
XTIERRA REPORTS SECOND QUARTER AND HALF YEAR RESULTS

- Update on Financial Position

Toronto, Ontario, August 24, 2016, Xtierra Inc. (“Xtierra” or the “Company”) reports its financial results for its second quarter and half year results for the periods ended June 30, 2016.

OVERVIEW

Xtierra is a natural resource company which holds mineral properties located in the Central Silver Belt of Mexico in the State of Zacatecas. The Central Mexican Mineral Belt is a prolific mineralized belt that has historically generated the bulk of Mexico’s silver production from the early colonial period to the present day and hosts many world class precious and base metal deposits.

The Company, through its Mexican subsidiaries, holds a 100% interest in the Bilbao zinc-silver-lead-copper project located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas, subject to a 1.5% net smelter royalty, on which it has invested a cumulative total of \$22.6 million at June 30, 2016.

Through its Mexican subsidiary, Minera Orca S.A de C.V., the Company also holds an extraction licence for the silver-rich La Laguna Pedernalillo tailings deposit located near the city of Zacatecas in Mexico on which it has invested a cumulative total of \$2.8 million at June 30, 2016.

GOING CONCERN

On April 14, 2009, the Company and Pacific Road Group of Funds (“Pacific Road”) entered into an agreement, whereby Pacific Road subscribed for an aggregate principal amount of \$1,250,000 in non-interest bearing convertible notes (the “Convertible Notes”) issued by Orca Minerals Limited (“Orca Minerals”), a subsidiary of the Company. The Convertible Notes had a term of five years, maturing April 14, 2014, and were convertible, at Pacific Road’s option, into a number of common shares of Orca Minerals which would equal ten percent (10%) of the issued shares of Orca Minerals on a fully diluted basis.

Pacific Road had a further right to exchange its holdings in Orca Minerals into either shares of Bilbao Resources, S.A. de C.V. (“Bilbao Resources”), an indirectly-owned Mexican subsidiary of Orca Minerals which holds the Company’s interest in the Bilbao project, or common shares of Xtierra.

Pacific Road also had a put right, exercisable at its option at any time prior to maturity, to require Xtierra to purchase the Convertible Notes for a number of common shares equal to the principal amount of the Convertible Notes divided by the volume weighted average trading price of Xtierra’s common shares during the 30 day period prior to the exercise of such right.

In April 2014, the Company reached an agreement with Pacific Road whereby Pacific Road exercised its right to exchange \$1,075,000 of its Convertible Notes for 11,944,444 shares of the Company, equivalent to approximately 10.4% of the then outstanding shares and taking its total shareholding to 40.6%.

In December 2013, Pacific Road and Minco plc (“Minco”), the Company’s two major shareholders, which collectively hold 66.4% of the Company’s shares, agreed to provide working capital financing to the Company and each agreed to purchase \$250,000 principal amount of 5% working capital notes due June 30, 2014. Minco advanced \$120,000 in December 2013 and advanced an additional \$130,000 (total \$250,000) on January 10, 2014. On January 10, 2014, Pacific Road advanced \$250,000.

The remaining balance of Convertible Notes previously owed to Pacific Road in the amount of \$175,000, together with the \$250,000 working capital notes and together with a further advance of \$125,000, were rolled into new non-convertible 5% secured notes (total \$550,000) due April 30, 2015, secured, pari-passu with Minco, by a pledge by Xtierra of its shares of Orca Minerals.

At the same time, in April 2014, Minco also agreed to provide a further working capital advance of \$125,000, which together with the \$250,000 working capital notes, were rolled into new non-convertible 5% secured notes (total \$375,000) due April 30, 2015, secured, pari-passu with Pacific Road, by a pledge by Xtierra of its shares of Orca Minerals.

The net effect of the Company's April 2014 agreements with its major shareholders was to settle its liability of \$1,075,000 due April 2014 by the issue of 11,944,444 shares, roll over \$508,000 in working capital notes, including \$8,000 interest, due September 30, 2014, until April 30, 2015 and obtain further advances of \$250,000 to fund its working capital for the balance of 2014. The resultant balance of shareholder advances of \$933,000 carried interest of 5% and was due April 30, 2015.

Debt Maturity

On April 29, 2015, Pacific Road and Minco plc, both agreed to extend the due dates of the non-convertible 5% secured notes in the amount of \$965,000 from April 30, 2015 to August 31, 2015, and to provide further advances up to \$15,000 each. On August 24, 2015, Pacific Road and Minco both agreed to further extend the due dates of the notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to \$17,500 each to fund the Company's property maintenance costs and working capital. The Company agreed to a fee of \$29,000 to obtain the extension, which amount was added to the principal amount of the notes. On January 31, 2016, Pacific Road and Minco both agreed to an extension of the maturity dates of the secured notes to April 30, 2016.

The notes matured and became due and payable on April 30, 2016. Pacific Road and Minco have not, to date, made demands for payment and are discussing possible solutions with the Company on a without prejudice basis. Xtierra has made certain settlement or restructuring proposals to each of Pacific Road and Minco. Pacific Road has advised the Company that Pacific Road desires to see this process come to a conclusion in the near term and, in the absence of an acceptable outcome, Pacific Road reserves all its rights to demand repayment of the notes and if necessary to initiate foreclosure actions. On July 26, 2016, Minco advanced an additional \$50,000 to fund Xtierra ongoing working capital requirements and maintain its properties.

If the Company is unable to negotiate a further extension of the secured notes or other financial arrangement or obtain adequate additional financing, the Company may be required to cease all operations activities and may be required to conduct a sales process to liquidate its assets in a formal process. Furthermore, one or both of the Company's major shareholders, which collectively hold 66.4% of the Company's outstanding shares and all of its secured debt, may initiate foreclosure actions in respect of the secured notes which matured and became due on April 30, 2016.

Bilbao Silver-Zinc-Lead-Copper Project

The Bilbao Project ("Bilbao") is a polymetallic sulphide and oxide replacement silver-lead-zinc-copper deposit located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas.

In April 2014 Runge Pincock Minarco (Canada) Limited (RPM) delivered an independent Technical Report in accordance with NI 43-101 containing an updated resource estimate and PEA on the Bilbao Project.

The mine plan incorporated in the PEA targets the extraction of the sulphide zone only based on a production rate of 2,000 tonnes per day, or 720,000 tonnes per year with an average grade of 2.1%, 1.4% and 63.96 g/t of zinc, lead and silver, respectively, over a mine life of approximately 8 years.

The mineral processing plant described in the PEA process proposes the treatment of the silver-lead-zinc sulphide ore at a design throughput rate of 2,000 tonnes per day, which would produce on average, 16,913 dry tonnes per year of silver-rich lead concentrate, and 26,966 dry tonnes per year of zinc concentrate, containing an average combined total of approximately 20 million pounds of zinc, 17 million pounds of lead and one million ounces of silver, per year.

In late 2014, the Company conducted a desktop analysis of an alternative development scenario of extracting only the high grade portion of the Bilbao resources and milling of the ore mined from Bilbao at an existing mill within a reasonable trucking distance. By focusing only on the higher grade portion of the resource, this alternative development scenario would reduce the projected mining and processing rate and concentrate and metal production but maintain an eight year mine life. This scenario would reduce the projected capital costs by reducing the amount of mine development required and eliminating the proposed mill at Bilbao.

The Company has taken steps to reduce administrative and property holding costs in order to maintain its Bilbao properties and has curtailed all other expenditures, while examining strategic alternatives for raising additional financing and securing its continuation as a going concern.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately \$60,000 are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

In August 2008, the Company acquired the outstanding 25% interest in the Bilbao property for total consideration of \$5,000,000 of which \$2,500,000 was paid on the closing date and a further \$500,000 was paid one year after the closing date. The remaining balance of \$2,000,000 is payable in four consecutive equal payments of \$500,000 each, the first such \$500,000 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concession but in any event shall be paid in full no later than August 2018.

In 2014, the Company initiated a strategic review to consider alternatives for the development of the Bilbao project, including the sale of all or a portion of the Company's interest in the Bilbao Project or a corporate transaction, and retained Jennings Capital Inc. (now Mackie Research) to assist in the strategic review process. The strategic review did not identify any acceptable development or financing proposals.

Cautionary Note: No Pre-Feasibility Study or Feasibility Study has been completed on the Bilbao Project. Project economics are not proven as the Project has not to date declared a reserve. All analyses are based on Indicated and Inferred Resources. Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them.

FINANCIAL RESULTS – PERIOD ENDED JUNE 30, 2016

The Company recorded no revenue in the quarters ended June 30, 2016 or June 30, 2015.

For the six month period ended June 30, 2016, the Company recorded a loss of \$192,000 (\$0.002 per share). The main components of which were exploration expenditures of \$31,000, accretion on property obligation of \$106,000 and interest on the notes of \$28,000.

Total assets at June 30, 2016 were \$45,000 compared to \$102,000 at December 31, 2015.

Current liabilities at June 30, 2016 amounted to \$1,162,000, including \$1,138,000 non-convertible 5% secured notes payable to its major shareholders, Pacific Road Resources Funds and Minco plc, which collectively had 66.4% of the Company's outstanding shares, which matured and became due and payable on April 30, 2016, compared to \$1,133,000 at December 31, 2015. Pacific Road and Minco collectively control 66.4% of the Company shares.

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This press release should be read in conjunction with XAG's Management's Discussion and Analysis (MD&A) and unaudited Financial Statements for the three months ended June 30, 2016, which are available on the Company's website at www.xtierra.ca, or on SEDAR (www.sedar.com).

Unless otherwise noted, all references to 'years' in this press release are 'calendar years', unless otherwise noted, all dollar amounts are stated in Canadian dollars and all tonnes are stated in dry metric tonnes.

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About Xtierra Inc.

Xtierra is a natural resource company with the primary business objective of exploring for and developing precious and base metal deposits on its mineral properties located in the Central Silver Belt of Mexico in the State of Zacatecas.

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