

X-Terra Resources Corporation

Unaudited Condensed Interim Consolidated Financial Statements
Three-month period ended March 31, 2012

(expressed in Canadian dollars, except
share and per share amounts)

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 Company's audited consolidated financial statements for the year ended December 31, 2011. 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 Company 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 Company. 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 Company 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 Company's external auditors.

Management recognizes its responsibility for conducting the Company'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
May 30, 2012

X-Terra Resources Corporation
Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)
(Unaudited)

	Note	As at March 31, 2012 \$	As at December 31, 2011 \$
Assets			
Current assets			
Cash and cash equivalents		1,785,685	1,858,836
Marketable securities		1,024,970	1,025,550
Investments	3	680,000	760,000
Accounts receivable		29,395	14,909
Tax credits receivable		28,316	26,806
Prepaid insurance		4,570	5,603
		<u>3,552,936</u>	<u>3,691,704</u>
Non-current assets			
Property, plant and equipment		13,205	14,144
Mining and oil and gas properties	4	1,014,765	1,014,765
Deferred exploration expenses	5	620,841	618,039
		<u>1,648,811</u>	<u>1,646,948</u>
Total assets		<u>5,201,747</u>	<u>5,338,652</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		47,250	31,636
Total liabilities		<u>47,250</u>	<u>31,636</u>
Equity			
Share capital		25,466,499	25,466,499
Warrants and brokers' options		1,840,527	1,840,527
Contributed surplus		2,684,960	2,684,960
Accumulated other comprehensive loss		(108,151)	(28,151)
Deficit		(24,729,338)	(24,656,819)
Total equity		<u>5,154,497</u>	<u>5,307,016</u>
Total liabilities and equity		<u>5,201,747</u>	<u>5,338,652</u>

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

X-Terra Resources Corporation

Interim Consolidated Statements of Loss

For the three-month periods ended March 31

(expressed in Canadian dollars)

(Unaudited)

	2012 \$	2011 \$
Expenses		
Professional fees	4,853	569
Consulting fees	44,220	55,995
Public company expenses	6,544	7,355
Office and general	24,984	11,323
Conference and promotion	5,391	18,336
Depreciation	939	1,207
	<hr/>	<hr/>
Operating loss	86,931	94,785
Finance income	(14,992)	(15,955)
Loss on marketable securities and investments at fair value through profit or loss	580	2,240
	<hr/>	<hr/>
Net loss for the period	72,519	81,070
	<hr/>	<hr/>
Basic and diluted net loss per share	0.01	0.01
	<hr/>	<hr/>
Weighted average number of shares outstanding		
Basic and diluted	11,783,069	11,783,069
	<hr/>	<hr/>

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

X-Terra Resources Corporation

Interim Consolidated Statements of Comprehensive Loss

For the three-month periods ended March 31

(expressed in Canadian dollars)

(Unaudited)

	Note	2012 \$	2011 \$
Net loss for the period		<u>72,519</u>	<u>81,070</u>
Other comprehensive loss (income)			
Changes in fair value of available-for-sale investments			
Unrealized loss (gain)	3	<u>80,000</u>	<u>(360,000)</u>
Other comprehensive loss (gain) for the period		<u>80,000</u>	<u>(360,000)</u>
Comprehensive loss (income) for the period		<u>152,519</u>	<u>(278,930)</u>

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

X-Terra Resources Corporation

Interim Consolidated Statements of Changes in Equity
(expressed in Canadian dollars)

(Unaudited)

	Number of common shares	Share Capital \$	Warrants and brokers' options \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total Equity \$
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	-	-	-	-	-	(72,519)	(72,519)
Other comprehensive income (loss)	-	-	-	-	(80,000)	-	(80,000)
Total comprehensive income (loss) for the period	-	-	-	-	(80,000)	(72,519)	(152,519)
Balance – March 31, 2012	11,783,069	25,466,499	1,840,527	2,684,960	(108,151)	(24,729,338)	5,154,497

Balance – January 1, 2011	11,783,069	25,466,499	1,848,627	2,676,860	1,032,211	(24,135,439)	6,888,758
Net loss for the period	-	-	-	-	-	(81,070)	(81,070)
Other comprehensive income (loss)	-	-	-	-	360,000	-	360,000
Total comprehensive income (loss) for the period	-	-	-	-	360,000	(81,070)	278,930
Fair value of warrants expired	-	-	(8,100)	8,100	-	-	-
Balance – March 31, 2011	11,783,069	25,466,499	1,840,527	2,684,960	1,392,211	(24,216,509)	7,167,688

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 three-month periods ended March 31,

(expressed in Canadian dollars)

(Unaudited)

	2012 \$	2011 \$
Cash flows from		
Operating activities		
Net loss for the period	(72,519)	(81,070)
Adjustments for:		
Depreciation	939	1,207
Unrealized gain on marketable securities arising from changes in fair value	580	2,240
	<u>(71,000)</u>	<u>(77,623)</u>
Changes in items of working capital		
Accounts receivable	(14,486)	55,400
Prepaid insurance	1,033	1,061
Accounts payable and accrued liabilities	15,614	13,465
	<u>2,161</u>	<u>69,926</u>
Net cash used in operating activities	<u>(68,839)</u>	<u>(7,697)</u>
Investing activities		
Expenditures on mining and oil and gas properties	-	(181)
Expenditures on deferred exploration expenses	(4,312)	(36,909)
Net cash provided by (used in) investing activities	<u>(4,312)</u>	<u>(37,090)</u>
Net change in cash and cash equivalents during the period	(73,151)	(44,787)
Cash and cash equivalents – Beginning of period	1,858,836	2,133,942
Cash and cash equivalents – End of period	1,785,685	2,089,155
Components of cash and cash equivalents are as follows:		
Cash	191,474	255,510
Cash equivalents	1,594,211	1,833,645
Supplemental information		
Property, plant and equipment included in accounts payable and accrued liabilities	-	-
Deferred exploration expenses included in accounts payable and accrued liabilities	2,500	35,395
Interest received	448	496

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 three-month periods ended March 31, 2012 and 2011

(expressed in Canadian dollars, except share and per share amounts)

(Unaudited)

1 Nature of operations and liquidity

X-Terra Resources Corporation (the “Company”) was incorporated on February 24, 1987 under the Company 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 Company under the Canada Business Corporations Act. On September 4, 2008, the Company obtained a Certificate and Articles of Continuance under the Act, rendering the continuance effective. The address of the Company’s headquarters and registered office is 202-139 Québec Avenue, Rouyn-Noranda, Quebec, Canada. The Company, 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 Company 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 Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

As at March 31, 2012, the Company had working capital of \$3,504,955 (December 31, 2011 – \$3,660,068) including cash and cash equivalents of \$1,785,685 (December 31, 2011 – \$1,858,836) and accumulated deficit of \$24,729,338 (December 31, 2011 – \$24,656,819), and had incurred a net loss of \$72,519 for the three months then ended (2011 – \$81,070).

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its 2012 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 Company’s ability to continue future operations beyond December 31, 2012 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 Company or that they will be available on terms which are acceptable to the Company.

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

X-Terra Resources Corporation

Notes to condensed interim consolidated financial statements

For the three-month periods ended March 31, 2012 and 2011

(expressed in Canadian dollars, except share and per share amounts)

(Unaudited)

2 Basis of preparation

The 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 Company’s audited annual consolidated financial statements for the year ended December 31, 2011, which were prepared in accordance with IFRS as issued by the IASB.

3 Investments

Investments comprise:

	As at March 31, 2012 \$	As at December 31, 2011 \$
Common shares of public company	680,000	760,000
	<u>680,000</u>	<u>760,000</u>

The loss (gain) on investments during the year comprises the following:

	Three-month period ended March 31, 2012 \$	Three-month period ended March 31, 2011 \$
Available-for-sale financial assets	80,000	(360,000)

X-Terra Resources Corporation

Notes to condensed interim consolidated financial statements

For the three-month periods ended March 31, 2012 and 2011

(expressed in Canadian dollars, except share and per share amounts)

(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, 2011 \$	Net acquisitions \$	Balance as at March 31, 2012 \$
Lindsay	25	100	980,485	-	980,485
Rimouski	2	50	7,994	-	7,994
Rimouski North	3	50	10,529	-	10,529
Trois-Pistoles	8	50	15,757	-	15,757
			1,014,765	-	1,014,765

5 Deferred exploration expenses

Property	Undivided interest %	Balance as at December 31, 2011 \$	Increase \$	Refundable tax credits and mining duties \$	Balance as at March 31, 2012 \$
Lindsay	100	528,190	4,125	(1,444)	530,871
Rimouski	50	42,695	93	(33)	42,755
Rimouski North	50	45,062	94	(33)	45,123
Trois-Pistoles	50	2,092	-	-	2,092
		618,039	4,312	(1,510)	620,841

X-Terra Resources Corporation

Notes to condensed interim consolidated financial statements

For the three-month periods ended March 31, 2012 and 2011

(expressed in Canadian dollars, except share and per share amounts)

(Unaudited)

6 Share purchase options

Information relating to options outstanding and exercisable granted to directors and officers as at March 31, 2012, is as follows:

Number of options outstanding	Number of options exercisable	Weighted average remaining contractual life	Exercise price \$
60,000	60,000	0.2 years	1.10
375,000	375,000	1.17 years	1.90
270,000	270,000	1.41 years	1.00
290,000	290,000	2.25 years	0.50
180,000	180,000	8.25 years	0.35
<u>1,175,000</u>	<u>1,175,000</u>		