,999	

(1) In May 2009, the Company has announced the extension of the expiry date of these warrants from May 2009 to May 2010.
(2) These include 400,000 brokers' options which expire in July 2010. Each brokers' option entitles the holder to subscribe for an equal number of units in consideration of $1.00, composed of one share and one warrant at a price of $1.50.

Stock options outstanding:

Expiry date	Number of options outstanding	Exercise price ($)
June 2012	115,000	1.10
June 2013	437,500	1.90
August 2013	270,000	1.00
	822,500	

OTHER INFORMATION
The Company's web address is www.xterraresources.com. Other information relating to the Company may be found on the SEDAR website (www.sedar.com).

FORWARD-LOOKING STATEMENTS
This discussion includes certain statements that may be deemed "forward-looking statements". Other than statements of historical facts, statements in this discussion include, but are not limited to, the Company's expectations as to, future production, reserve potential, exploration drilling, exploration activities and events or developments, commodities market prices, timetables, costs, capital expenditures, work programs, and budgets. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, the risks, hazards, uncertainties. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, operating, exploration and geological successes, continued availability of capital and financing, and general economic, environmental, industry, market or business conditions, volatility and sensitivity to market metal prices. Such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

May 29, 2009.

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

(S) Sylvain Champagne
Sylvain Champagne, Chief Financial Officer