



X-TERRA

RESOURCES CORPORATION

X-TERRA RESOURCES CORPORATION

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS PERIOD ENDED MARCH 31, 2009 AND 2008
(unaudited)**

FINANCIAL STATEMENTS

Consolidated Balance Sheets

Consolidated Statements of Operations and deficit

Consolidated Statements of Comprehensive loss

Consolidated Statements of Cash Flows

Notes to Interim Consolidated Financial Statements

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

X-Terra Resources Corporation

(an exploration stage company)

Consolidated Balance Sheets

	March 31 2009	December 31 2008
	\$	\$
	(unaudited)	(audited)
Going concern assumption (note 2)		
Assets		
Current assets		
Cash and cash equivalents	4,176,121	4,296,385
Short-term investments (note 4)	660,000	851,716
Accounts receivable	17,222	78,721
Prepaid insurance	3,624	6,628
	<hr/>	<hr/>
	4,856,967	5,233,450
Property, plant and equipment (note 5)	12,338	13,255
Mining and oil and gas properties (note 6)	988,365	988,074
Deferred exploration expenses (note 7)	422,451	377,451
	<hr/>	<hr/>
	6,280,121	6,612,230
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	45,304	49,258
Part XII.6 taxes payable	-	9,922
	<hr/>	<hr/>
	45,304	59,180
	<hr/>	<hr/>
Shareholders' Equity		
Share capital (note 8)	25,703,086	26,191,429
Warrants and brokers' options (note 8)	1,822,347	1,814,247
Contributed surplus (note 10)	1,637,948	1,153,105
Deficit	(22,738,064)	(22,625,731)
Accumulated other comprehensive income	(190,500)	20,000
	<hr/>	<hr/>
	6,234,817	6,553,050
	<hr/>	<hr/>
	6,280,121	6,612,230
	<hr/>	<hr/>

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

Approved by the Board of Directors

Martin Dallaire (signed) Director
Martin Dallaire

Sylvain Champagne (signed) Director
Sylvain Champagne

X-Terra Resources Corporation

(an exploration stage company)

Consolidated Statements of Operations and Deficit

For the three months period ended March 31, 2009 and 2008

	2009	2008
	\$	\$
Going concern assumption (note 2)		
Administrative expenses		
Insurance	3,003	2,383
Professional fees	6,304	2,612
General administrative expenses	75,009	35,725
Shareholders' communication	1,206	-
Transfer agent and regulatory fees	6,182	5,886
Stock-based compensation	-	17,985
Amortization of property, plant and equipment (note 5)	917	-
	<hr/>	<hr/>
	92,621	64,591
Other expenses (income)		
Interest income	(14,604)	(3,662)
Unrealized loss on short-term investments held for trading (note 4)	34,316	-
	<hr/>	<hr/>
	19,712	(3,662)
Net loss for the period	112,333	60,929
Deficit – Beginning of period	<hr/>	<hr/>
	(22,625,731)	22,778,943
Deficit – End of period	<hr/>	<hr/>
	(22,738,064)	22,839,872
Basic and diluted net loss per share	<hr/>	<hr/>
	0.01	0.00
Weighted average number of basic and diluted shares outstanding	<hr/>	<hr/>
	11,959,562	6,776,671

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

X-Terra Resources Corporation

(an exploration stage company)

Consolidated Statements of Comprehensive Loss

For the three months period ended March 31, 2009 and 2008

	2009	2008
	\$	\$
Net loss for the period	112,333	60,929
Other comprehensive income		
Unrealized loss on available-for-sale short-term investments (note 4)	170,000	-
Comprehensive loss for the period	<u>282,333</u>	<u>60,929</u>

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

X-Terra Resources Corporation

(an exploration stage company)

Consolidated Statements of Cash Flows

For the three months period ended March 31, 2009 and 2008

	2009	2008
	\$	\$
Going concern assumption (note 2)		
Cash flows from		
Operating activities		
Net loss for the period	(112,333)	(60,929)
Adjustments for:		
Unrealized loss on short-term investments held for trading (note 4)	34,316	-
Stock-based compensation	-	17,985
Amortization of property, plant and equipment (note 5)	917	-
	<u>(77,100)</u>	<u>(42,944)</u>
Changes in non-cash operating working capital items	77,386	22,211
	<u>286</u>	<u>(20,733)</u>
Financing activity		
Purchase of shares under normal course issuer bid	<u>(48,500)</u>	-
	<u>(48,500)</u>	-
Investing activities		
Acquisition of mining and oil and gas properties	(291)	(657)
Deferred exploration expenses	<u>(71,759)</u>	<u>(11,705)</u>
	<u>(72,050)</u>	<u>(12,362)</u>
Decrease in cash and cash equivalents during the period	(120,264)	(33,095)
Cash and cash equivalents – Beginning of period	<u>4,296,385</u>	<u>472,356</u>
Cash and cash equivalents – End of period	<u>4,176,121</u>	<u>439,261</u>

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

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

1 Nature of operations

X-Terra Resources Corporation (the “Company”), 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 and oil and gas property interests and has not yet determined whether they contain mineral deposits that are economically recoverable. The Company will periodically have to find additional funds to continue its exploration activities, 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.

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 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 and development of its properties; and future profitable production or proceeds from the disposal of properties.

As at March 31, 2009, the Company holds the Lindsay, Cool Lake, Rimouski, Rimouski North and Shawinigan properties and has cash and cash equivalents totalling \$4,176,121 and working capital of \$4,811,663. All dollar amounts are disclosed in Canadian currency.

2 Going concern assumption

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) on a going concern basis whereby it is assumed that the Company will realize its assets and assume its liabilities in the normal course of business.

The Company is in the process of exploring its mining and oil and gas properties and has not yet determined whether these properties contain ore reserves. The recoverability of the amounts shown for mining and oil and gas properties and related deferred exploration expenses is dependent on the ability of the Company to obtain the necessary financing to complete exploration and development and on future profitable production or proceeds from the disposal of properties. The Company will have to raise additional funds to complete the development phase of its programs, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. The application of GAAP on a going concern basis may be inappropriate since there is a significant doubt as to the going concern assumption.

The consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items if the going concern assumption were inappropriate, and these adjustments could be material.

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

3 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.

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

4 Short-term investments

The portfolio investments consist of common shares of a publicly held company that are available for sale and are recorded at fair value and warrants of a publicly held company that are held for trading and are recorded at fair value.

	March 31, 2009 \$	December 31, 2008 \$
Available for sale		
Common shares of a public company*		
2,000,000 Common shares, quoted market value at beginning of period	760,000	740,000
Transaction costs (note 8)	40,500	
Unrealized gain (loss)	<u>(210,500)</u>	<u>20,000</u>
Fair value of short-term investments	590,000	760,000
Held for trading		
Warrants of a public company*	91,716	103,806
Transaction costs (note 8)	12,600	-
Unrealized loss	<u>(34,316)</u>	<u>(12,090)</u>
Fair value of short-term investments	70,000	91,716
	<u>660,000</u>	<u>851,716</u>

* These investments are the result of a transaction completed on October 28, 2008 between the Company and Brownstone Ventures Inc. ("Brownstone") to which the Company sold a 50% interest in exploration licences in exchange for 2,000,000 common shares and 2,000,000 common share purchase warrants. Each purchase warrant entitles the Company to purchase one common share of Brownstone at a price of \$2.00 until October 28, 2010. The exploration licences sold are related to the Rimouski, Rimouski North and Shawinigan mining and oil and gas properties (note 6).

The fair value of warrants is determined through the use of Black-Scholes pricing models as they are not traded on any public stock exchange.

For the three months period ended March 31, 2009, the Company recognized an unrealized loss of \$210,500 on common shares of a public company designated as available for sale in other comprehensive income and a \$34,316 unrealized loss on warrants of a public company classified as held for trading was included in net income for the year.

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

5 Property, plant and equipment

			Balance – March 31, 2009	Balance – December 31, 2008
	Cost \$	Accumulated amortization \$	Net value \$	Net value \$
Computer equipment/software	11,952	2,555	9,397	10,159
Office furniture	3,440	499	2,941	3,096
	<u>15,392</u>	<u>3,054</u>	<u>12,338</u>	<u>13,255</u>

All property, plant and equipment are located in Canada.

6 Mining and oil and gas properties

Property	Number of claims/ Number of permits	Undivide d interest %	Balance – December 31, 2008 \$	Net additions \$	Balance – March 31, 2009 \$
Lindsay	26	100	977,863	291	978,154
Cool Lake	39	100	2,172	-	2,172
Rimouski	2	50	2,010	-	2,010
Rimouski North	3	50	2,643	-	2,643
Shawinigan	3	50	3,386	-	3,386
			<u>988,074</u>	<u>291</u>	<u>988,365</u>

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

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

7 Deferred exploration expenses

Property	Percentage interest %	Balance – December 31, 2008 \$	Net additions \$	Balance – March 31, 2009 \$
Lindsay	100	346,865	45,000	391,865
Cool Lake	100	29,993	-	29,993
Rimouski	50	593	-	593
		<hr/>		
		377,451	45,000	422,451

	Three months period ended March 31, 2009 \$	Three months period ended March 31, 2008 \$
Exploration costs		
Accommodations	3,000	2,000
Maps, printing and drafting	-	-
Consulting	-	-
Assay and geochemical analysis	-	4,825
Geology	42,000	1,300
Geophysics	-	2,730
Project management fees	-	850
	<hr/>	
Increase in deferred exploration expenses	45,000	11,705
Balance – Beginning of period	<hr/>	<hr/>
	377,451	47,430
Balance – End of period	<hr/>	<hr/>
	422,451	59,135

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

8 Share capital and warrants and brokers' options

Capital management

The Company defines its capital as shareholders' equity. Its capital management objectives are to:

- have sufficient capital to be able to complete the Company's mining and oil and gas property exploration and mining development plan in order to ensure the growth of its activities; and
- have sufficient cash to fund exploration expenses, investing activities and working capital requirements.

As at March 31, 2009, the capital of the Company consists of shareholder's equity amounting to \$6,534,817.

Share capital

Authorized

Unlimited common shares without par value

Issued

Changes in the Company's share capital are as follows:

	Number of shares	Amount \$
Balance – Beginning of period	12,003,569	26,191,429
Cancelled ⁽¹⁾	(50,000)	(97,943)
Purchased and cancelled ⁽¹⁾	(200,000)	(435,400)
Finder's fee ⁽²⁾	150,000	45,000
Balance – End of period	11,903,569	25,703,086

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

Warrants and brokers' options

The following table details the changes in the Company's warrants and brokers' options:

	Number of warrants	Number of brokers' options	Amount \$
Balance – Beginning of period	6,209,999	400,000	1,814,247
Finder's fee ⁽²⁾	150,000	-	8,100
Balance – End of period	<u>6,359,999</u>	<u>400,000</u>	<u>1,822,347</u>

⁽¹⁾ At the beginning of January 2009, 50,000 shares have been cancelled which shares have been repurchased in December 2008. For the three months period ended March 31, 2009, the Company repurchased 200,000 of its own shares for cancellation for a cash consideration of \$48,500, in connection with its normal course issuer bid. Share capital has been reduced by the average issue price per share before buy-back of \$2.13 totalling \$533,343, of which \$484,843 has been charged to contributed surplus.

⁽²⁾ In connection with the transaction with Brownstone, the Company issued 150,000 units to PowerOne Capital Markets Limited ("PowerOne") as finder's fee on February 10, 2009. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each purchase warrant entitles PowerOne to purchase an additional common share of the Company. The fair value of the brokers' warrants was estimated using the Black-Scholes pricing model, based on the following assumptions: dividend yield of nil, volatility of 110%, risk-free interest rate of 1.18% and an expected life of two years. As a result, the fair value of the warrants was estimated at \$8,100 and recorded as transaction costs in short-term investments (note 4) as well as the value of the 150,000 shares issued to Powerone at the market price of \$0.30 per share for \$45,000 recorded as transactions costs in short-term investments (note 4) and allocated to available-for-sale and held for trading investments for \$40,500 and \$4,500 respectively.

Information relating to warrants and brokers' options outstanding as at March 31, 2009 is as follows:

Expiry date	Number of warrants outstanding	Number of broker's options outstanding	Exercise price \$
May 2009 ⁽¹⁾	650,000	-	0.70
October 2009	426,666	-	1.00
October 2009	133,333	-	0.75
July 2010	-	400,000	1.00
July 2010	5,000,000	-	1.50
February 2011	150,000	-	1.50
	<u>6,359,999</u>	<u>400,000</u>	

⁽¹⁾ In May 2009, the Company has announced the extension of the expiry date of these warrants from May 2009 to May 2010.

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Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

Except for the brokers' options, the warrants, when granted, are accounted for at their fair value determined by the Black-Scholes pricing model, based on the vesting period and on the following weighted average assumptions:

	2009	2008
Average dividend per share	Nil	Nil
Volatility	110%	100%
Risk-free interest rate	1.18%	3.18%
Weighted average expected life	2 years	2 years
Weighted average fair value of warrants granted	\$0.054	\$0.28

9 Stock options

The Company applies the fair value method of accounting for stock options, and accordingly the fair value of the vested portion of stock options. For the three months period ended March 31, 2009, there is no amount (2008 – \$17,985) which has been included in administrative expenses.

The following table summarizes information relating to the share purchase options for the three months period ended March 31, 2009:

	Options outstanding	Weighted average exercise price \$
Balance – December 31, 2008	822,500	1.49
Granted	-	
Balance – March 31, 2009	<u>822,500</u>	<u>1.49</u>

Information relating to options outstanding and exercisable as at March 31, 2009 is as follows:

Exercise price \$	Options outstanding	Weighted average remaining contracted life (years)	Options exercisable	Weighted average remaining contracted life (years)
1.00	270,000	4.41	270,000	4.41
1.10	115,000	3.20	115,000	3.20
1.90	<u>437,500</u>	4.17	<u>437,500</u>	4.17
	<u>822,500</u>	<u>4.11</u>	<u>822,500</u>	<u>4.11</u>

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Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

10 Contributed surplus

The following are the changes in the Company's contributed surplus:

	March 31, 2009	December 31, 2008
	\$	\$
Balance – Beginning of period	1,153,105	532,794
Stock-based compensation	-	256,520
Exercised of options	-	(52,529)
Shares cancelled	97,943	-
Shares purchased and cancelled	386,900	416,320
	<hr/>	<hr/>
Balance – End of period	1,637,948	1,153,105
	<hr/>	<hr/>

11 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 and 2008:

	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	-
	<hr/>	<hr/>
	61,560	6,000
	<hr/>	<hr/>

12 Comparative figures

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

X-Terra Resources Corporation

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

As at March 31, 2009 and December 31, 2008

13 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.

