UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o Registration statement pursuant to section 12 of the Securities Exchange Act of 1934 or

x Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended **December 31, 2009**

Commission file number **1-33965**



QUATERRA RESOURCES INC.

(Exact name of registrant as specified in its charter)

British Columbia
(Province or other jurisdiction of incorporation or organization)

1000
(Primary Standard Industrial Classification Number)

1100-1199 West Hastings Street
Vancouver, BC
V6E 3T5 Canada
(604) 681-9059
(Address and telephone of principal executive offices)

CT Corporation System
818 West Seventh Street
Los Angeles, CA 90017
(213) 627-8252

Name, address, and telephone number of agent for service in the United States

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, no par value	**NYSE Amex**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Not applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **111,459,371 common shares**

Indicate by check mark whether the registrant by filing this information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes o 82- No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

EXPLANATORY NOTE

Quaterra Resources Inc. (“Quaterra” or the “Company”) is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934 (the “Exchange Act”) on Form 40-F. The Company also qualifies as a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act and in Rule 405 under the Securities Act of 1933 (the “Securities Act”). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company prepares its financial statements, which are filed with this annual report on Form 40-F in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), and are subject to Canadian auditing and auditor independence standards. They may not be comparable to financial statements of the United States companies which typically report according to United States generally accepted accounting principles (“US GAAP”). Significant differences between Canadian GAAP and US GAAP are described in Note 17 of the audited consolidated financial statements filed as Exhibit 99.2 to this annual report.

In addition, disclosure about exploration activities and certain mining terms is different under Canadian standards than under Securities and Exchange Commission (the “Commission”) standards. Accordingly, information contained in this annual report and the documents incorporated by reference herein containing descriptions of the Company’s mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws. Significant differences between Canadian and United States concepts are described in the preliminary notes to the Annual Information Form (“AIF”) filed as Exhibit 99.1 to this annual report.

FORWARD-LOOKING STATEMENTS

This annual report and the exhibits incorporated by reference into it contain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. Statements that are not historical fact and relate to predictions, expectations, belief, plans, projections, objectives, assumptions, future events, or future performance may be forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- the Company’s ability to finance the continued exploration of mineral properties;
- the Company’s history of losses and expectation of future losses;
- the Company’s ability to obtain adequate financing for planned exploration activities;
- uncertainty of production at the Company’s mineral exploration properties;
- the lack of Proven Mineral Reserves or Probable Mineral Reserves;
- the impact of governmental regulations, including environmental regulations; and
- commodity price fluctuations.

The forward-looking statements contained in the exhibits incorporated by reference into this annual report are made as of the respective dates set forth in such exhibits. These forward-looking statements are based on the beliefs, expectations, and opinions of management on the date the statements are made. The Company undertakes no obligation to update forward-looking statements should circumstances or estimates or opinions change.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2009 is filed as Exhibit 99.1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Audited Annual Financial Statements

The audited consolidated financial statements of the Company for the fiscal years ended December 31, 2009, 2008, and 2007, including the report of the auditors with respect thereto, are filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

Management's Discussion and Analysis

The Company's management's discussion and analysis ("MD&A") for the fiscal year ended December 31, 2009 is filed as Exhibit 99.3 and incorporated by reference in this annual report on Form 40-F.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the fiscal year covered by this report. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2009, the Company's disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

A report of management's assessment regarding internal control over financial reporting and an attestation report of the Company's independent registered public accounting firm of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board, is provided with the audited consolidated financial statements for the year ended December 31, 2009 as filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

There were no changes in the Company's internal control over financial reporting during the fiscal year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the fiscal year ended December 31, 2009 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics for all directors, officers, and employees. It includes a Code of Ethical Conduct for Financial Managers that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Business Conduct and Ethics is available in the Investors – Governance section of the Company's website at www.quaterraresources.com. There were no amendments, waivers or implicit waivers to the code during the fiscal year ended December 31, 2009.

AUDIT COMMITTEE

Audit Committee

The Company's Board of Directors has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Company's Audit Committee is composed of Robert Gayton, John Kerr and LeRoy Wilkes, all of whom, in the opinion of the Company's Board of Directors, are independent (as determined under Rule 10A-3 of the Exchange Act and Section 803 of the NYSE Amex Company Guide) and are financially literate. Please refer to the Directors and Officers section in the AIF filed as Exhibit 99.1 for details in connection with each of these members and their qualifications.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Dr. Robert Gayton qualifies as an audit committee financial expert (as that term is defined in Form 40-F) and is independent (as that term is defined under Rule 10A-3 of the Exchange Act and Section 803 of the NYSE Amex Company Guide).

PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table shows the aggregate fees billed to us by the Company's principal accountant Smythe Ratcliffe LLP, Chartered Accountants, in each of the last two fiscal years.

	Years ended December 31,	
	2009	**2008**
Audit Fees	CDN$80,000	CDN$97,586
Audit-Related Fees	nil	CDN$600
Tax Fees	CDN$2,800	CDN$2,800
All Other Fees	CDN$5,000	nil

Audit Fees

Audit fees are the aggregate fees billed by the Company's independent auditor for the audit of the Company's annual consolidated financial statements, reviews of interim consolidated financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees are fees charged by the Company's independent auditor for assurance and related services that are reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees".

Tax Fees

Tax fees are fees for professional services rendered by the Company's independent auditors for tax compliance and tax advice on actual or contemplated transactions.

All Other Fees

All other fees relate to services other than the audit fees, audit-related fees and tax fees described above.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITORS

The Audit Committee recommends to the Board of the Directors the external auditor to perform audit, review, and attestation services. The Audit Committee pre-approves all non-audit services provided by the Company's external auditors, and pre-approved the tax fees and the other fees listed in the table above.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

CONTRACTUAL OBLIGATIONS

The following table lists as of December 31, 2009 information with respect to Quaterra's known contractual obligations, which consist of option agreements regarding mineral properties and office leases. Further information about the mineral properties described below is found in Note 6 to the Company's audited annual consolidated financial statements filed as Exhibit 99.2 and in "Update on Mineral Properties" on page 6 of the MD&A filed as Exhibit 99.3.

	Payments due by Period				
Contractual Obligations	*Total*	*Less than 1 year*	*1-3 years*	*4-5 years*	*More than 5 years*
Letter of Agreement for lease of claims in Arizona strip district (1)	US$100,000	-	US$100,000	-	-
Option to purchase mining claims in Arizona, Utah, and Wyoming (2)	US$200,000	US$200,000	-	-	-
Agreement to acquire right to earn interest in MacArthur copper oxide mine in Lyon County, Nevada (3)	US$2,070,000	US$300,000 (3)	US$1,770,000 (3)	-	-
Agreement to acquire right to earn interest in S.W. Tintic claims in Juab County, Utah (4)	US$900,000	-	US$200,000	US$200,000	US$500,000
Agreement to acquire right to earn interest in Willow Creek, in Montana, including promissory note (5)	US$2,635,000	US$190,000 (5)	US$1,445,000	US$1,000,000	-
Option to purchase Gray Hills claims in Lions County, Nevada (6)	US$275,000+ (6)	US$35,000	US$120,000 (6)	US$80,000 (6)	US$40,000+ (6)
Agreement to acquire right to earn interest in Herbert Glacier in Mineral County, Nevada (7)	US$174,000+ (7)	US$12,000	US$52,000	US$40,000	US$70,000+ (7)
Option to acquire prospect permits in Texas Cave Peak property (8)	US$466,190	US$96,190	US$370,000	-	-
Agreement to acquire right to earn interest in Copper Canyon Project in Mineral County, Nevada (9)	US$540,000	US$190,000	US$350,000	-	-
Agreement to acquire right to earn interest in Wassuk in Mineral County, Nevada (10)	US$2,700,000	US$250,000	US$1,250,000	US$1,200,000	-
Agreement to acquire right to earn interest in Tecolote project in Mexico (11)	US$60,000	US$20,000	US$40,000	-	-
Agreement to pay advanced minimum royalty in Nieves Concessions (12)	US$525,000 (12)	US$75,000 (12)	US$225,000 (12)	US$150,000 (12)	US$75,000+ (12)
Office lease (13)	US$356,795	US$142,721	US$214,074	-	-
TOTAL	US$11,001,985	US$1,510,911	US$6,136,074	US$2,670,000	US$685,000

(1) Pursuant to an August 2006 agreement, as amended August 14, 2009, with Nustar Exploration LLC, Quaterra leased 18 claims in the Arizona strip district. The terms of the Nustar lease are as follows: (i) an upfront payment of US$20,000 (paid); (ii) a first anniversary payment of US$30,000 (paid), a second anniversary payment of US$40,000 (paid); and (iii) a final payment of US$100,000 was renegotiated to August 2011.

(2) Pursuant to a June 2005 agreement with North Exploration LLC, Quaterra acquired an option to purchase mining claims situated in Arizona, Utah and Wyoming. To exercise the option, Quaterra is required to make staged payments totaling US$500,000 over five years and to issue 600,000 common shares over three years, as follows: (i) US$15,000 and issue 200,000 common shares on or before September 6, 2005 (paid and issued); (ii) US$25,000 and issue 200,000 common shares on or before September 6, 2006 (paid and issued); (iii) US$50,000 and issue 200,000 common shares on or before September 6, 2007 (paid and issued); (iv) US$75,000 on or before September 6, 2008 (paid); (v) US$135,000 on or before September 6, 2009 (paid); and (vi) US$200,000 on or before September 6, 2010. If Quaterra meets the above terms and conditions and elects to exercise the option, then the property may be purchased with a further payment of US$100.

(3) Pursuant to an October 2005 agreement, as amended January 9, 2010, with North Exploration LLC, Quaterra acquired the right to earn an interest in 66 unpatented mining claims covering the former MacArthur copper-oxide mine, in the Yerington district of Lyon County, Nevada. To earn a 100% interest, Quaterra was required under the original agreement to make staged payments totaling US$1,770,000 by January 15, 2010 as follows: (i) US$10,000 upon execution (paid); (ii) US$25,000 on or before January 15, 2006 (paid); (iii) US$75,000 on or before January 15, 2007 (paid); (iv) US$1,675,000 on or before January 15, 2008. However, since Quaterra met its obligation of US$100,000 in stage payments by January 15, 2007 and incurred US$500,000 in exploration expenditures by January 15, 2008, Quaterra elected to acquire the property by making additional payments totaling US$2,645,000 as follows: (i) US$100,000 on or before January 15, 2008 (paid); (ii) US$125,000 on or before January 15, 2009 (paid); (iii) US$300,000 (paid) and 150,000 common shares on or before January 15, 2010 subject to regulatory approval; (iv) $US1,770,000 on or before January 15, 2011 which reflects a US$350,000 credit made pursuant to an amendment dated January 17, 2007 to the original agreement to compensate for payments to Charles Gary Clifton consisting of (i) $175,000 (paid); and (ii) $175,000 to be paid by December 31, 2008 (paid).

(4) Pursuant to a March 2007 agreement with North Exploration LLC, Quaterra acquired the right to earn an interest in 27 unpatented mining claims that form part of the S.W. Tintic Claims in Juab County, Utah. To earn a 100% interest, Quaterra is required to make staged payments totaling US$1,000,000 by February 16, 2018 as follows: (i) US$20,000 initial payment (paid); (ii) US$20,000 on or before February 15, 2008 (paid); (iii) US$20,000 on or before February 15, 2009 (paid); (iv) US$40,000 on or before February 15, 2010 (paid by Freeport-McMoran Exploration Corporation (“FMEC”)); (v) US$50,000 on or before February 15, 2011; (vi) US$50,000 on or before February 15, 2012; (vii) US$100,000 on or before February 15, 2013; (viii) US$100,000 on or before February 15, 2014; (ix) US$100,000 on or before February 15, 2015; (x) US$250,000 on or before February 15, 2016; and (xi) US$250,000 on or before February 15, 2017. Alternatively, Quaterra may acquire the property at any time by paying US$1,000,000 less any previously paid amounts. On May 29, 2009, the Company signed an earn-in agreement with FMEC for this property. Under the terms of the agreement, FMEC has the exclusive right and option to acquire a 70% ownership interest in this property by making a US$275,000 property payment and by spending US$4,725,000 on option payments and exploration costs over four years.

(5) Pursuant to an October 2008 agreement, as amended October 26, 2009 with the Willow Creek Discovery Group, LLC, Quaterra acquired the right to earn an interest in the south-western Montana. To earn a 100% interest, Quaterra is required to make payments as follows: (i) US$75,000 initial payment and issue 100,000 common shares(paid and issued); (ii) US$30,000 and issue 100,000 common shares (paid and issued) on or before October 11, 2009 (paid) ; (iii) US$150,000 or US$50,000 and 100,000 shares on or before October 11, 2010; (iv) US$150,000 on or before October 11, 2011; (v) US$350,000 on or before October 11, 2012; (vi) US$750,000 on or before October 11, 2013, and (vii) US$1,000,000 on or before October 11, 2014. The property is also subject to royalty payments as follows: (i) US$5,000 on or before September 10, 2008 (paid); (ii) US$55,000 on or before September 10, 2009 (paid); (iii) US$40,000 on or before Septembe r 10, 2010; (iv) US$50,000 on or before September 10, 2011; (v) US$65,000 on or before September 10, 2012; (vi) US$80,000 on or before September 10, 2013; and (vii) US$100,000 on or before September 10, 2013.

(6) Pursuant to a July 2007 agreement, as amended July 24, 2009, with Larry McIntosh, Quaterra entered into a lease with an option to purchase 43 mining claims known as Gray Hills claims in Lions County, Nevada. Quaterra may exercise the option at any time for US$500,000. To earn a 100% interest, Quaterra is required to make payments as follows: (i) US$15,000 initial payment (paid); (ii) US$20,000 on or before July 11, 2007 (paid); (iii) US$25,000 on or before July 11, 2008 (paid); (iv) US$15,000 on or before July 11, 2009 (paid); (v) US$35,000 on or before July 11, 2010; and (vi) US$40,000 on or before July 11, 2011 and each anniversary until Quaterra exercises the option to purchase the properties or the optionee chooses to withdraw from the lease.

(7) Pursuant to a November 2007 agreement with Dale Henkins, Floyd Branson and Jim Wilson, Quaterra acquired the right to earn an interest in 17 mining claims known as the Herbert Glacier in Mineral County, Nevada. To earn a 100% interest, Quaterra is required to make advance royalty payments as follows: (i) US$12,000 initial payment (paid); (ii) US$12,000 on or before November 19, 2008 (paid); (iii) US$12,000 on or before November 19, 2009 (paid); (iv) US$12,000 on or before November 19, 2010; (v) US$12,000 on or before November 19, 2011; (vi) US$20,000 on or before November 19, 2012; (vii) US$20,000 on or before November 19, 2013; (viii) US$20,000 on or before November 19, 2014; (ix) US$20,000 on or before November 19, 2015; (x) US$20,000 on or before November 19, 2016; (xi) US$20,000 on or before November 19, 2017; and (xii) US$30,000 on or before November 19, 2018 and every consecutive anniversary thereafter. Quate rra also must incur US$25,000 in exploration expenditures by November 19, 2008 and a further US$25,000 in exploration expenditures each year thereafter.

(8) Pursuant to a March 2007 option agreement with Andryck Patterson and Daniel Soto, Quaterra has the right to acquire 2 prospect permits in Cave Peak property in Texas. The option payments are as follows: (i) US$50,000 initial payment (paid); (ii) US$50,000 on or before March 27, 2008 (paid); (iii) US$60,000 on or before March 27, 2009 (paid); (iv) US$70,000 on or before March 27, 2010; (v) US$150,000 on or before March 27, 2011; and (vi) US$220,000 on or before March 27, 2012.

(9) Pursuant to a November 2007 agreement, as amended October 9, 2009, with Royal Pretoria Gold LLC, Quaterra acquired the right to earn an interest in 4 mining claims known as the Copper Canyon Project in Mineral County, Nevada. To earn a 100% interest, Quaterra is required to make staged payments totaling US$625,000 by November 6, 2011 as follows: (i) US$15,000 initial payment (paid); (ii) US$35,000 on or before November 6, 2008 (paid); (iii) US$35,000 on or before November 6, 2009 (paid); (iv) US$190,000 on or before November 6, 2010; and (v) US$350,000 on or before November 6, 2011. Quaterra also must pay $750,000 within five business days of deciding to commence commercial production.

(10) Pursuant to a December 2007 agreement, as amended December 2, 2009, with Majuba Mining Ltd, Quaterra acquired the right to earn an interest in 77 mining claims known as the Wassuk (formerly Majuba Hill Project) in Mineral county, Nevada. To earn a 100% interest, Quaterra is required to make staged payments totaling US$2,930,000 by December 10, 2015 as follows: (i) US$100,000 initial payment (paid); (ii) US$100,000 on or before December 10, 2008 (paid); (iii) US$30,000 on or before December 10, 2009 (paid); (iv) US$250,000 on or before December 10, 2010; (v) US$250,000 on or before December 10, 2011; (vi) US$500,000 on or before December 10, 2012; (vii) US$500,000 on or before December 10, 2013; (viii) US$500,000 on or before December 10, 2014; and (ix) US$700,000 on or before December 10, 2015. Quaterra also must incur cumulative US$1,000,000 in exploration expenditures by December 10, 2012. If Quaterra incurs less than that amount, Quaterra must pay the shortfall by December 10, 2012.

(11) Pursuant to a September 2008 agreement with Exmin Resources Inc., Quaterra acquired the right to earn a 75% interest in Exmin's Tecolote property in Mexico. To earn the 75% interest, Quaterra is required to make payments as follows: (i) US$20,000 on or before September 30, 2008 (paid); (ii) US$20,000 on or before September 30, 2009 (paid); (iii) US$20,000 on or before September 30, 2010; and (iv) US$40,000 on or before September 30, 2011.

(12) Pursuant to a March 1999 agreement with Western Silver Corporation ("Western"), Quaterra acquired a 50% interest in Nieves property in Zacatecas, Mexico. Commencing January 26, 2004, Quaterra is required to pay an annual advance minimum royalty payment of US$75,000 to Western until the commencement of commercial production.

(13) During 2007, the Company entered into a service agreement with Manex Resource Group for its Vancouver office space, administration and corporate secretarial services at a monthly rate of CDN$12,500 (the equivalent of US$11,893 based upon the Bank of Canada exchange rate on December 31, 2009). Manex Resource Group is a private company controlled by Lawrence Page, a director of the Company. The agreement can be cancelled at anytime upon one year's notice. The current expiry date is June 30, 2012.

NYSE AMEX CORPORATE GOVERNANCE

The Company's common shares are listed on NYSE Amex. Section 110 of the NYSE Amex Company Guide permits NYSE Amex to consider the laws, customs and practices of foreign issuers in applying certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A statement of significant ways the Company's corporate governance practices may differ from those of domestic companies pursuant to NYSE Amex standards is available in the Investors – Governance section of the Company's website at www.quaterraresources.com.

In addition, during September and October 2009, the Company sold common shares, including share warrants, that equaled more than 20% of the outstanding common shares of the Company. Section 713 of the NYSE Amex Company Guide generally requires shareholder approval as a prerequisite to approval of applications to list additional shares when the additional shares will be issued in connection with a transaction involving the sale or issuance by a company of common stock (or securities convertible into or exercisable for common stock) equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock. However, the issuance of common stock in an amount in excess of 20% of the presently outstanding stock for less than book or market value, without shareholder approval, is not prohibited under the rules of the TSX Venture Exchange ("TSX-V") – on which the Company's common shares also are listed for trading – and does not constitute a default under the TSX-V rules or any applicable laws in Canada. The Company followed the rules of the TSX-V and applicable laws in Canada in September and October 2009 sales, and as a result, the NYSE Amex granted the Company an exemption from the shareholder approval requirements of Section 713 of the NYSE Amex Company Guide.

UNDERTAKINGS

The company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or to transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has filed with the Commission an Appointment of Agent for Service of Process and Undertaking on Form F-X.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

QUATERRA RESOURCES INC.

Dated: March 30, 2010

By: /s/ Scott Hean
Scott B. Hean
Chief Financial Officer

EXHIBIT INDEX

Annual Information	
99.1	Annual Information Form for the fiscal year ended December 31, 2009
99.2	Audited annual consolidated financial statements and notes thereto for the fiscal years ended December 31, 2009, 2008, and 2007 together with the report of the auditors thereon
99.3	Management's Discussion and Analysis for the fiscal year ended December 31, 2009
Certifications	
99.4	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certification of the Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certification of the Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
99.8	Consent of Independent Registered Public Accounting Firm
99.9	Consent of Michelle Stone, Caracle Creek International Consulting Inc.
99.10	Consent of John W. Rozelle, Tetra Tech



1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-681-9059 Fax: 604-641-2740
www.quaterraresources.com

Annual Information Form

For the year ended December 31, 2009

March 26, 2010

TABLE OF CONTENTS

PRELIMINARY NOTES	1
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION	2
GLOSSARY OF GEOLOGIC AND MINING TERMS	3
GLOSSARY OF ABBREVIATIONS	5
CONVERSION TABLES	6
CORPORATE STRUCTURE	7
GENERAL DEVELOPMENT OF THE BUSINESS	8
DESCRIPTION OF BUSINESS	8
RISK FACTORS	35
DESCRIPTION OF CAPITAL STRUCTURE	37
MARKET FOR SECURITIES	40
DIRECTORS AND OFFICERS	41
LEGAL PROCEEDINGS	44
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	44
TRANSFER AGENT AND REGISTRAR	44
MATERIAL CONTRACTS	45
INTERESTS OF EXPERTS	45
ADDITIONAL INFORMATION	45

PRELIMINARY NOTES

Date of Information

All information in this Annual Information Form ("AIF") is at March 26, 2010 unless otherwise indicated.

Financial Statements

All financial information in this AIF is prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

This AIF should be read in conjunction with the Company's consolidated financial statements and notes thereto, as well as with the management's discussion and analysis ("MD&A") for the year ended December 31, 2009. The financial statements and MD&A are available at www.quaterraresources.com and under the Company's profile on the SEDAR website at www.sedar.com.

Reporting Currency

All dollar amounts are express in Canadian dollars unless otherwise indicated. Quaterra's quarterly and annual financial statements are presented in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles.

Disclosure of Mineral Resources

None of Quaterra's properties have Mineral Reserves. Disclosure about the Company's exploration properties in this AIF uses the term "Mineral Resources", "Measured Mineral Resources", "Indicated Mineral Resources" and "Inferred Mineral Resources", which are Canadian geological and mining terms as defined in accordance with National Instrument 43-101, standards of disclosure for mineral projects of the Canadian Securities Administrators, set out in the Canadian Institute of Mining (CIM) Standards. These terms are not defined in the U.S. Securities and Exchange Commission (SEC) Industry Guide 7, *description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations,* and are normally not permitted to be used in reports and registration statements filed with the SEC. Accordingly, information contained in this AIF contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Cautionary Note to U.S. Investors concerning estimates of Measured Mineral Resources and Indicated Mineral Resources:

This AIF may use the terms "Mineral Resources," "Measured Mineral Resource" and "Indicated Mineral Resource." The Company advises U.S. investors that while such terms are recognized and permitted under Canadian regulations, the SEC does not recognize them. U.S. investors are cautioned not to assume that any part or all of the Mineral Resources in these categories will ever be converted into Mineral Reserves.

Cautionary Note to U.S. Investors concerning estimates of Inferred Mineral Resources:

This AIF may use the term "Inferred Mineral Resource." The Company advises U.S. investors that while such a term is recognized and permitted under Canadian regulations, the SEC does not recognize it. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that any part of all of the Inferred Mineral Resources exist, or is economically or legally mineable.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some of the statements contained in this AIF are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this AIF.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

GLOSSARY OF GEOLOGIC AND MINING TERMS

Anomaly: A geological feature distinguished by geological, geochemical or geophysical means, which is detectably different than the general surroundings and is sometimes of potential economic value.

Breccia: Rock consisting of more or less angular fragments in a matrix of finer-grained material or cementing material.

Diamond drill: A type of drill in which the cutting is done by abrasion using diamonds embedded in a matrix rather than by percussion. The drill cuts a core of rock which is recovered in long cylindrical sections.

Dilution: Process whereby unwanted gangue or waste rock is mixed with ore during mining.

Epithermal: A class of ore deposits that form generally less than 1 km from surface. These deposits, which can host economic quantities of gold, silver, copper, lead and zinc are formed as a result of the precipitation of ore minerals from up-welling hydrothermal fluids. There are several classes of epithermal deposits that are defined on the basis of fluid chemistry and resulting alteration and ore mineralogy. Fluid chemistry is largely controlled by the proximity to igneous intrusive rocks and as a result igneous fluid content.

Extrusive Rock: Igneous rock that has solidified on the earth's surface from volcanic action.

Fluid inclusion: A cavity, with or without negative crystal faces, containing one or two fluid phases, and possibly one or more minute crystals, in a host crystal. If two fluid phases are present, the vapor phase (bubble) may show Brownian motion.

Folds: Flexures in bedded or layered rock formed when forces are applied gradually to rocks over a long period of time.

Fracture: Breaks in a rock, usually due to intensive folding or faulting.

Gambusino: An individual miner working without machinery.

Gangue: Term used to describe worthless minerals or rock waste mixed in with the valuable minerals.

Gouge: The finely ground rock that result from the abrasion along a fault surface.

Grade: The concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit.

Hectare: A square of 100 metres on each side.

Indicated Mineral Resource: An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as out-crops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Inferred Mineral Resource: An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Lithology: The physical characteristics of a rock or a rock formation.

Mafic: A term used to describe ferromagnesian minerals. Rocks composed mainly of ferromagnesian minerals are correctly termed melanocratic.

Massive: A term used to describe sulfide ores containing more than 50% volume of sulphide.

Measured Mineral Resource: A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Mineral Deposit or Mineralized Material: A mineralized body which has been intersected by sufficient closely spaced drill holes and or underground sampling to support sufficient tonnage and average grade of metal(s) to warrant further exploration-development work. This deposit does not qualify as a commercially mineable ore body (Reserves), as prescribed under SEC standards, until a final and comprehensive economic, technical, and legal feasibility study based upon the test results is concluded.

Mineral Resource: A Mineral Resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

Mineral Reserve: A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Mineralization: Usually implies minerals of value occurring in rocks.

Ore: A natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated

Probable Mineral Reserve: A Probable Mineral Reserve is the economically mineable part of an Indicated, and in some circumstances a Measured, Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

Properties as prospects: A property is a claim owned by a company and a prospect is a claim in which a company holds an interest.

Proven Mineral Reserve: A Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Reserve(s): A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

Reverse circulation drill: A rotary percussion drill in which the drilling mud and cuttings return to the surface through the drill pipe.

Tailings: Material rejected from a mill after recoverable valuable minerals have been extracted.

GLOSSARY OF ABBREVIATIONS

Ag:	Silver
Ag gm/t:	Silver grade measured in grams per metric tonne
AMR:	Advance minimum royalty payments
Au:	Gold
Au gm/t:	Gold grade measured in grams per metric tonne
Ba:	Barium
Co:	Cobalt
CSAMT:	Controlled source audio-frequency magneto telluric geophysical survey
Cu:	Copper
EIS:	Environmental Impact Statement
Fe:	Iron
43-101:	Canadian National Instrument 43-101
gpm:	gallons per minute
gpt:	grams per tonne
g/t:	grams per tonne
IP:	Induced Polarization geophysical survey
m.y:	Million years
Ni:	Nickel
NSR	Net smelter return royalty
Oz:	Troy ounce
oz/t or opt:	Ounces per ton.
Pb:	Lead
Pd:	Palladium
PGE:	Platinum Group Element
PGM:	Platinum group minerals
PPB:	Parts per billion
PPM:	Parts per million
Pt:	Platinum
S:	Sulphur
TD:	Total depth of a drill hole.
tpd:	Tonnes per day
U3O8:	Uranium oxide known as “yellow cake”.
VLF:	Very low frequency electromagnetic geophysical survey
VMS:	Volcanogenic massive sulphide

CONVERSION TABLES

Conversion Table			
Imperial		**Metric**	
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Metres
1 Mile	=	1.609334	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Precious metal units and conversion factors								
ppb	- Part per billion	1	ppb	=	0.0010	ppm	=	0.000030 oz/t
ppm	- Part per million	100	ppb	=	0.1000	ppm	=	0.002920 oz/t
oz	- Ounce (troy)	10,000	ppb	=	10.0000	ppm	=	0.291670 oz/t
oz/t	- Ounce per ton (avdp.)	1	ppm	=	1.0000	ug/g	=	1.000000 g/tonne
g	- Gram							
g/tonne	- gram per metric ton	1	oz/t	=	34.2857	ppm	=	
mg	- milligram	1	carat	=	41.6660	mg/g	=	
kg	- kilogram	1	ton (avdp.)	=	907.1848	kg	=	
ug	- microgram	1	oz (troy)	=	31.1035	g	=	

CORPORATE STRUCTURE

Name, Address and Incorporation

Quaterra Resources Inc. ("Quaterra" or the "Company") was incorporated under the Company Act (British Columbia) on May 11, 1993 originally under the name Acquaterre Mineral Development Ltd. On November 30, 1993, the Company changed its name to Aquaterre Mineral Development Ltd. and ultimately became Quaterra Resources Inc. on October 23, 1997. Quaterra's domicile is British Columbia, Canada and the Company operates under the British Columbia Business Corporations Act SBC 2002 Chapter 57.

On March 4, 1997, the Company increased its authorized capital from 20,000,000 common shares without par value to 100,000,000 common shares without par value.

On October 23, 1997, the Company consolidated its issued and un-issued share capital on the basis of five pre-consolidation shares for one post-consolidation share, and increased its authorized capital to 100,000,000 common shares without par value.

On August 3, 1998, the Company cancelled its previous form of Articles and adopted a new form of Articles.

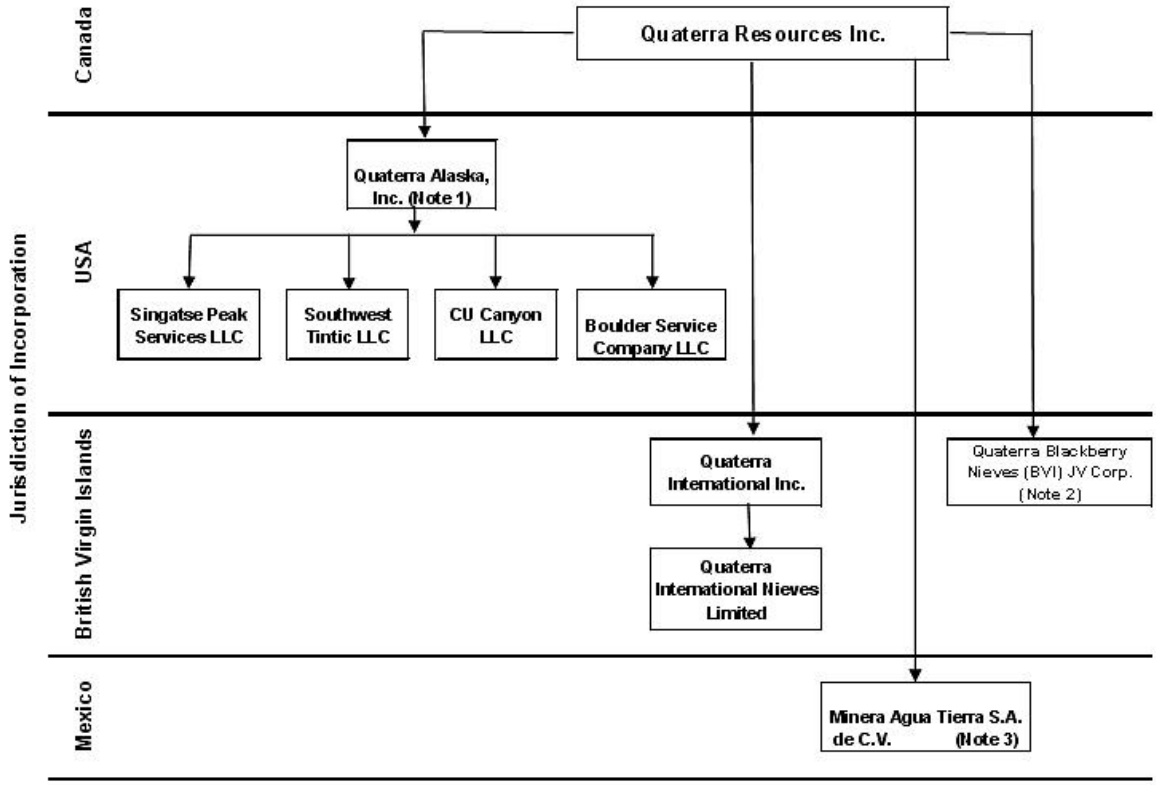
On April 25, 2005, the Company completed the transition procedures in accordance with the Business Corporations Act (British Columbia), (the "New Act").

On June 17, 2005, the Company increased the number of common shares which were authorized to issue to an unlimited number of common shares and, on June 13, 2005, cancelled its former Articles and adopted new Articles to take advantage of provisions of the New Act. The New Act was adopted in British Columbia on March 29, 2004 replacing the Company Act (the "Former Act"). The New Act requires the provisions formerly required in the Memorandum to be in the Company's Articles. The New Act eliminates the requirement for a Memorandum.

The Company's registered and head office is located at 1100 – 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5. Telephone: (604) 684-9384, Facsimile: (604) 641-2740, website: www.quaterraresources.com

Inter-corporate Relationships

The flow chart below presents the Company's legal corporate structure and the jurisdictions of the incorporation.



Note 1 Quaterra Alaska, Inc. is 100% owned by Quaterra Resources Inc. and holds Duke Island, Arizona, Wyoming and Utah Uranium properties, MacArthur, Yerington, SW Tintic, Gray Hills, Peg Leg, Herbert Glacier, Copper Canyon, Willow Creek and Wassuk Copper.

Note 2 Quaterra Blackberry Nieves (BVI) JV Corp. is 50% owned by Quaterra Resources Inc. and holds 50% of the Nieves property.

Note 3 Minera Agua Tierra S.A. de C.V. is 100% owned by Quaterra Resources Inc. and holds Nieves, Los Crestones, Las Americas - Mirasol.

GENERAL DEVELOPMENT AND DESCRIPTION OF BUSINESS

Business Overview

Quaterra is an exploration stage company focused on exploration and development of mineral properties in North America. The Company is currently exploring for copper, uranium, molybdenum, and precious metals in the United States and Mexico. Quaterra's exploration efforts are directed at properties with potential to host large base metal, precious metal, and uranium deposits. When identifying prospects, the Company considers the following criteria: infrastructure; environment and location that is favorable for building a mine; large tonnage and/or high grade potential; significant, unrealized upside; and opportunity to acquire a 100% interest under reasonable terms.

Quaterra made several acquisitions during 2008. On July 22, 2008, the Company acquired the Cave Peak molybdenum prospect from the State of Texas. The prospect covers three breccia pipes, one of which contains significant molybdenum mineralization. On September 30, 2008 the Company completed a joint venture agreement with EXMIN Resources Inc. on EXMIN's East Durango concession. Quaterra has the right to earn a 75% interest in EXMIN's East Durango property. The East Durango property consists of the 11,181 hectare Tecolote concession which abuts and is directly north of Quaterra's Mirasol-Americas projects. On November 24, 2008 the Company secured an option with the Willow Creek Discovery Group, LLC to acquire 100% of the Willow Creek porphyry molybdenum prospect in southwestern Montana. 0;Willow Creek is a North American asset in a major mineral belt where Quaterra has the opportunity to earn a 100% interest and make a significant near-term discovery in an area with excellent infrastructure.

The economic crisis during 2009 made it extremely difficult to raise money, but Quaterra was able to complete several important joint ventures with well funded major companies.

On May 29, 2009, the Company signed an earn-in agreement with Freeport-McMoRan Exploration Corporation of Phoenix, Arizona ("FMEC") for the Company's Southwest Tintic copper project in Utah. In the terms of the agreement, FMEC has the exclusive right and option to acquire a 70% ownership interest in the Southwest Tintic property by making a US$275,000 property payment and by spending US$4.725 million on exploration over four years. Upon earning a 70% interest in the property, FMEC will either fund the Company's share of costs through the delivery of a bankable feasibility study or convert its interest to a 1% net smelter return royalty if it determines not to deliver such a feasibility study.

On July 30, 2009, Quaterra announced receipt of notification from FMEC that it would extend its earn-in option at the Southwest Tintic copper project in Utah by making a US$275,000 property payment and paying 2009 Bureau of Land Management claim maintenance fees. To keep the option in good standing, FMEC must make a minimum expenditure of US$750,000 by August 29, 2010.

On August 27, 2009, Quaterra signed an earn-in agreement with FMEC for the Company's Peg Leg copper project in Arizona. FMEC has the exclusive right and option to acquire a 70% interest in the Peg Leg project by spending US$3 million on exploration by December 31, 2012.

On September 29, 2009, Quaterra signed an option agreement with Copper Ridge Exploration Inc. ("Copper Ridge") for the Company's Duke Island copper-nickel-platinum-palladium property in southeast Alaska. The agreement provides that Copper Ridge can earn up to a 51% interest by issuing one million pre-consolidation shares to the Company and spending $3.0 million on exploration by December 31, 2012. The amount of $750,000 of the $3.0 million is a firm commitment to be spent by December 31, 2012. Copper Ridge may increase its interest in the property to 65% by spending an additional $ 2.0 million on exploration by December 31, 2013.

On December 17, 2009, Quaterra announced that Goldcorp Inc. ("Goldcorp") of Vancouver, B.C., has signed a letter of intent ("LOI") with the Company. Under the LOI, Goldcorp has an option to acquire an interest in certain mining properties held by or acquired by the Company in central Mexico in return for funding generative exploration by Quaterra through a private placement of US$10 million in the Company over two years.

Goldcorp has an option to acquire up to 65% in any property in the central Mexico Interest, with the exception of Nieves, by spending $2 million over a two-year period on advanced exploration and by completing a bankable feasibility.

On January 29, 2010, an option agreement was signed with Goldcorp related to the above LOI.

For more information about the Company's business, please refer to "Property, Plants and Equipment" below.

Property, Plants and Equipment

Nieves Silver Project, Mexico

Acquisition of Nieves

On March 13, 1998, Kennecott Exploration Company transferred its rights under the Nieves option to Western Silver Corporation ("Western") in consideration for an uncapped 2% NSR on certain core claims and a 1% NSR on others. Western completed an additional five holes at the La California vein, all of which hit significant narrow widths of silver with three containing at least one narrow intercept of +800 g/t silver. Western subsequently assigned its rights to the Nieves Project as specified in an Underlying Agreement to Quaterra on March 26, 1999, in consideration for 1,444,460 common shares at a deemed price of $0.20 per share ($288,892). In addition, Quaterra issued 360,000 common shares at a deemed price of $0.20 per share ($72,000) to the concessionaires in lieu of the US$50,000 option p ayment otherwise due under the terms of the Underlying Agreement.

On April 10, 2003, the Company completed a US$1.5 million limited partnership financing with Blackberry Ventures I, LLC ("Blackberry"), whereby Blackberry could earn a 50% interest in the Nieves property by funding two exploration programs of US$750,000 each. The initial payment of US$750,000 received in the 2003 Fiscal Year was expended on a 5,300-metre drill program on the Nieves property. During the 2004 Fiscal Year, Blackberry elected to continue by advancing a further US$750,000 towards a follow-up drill program completed in May 2005, thereby earning a 50% interest in the Nieves property.

Expenditures to Date

As of December 31, 2009, the Company has incurred $1,413,183 for acquisition costs and $2,017,463 for exploration expenditures giving a total of $ 5,335,196 in gross costs on the Nieves property, or $3,430,646 net of the recovery of $1,904,550 (US $1.5 million) from Blackberry. Acquisition costs incurred to December 31, 2008 were $1,355,726 and exploration expenditures were $3,639,400 for a total of $4,995,166, or $3,090,616 net of recovery of $1,904,550 from Blackberry.

Location, Access and Infrastructure

The Nieves property is located in Zacatecas State, Mexico, approximately 150 kilometres northwest of the state capital of Zacatecas and 90 kilometres north of the mining community of Fresnillo. The Nieves property lies within the Mexican Altiplano or "Mesa Central" region. This region is flanked to the west by the Sierra Madre Occidental and to the east by the Sierra Madre Oriental mountain ranges. The Altiplano in this region is dominated by broad alluvium filled plains between rolling to rugged mountain ranges and hills reaching up to 3,000 meters above sea level. The property has excellent road access with the main paved highway to Nieves running along the northern portion of the Nieves property.

Nieves is the business centre for the Company's exploration activities. The nearest major population and services centre to Nieves is the mining town of Fresnillo. Fresnillo offers a substantial professional work force experienced in mining and mining related activities in addition to most other supplies and services. Access to Fresnillo and to the nearest international airport in Zacatecas is via paved highway. There is a power line adequate to support a 100 tonne per day mill in place and an existing mill structure on the Nieves property at the Santa Rita vein area which may be refurbished. There are two operating smelters within 350 kilometres of the property.

History and Recent Work

Together with Blackberry, Quaterra completed 30 holes totaling 16,367 meters between 2004 and 2006. An independent technical report completed in November 2006 recommended a 10,000-meter drilling program to infill zones along the Concordia-San Gregorio vein system and to test other targets on the large land block. A 16-hole, 5,388.8-meter drilling program, primarily consisting of infill holes on the Concordia vein, was completed between September and December 2007.

In September 2008, results of 16 holes of the 24 drilled between May and August 2008, totaling 6,173 meters were reported. These assays, together with previous holes drilled, successfully defined both high-grade vein and potential bulk-mineable silver mineralization along the Concordia vein system over a horizontal distance of 400 meters, a depth of 150-200 meters and an average true thickness of 40 meters. They also provide approximately 50-meter drill coverage both along strike and down dip on a 400 meter section of the Concordia vein.

All holes drilled between May and November 2009 contained significant mineralization except QTA-60. Hole QTA-65, drilled 50 meters east and 50 vertical meters above hole QTA-48 (47.48 meters averaging 142 g/t silver, including a 4.67 meter interval with 777 g/t silver), intersected 42.35 meters beginning at 62 meters averaging149 g/t silver, including 4.12 meters averaging 743 g/t silver. Hole QTA-74, drilled 50 meters east and about 100 vertical meters below the QTA-55 intercept, cut 38.00 meters averaging 157 g/t silver, including a 3.9 meter intercept averaging 581 g/t silver.

The Concordia vein system represents a series of sub-parallel veins and veinlets that have been defined by mapping and drilling over a strike length of 1,100 meters. The area of mineralization which the joint venture has drilled is open to the east and west.

Geology and Mineralization

The Nieves project occurs within a northwest trending mineral belt known as the Faja de Plata, which hosts many silver deposits. Silver mineralization on the Nieves property is best classified as low-sulphidation epithermal mineralization. There are three west-southwest bearing, steep south-dipping vein systems which, from south to north, are the Santa Rita-El Rosario; Concordia-Delores-San Gregorio; and the La California veins. The Santa Rita and Concordia-Delores-San Gregorio veins have historic production and are marked by numerous shafts, pits, dumps and old buildings. Mining ceased in 1910, with the onset of the Mexican Revolution. Several small-scale efforts to re-open the mines occurred thereafter but no modern exploration took place until 1994. Historic production focused on narrow bonanza veins, and production grades were in e xcess of 4,000-g/t silver.

The mineral occurrences in the Santa Rita and Concordia-Delores-San Gregorio veins are hosted in two to ten meter thick shear zones with reverse offset and secondary fault splays in the footwall. The sheeted < 2 meter wide silver-gold bearing veins were deposited during a period of distention and normal offset in Oligocene time. There are three types of veins: silica breccia, quartz-sulfide and ferroan carbonate. Sulfide content varies from minor to 50% pyrite-stibnite-sphalerite-chalcopyrite-galena; marcasite is present in the silica breccia veins. Identified silver minerals are tetrahedrite-pyrargyrite. A sulfidation alteration halo of 2-5% disseminated pyrite that weathers to an acid leached “bleached” white clay alteration surrounds the mineralized shears. This alteration is geochemically anomalous in gold-arsenic-an timony with erratic silver-copper-lead-zinc. An Eocene-Oligocene paleo-erosion surface in the northwest corner of the district indicates that the historic mines have exploited only the upper third of the epithermal mineral system.

The Concordia-Cerro San Gregorio zone, based on alteration and geophysics, has dimensions of 2.5 kilometers by 1.5 kilometers and generally trends northeasterly. La California zone is about 2.5 kilometers long by 250 meter wide. The Santa Rita zone also trends northeasterly and is approximately 2 kilometers long by 600 meters wide.

Both the Concordia-Delores San Gregorio and the Santa Rita vein systems at Nieves have excellent potential for both narrow zones of +500 g/t silver and a surrounding envelope of stock work mineralization with +50 g/t silver that may represent a bulk tonnage target. The top of the mineralized vein zone is marked by boiling textures observable in drill core at depths of 150-200 meters below surface. The near surface mineralization exposed on San Gregorio Hill and along the Santa Rita vein on Santa Rita Hill is interpreted as manto style (rootless) mineralization trapped in porous sediments at the base of Tertiary volcanic rocks.

Sampling and Analysis

Drill hole orientations are generally perpendicular to the strike of the overall structural trend of the vein(s) targeted. HQ (63.5 mm) is the standard drill core diameter. NQ (47.6 mm) was used locally as an extension (a tail) where drill conditions were difficult. The holes are located using a RTK Trimble (model R8), double frequency GPS with precision to 1 cm. Down hole survey readings were recorded on average approximately every 50 or 100m depending on the length of the hole using an Eastman Single Shot instrument. Survey results have been corrected for magnetic declination (+9º). Dip variations in the drilling to date are typically not more than 10% for any interval.

Drill core is collected from the drilling rig and brought to the core storage facility on the Nieves Property for logging and sampling, by the project or assistant geologists, on a daily basis. At the core storage/logging facility, the core is measured, core recovery estimated, and the rock types, alteration minerals, textural features, structures, veining, and mineralized zones documented. Sample intervals are measured marked with permanent marker, and given a sample number and sample tag by the geologists. From this point, technicians are given the core to split, using a core saw, into halves where one half of each interval was placed with the sample tag into a sample bag and marked with the sample number. The other half is placed back into the core box in it original position and the core boxes were then stacked and stored in order and by hole number. Where the veins are coherent they are sawed in half perpendicular to the “grain” to get a representative split.

The geologists visually selected sample intervals based on the presence of quartz-carbonate veins, silicification or the presence of sulphide minerals. Any significant mineralized zones were also sampled for several meters below and above and generally samples were kept to between 0.05 m and 4.2 m in length to encompass entire vein structures.

Drill core samples from the exploration programs were marked by supervising and core logging geologists before being split using a diamond saw. Samples were placed into individual plastic bags marked with a unique sample identification number and with a sample tag placed into the bag. Sample ID numbers and meterages were also written onto the core trays. Samples were then packaged into sealed sacks and taken by Quaterra employees to ALS Chemex Laboratories in Guadalajara for analysis.

ALS Chemex is an ISO 9001:2000, ISO 17025:2005 and Standard Council of Canada accredited laboratory with preparation and analytical laboratories operating in over 16 countries. All samples were analyzed using a 41 element ICP method, in addition to analyzing gold and silver by standard fire assay. Lead and zinc values over 10,000 ppm and silver values over 100 ppm were re-assayed by atomic-absorption methods.

Security of Samples

Internal quality assurance and quality control procedures have been utilized by Quaterra for the 2009 NI43-101 compliant resource estimate. A check sampling program whereby approximately 10% random samples and pulps/rejects available from the drilling were quartered, split sent for check analyses. Routine analysis of standard reference material (standards) began in 2007 with the insertion of a commercially prepared standard. At least two standards were included with each hole. Standard reference material was inserted into the sample sequence approximately every 20th sample after the start of each drill hole.

Duplicate samples included 159 splits of previously prepared pulps and 6 coarse reject samples from the Concordia drill holes (approximately 3.5% of the Concordia samples or 10% of samples with a primary assay greater than 10 g/t silver used in the resource estimate) were submitted for check analysis in December 2008. These samples were packaged and shipped using the same security protocols as drill core samples. A statistical analysis of the results showed a good correlation between the original and the duplicate assays.

Mineral Resources

On March 2, 2009, Caracle Creek International Consulting Inc. of Toronto, Canada, completed a NI43-101 compliant independent resource estimate for the Nieves silver property in northern Zacatecas, Mexico (Table 1-1).

Table 1-1
Estimated mineral resources
Concordia vein system, Nieves Property

Category	Tonnes	Ag (g/t)	Au (g/t)	Ag (oz(troy))	Au (oz(troy))
Indicated	2,897,571	110.231	0.126	10,269,203	11,701
Inferred	2,256,596	96.562	0.115	7,005,797	8,373

Prepared by Michelle Stone, P.Geo., Caracle Creek International Consulting Inc., an independent Qualified Person within the meaning of NI 43-101, using a reporting cut-off grade of 60 g/t Ag.

The Nieves property has an initial indicated resource of 2.9 million tons averaging 110.2 g/t silver and contains 10.26 million ounces of silver. An inferred resource of 2.3 million tons averaging 96.6 g/t silver contains an additional 7.0 million ounces of silver. A summary of indicated and inferred resources at various cutoff grades is shown in Table 1-2.

The Caracle Creek report concludes that the resource displays strong continuity along strike and down dip and that mineralization continues beyond the extent of current drilling. The report recommends additional drilling to the west and east along the Concordia vein at a drill spacing of 100 metres or less to expand the mineralization and closer spaced drilling on 10-20 metre centres to define the extent of high grade mineralization (+500 g/t silver).

Drilling completed in 2008 was successful in defining a large proportion of the resource at Nieves as an indicated mineral resource category. This drilling shows that the mineral resource displays strong continuity along strike and down dip and that mineralization continues outside of the current drilling extents.

The data and methodology utilized for the resource estimate is as follows:

- The resource model has been generated from a database containing a total of 44 diamond drill and 2 reverse circulation holes collared from the surface. Drill holes have been oriented to intersect the mineralized zone at a spacing of 50-60m down to approximately 250m depth. Below this depth drill hole spacing is irregular. All drilling has been conducted from the hangingwall side of the Nieves property and planned to intersect perpendicular to the orientation of the mineralized domain.
- Drill hole samples have been analyzed for silver and gold at ALS Chemex in Vancouver. All sample results were monitored with an appropriate QA/QC program. Bulk density was measured on core and pulp samples through the mineralized zone by ALS Chemex.
- The zone which hosts the mineralization at Nieves has been interpreted using a combination of geological information and sample grade results in the drilling data. This “mineralized domain” includes thin, discrete hangingwall and footwall veins in addition to the Concordia vein and strikes approximately 250° for a distance of approximately 835m, dips -65º to the south and extends to a depth of at least 900m. The thickness of the mineralized domain ranges from several metres to approximately 80m, with an average thickness of about 20m (true). The mineralized domain is open to the east, west and down dip.
- Sample data has been composited to 2m intervals. The presence of potential outlier sample data has been evaluated and appropriate top cuts were applied for silver (371.2 g/t) and gold (0.4175 g/t). The grade of blocks measuring 10m by 5m by 2m has been estimated using inverse distance squared.

A technical report on the Nieves property has been filed with SEDAR.

Table 1-2
Estimated mineral resources
Concordia vein system, Nieves Property

Ag range (g/t)	Classification	Tonnes	Ag (g/t)	Au (g/t)	Ag (oz(troy))	Au (oz(troy))
0.0-> 15.0	Indicated	133,189	8.348	0.046	35,749	198
	Inferred	1,477,235	8.074	0.050	383,484	2,365
15.0-> 30.0	Indicated	326,164	22.400	0.071	234,901	748
	Inferred	2,988,093	22.790	0.049	2,189,450	4,714
30.0-> 60.0	Indicated	863,267	46.909	0.082	1,301,973	2,270
	Inferred	4,587,616	44.857	0.063	6,616,366	9,240
60.0-> 90.0	Indicated	1,258,964	74.543	0.101	3,017,304	4,084
	Inferred	1,275,489	72.304	0.100	2,965,086	4,102
90.0-> 120.0	Indicated	754,187	103.125	0.123	2,500,575	2,990
	Inferred	507,865	103.329	0.122	1,687,208	1,998
120.0-> 150.0	Indicated	388,788	134.132	0.144	1,676,647	1,799
	Inferred	250,484	134.991	0.136	1,087,134	1,092
150.0-> 300.0	Indicated	480,704	188.975	0.175	2,920,646	2,709
	Inferred	221,639	176.033	0.164	1,254,409	1,171
300.0-> 500.0	Indicated	14,927	320.946	0.258	154,029	124
	Inferred	1,117	332.728	0.280	11,949	10

Prepared by Michelle Stone, P.Geo., Caracle Creek International Consulting Inc. an independent Qualified Person within the meaning of NI 43-101, showing tones in various Ag ranges.

Quaterra is optimistic that closer-spaced drilling within the currently defined resource will demonstrate continuity of high-grade zones that were difficult to constrain in the current model. Moreover, the chances of significantly expanding the resource are excellent, considering that the current resource estimate covers only one-third of the Concordia vein and several other veins with high grade mineralization occur on the property. The Company signed a core drilling contract with BD Drilling Mexico and began a 5,000 meter program on November 7, 2009.

Las Americas – Mirasol-Tecolotes, Mexico

Staking of Mirasol and Americas Project

Quaterra's Mexican subsidiary, Minera Agua Tierra, is the 100% owner of thirteen concessions totaling 82,926 hectares (320.18 square miles) that were staked in 2006 and 2007. The project initially consisted of two separate land blocks until mapping in 2008 suggested that the open area between Americas and Mirasol was also prospective. The intervening area was staked forming one land block.

Expenditures to Date

Acquisition costs incurred to December 31, 2009 were $381,710 and exploration expenditures were $1,885,230 for a total of $2,266,940. Acquisition costs incurred to December 31, 2008 were $349,961 and exploration expenditures were $1,679,426 for a total of $2,029,387.

Location, Access and Infrastructure

The Mirasol and Americas projects are located in the municipality of Simon Bolivar, Durango, Mexico, about midway between the cities of Durango and Torreon in the central part of the Mexico Silver Belt or Faja de Plata. Mirasol is located on the SW margin of the Ahuichila graben, a distensional tectonic feature that formed in Eocene time.

History and Recent Work

In 2007, a 1:5,000-scale geologic map of the original Mirasol and Cerro Concessions identified a seven by five kilometer area of silicified and brecciated limestone with quartz-calcite veinlets and accessory flourite-alunite-stibnite-cinnabar. A 5,050-meter, 38-hole RC "scout" drill program was completed late in 2007 to test the large alteration area at depth and probe for potential feeder zones.

In 2008, six widely spaced reconnaissance core holes totaling 2,515 meters were completed at Quaterra's 100%-owned Las Americas project at Americas in the fourth quarter to evaluate a series of northwesterly striking epithermal quartz veins. One of the holes contained significant silver mineralization. Hole AMD-3 intersected 32 meters of 28 g/t silver in the Marimar vein beginning at a depth of 80 meters, including 2.5 meters averaging 222 g/t silver (8.2 feet averaging 6.5 oz/ton). The Marimar vein is 300 meters east of the other known veins and surrounded by post-mineral alluvium.

Continued mapping and sampling in the Mirasol concession, which is adjacent to Americas has identified a new gold prospect at Loma Aguila. A low-lying zone of silicified limestone outcrop and rubblecrop covering an area of about 100 meters by 150 meters in the midst of a flat alluvial plain contains anomalous to ore-grade gold mineralization, with 31 of 139 rock chip samples (22%) containing gold values greater than 0.1 ppm gold. Six samples contain greater than 1 g/t gold including a high value of 2.78 g/t. The showing is interpreted to be part of a hydrothermal feeder vent at a deeper erosional level than other mineralized showings in adjacent areas.

Geology and Mineral Deposits

The Mirasol prospect consists of a gently dipping sequence of Cretaceous limestone overlain by Eocene Conglomerate and Miocene andesite to rhyodacite tuff to the south. A 1:5,000-scale geologic map of the original Mirasol and Cerro Concessions completed in 2007 identified a seven by five kilometer area of silicified and brecciated limestone with quartz-calcite veinlets and accessory fluorite-alunite-stibnite-cinnabar.

The Americas prospect is in the far west portion of the Mirasol concession and is an extension of Hecla Mining's San Sebastian hydrothermal system. The property encompasses an elongate, northeasterly-trending zone of hydrothermally altered rhyodacite and several large white silica "crestones" or veins that are up to 30 meters in width and outcrop up to a kilometer along strike. There are numerous old mercury mines with ruins, dumps and open pits up to 40 meters wide, 75 meters long and 25 to 35 meters deep. The mercury occurs in both the oxidized altered rhyolite as native mercury and in the white silica as finely disseminated cinnabar.

Future Plans

Additional mapping, sampling and geophysical surveys are planned for both the Americas and Mirasol prospects, with drilling tentatively scheduled for 2010.

Los Crestones, Mexico

Staking of Crestones

Quaterra staked 2,100 hectares at Crestones in 2003 and in 2006 staked an additional 3,547 hectares.

Expenditures to Date

Acquisition costs incurred to December 31, 2009 were $89,109 and exploration expenditures were $1,393,538 for a total of $1,482,647. Acquisition costs incurred to December 31, 2008 were $84,334 and exploration expenditures were $1,392,870 for a total of $1,477,204.

Location, Access and Infrastructure

The exploration concessions are located on the southwest side of a medium sized granitic pluton on the eastern edge of the Sierra Madre Occidental in northern Durango State of west-central Mexico. The property is between the latitudes of 25.92° and 25.96° north and 105.09° and 105.13° west longitude. The town of Inde is about 10 kilometers to the southwest of the property while the larger town of Santa Maria del Oro is located about 20 kilometers to the northwest. The city of Durango is a five hour drive to the south. Access to the property is very good with a paved highway from Santa Maria del Oro, through Inde and on to the town of Vetarron, 2km more on dirt road leads to the turn off to El Pajaro, another 7km to the north and on the edge of the property. A lo cal dirt road gives access to most of the property. Electric power lines service all the small towns mentioned above.

History and Recent Work

Between 2004 and 2006, detailed mapping and sampling programs were completed. The work delineated a hot spring gold-silver target with widespread silicification, flat-lying silica sinter aprons and quartz veining along high-angle, graben faults. Rock chip samples show anomalous Au-Ag values with occasional spikes up to ore grade; and strongly anomalous mercury, arsenic and antimony values which are typical of the upper levels of hot spring-related gold silver mineral systems. The level of exposure is clearly above the boiling zone and the gold numbers are consistent with those found in the top of epithermal gold systems.

Geology and Mineral Deposits

Crestones displays geologic characteristics that are broadly similar to both the Magistral de Oro district, located 20 kilometers northwest and the Inde District that lies 12 km west. Magistral de Oro has a recorded production of greater than 1.0 million ounces gold and the Inde district has produced 0.5 million ounces of gold from one mine as well as significant silver-lead-zinc production from numerous small mines. All three districts have prominent aeromagnetic highs that represent oxidized intermediate to felsic intrusive stocks. The mineralization in all three districts is interpreted to be genetically related to these intrusives. Granodiorite is the host rock at Magistral de Oro. Bufa Inde, a prominent peak in the center of the Inde District, is a quartz porphyry stock. Both granodiorite and quartz porphyry occur at Los Crestones.

Future Work Plans

Exploration at Crestones is complicated by the fact that a series of listric faults have offset the entire hydrothermal system to the northeast for an undetermined distance. Possible additional exploration is dependent on receiving title to two adjacent claims at Inde. When this occurs the area will be mapped and if the results are encouraging, an IP survey may be carried out in the alluvium filled valley between Crestones and Inde to look for the downward continuation of Crestones mineral system.

MacArthur, Nevada, USA

Acquisition and Staking of Copper Claims

The MacArthur property consists of 409 unpatented lode claims totaling approximately 8,450 acres on lands administered by the US Bureau of Land Management ("BLM"). The claims are held by means of a mineral lease with option to purchase, executed on August 27, 2005, followed by two amendments dated January 16, 2007 and August 6, 2007, and an addendum dated January 9, 2010 with North Exploration LLC ("North"). The Company has the right to purchase the claims from North by making a US$1,770,000 payment by January 15, 2011 and issue 150,000 common shares, subject to regulatory approvals. Quaterra's purchase is subject to a two percent Net Smelter Return ("NSR") royalty with a royalty buy down option of US$1,000,000 to purchase one percent of the NSR, leaving a perpetual one pe rcent NSR.

Expenditures to Date

Acquisition costs incurred to December 31, 2009 were $1,069,819 and exploration expenditures were $8,299,960 for a total of $9,369,779. Acquisition costs incurred to December 31, 2008 were $812,380 and exploration expenditures were $7,452,228 for a total of $8,264,608. A payment of US$350,000 for the purchase of the PIT claims will be deducted from the final payment due to North Exploration LLC for the McArthur properties.

Location, Access and Infrastructure

The MacArthur Copper Property is located near the geographic center of Lyon County, Nevada, USA along the northeastern flank of the Singatse Range approximately seven miles northwest of the town of Yerington, Nevada. The property is accessible from Yerington by approximately five miles of paved roads and two miles of maintained gravel road. A 100-foot wide gravel haul road that accessed the MacArthur open pit copper mine during the 1990s leads 5 miles south to the Yerington Mine. Beyond the MacArthur pit area are several existing historic two-track dirt roads that provide access throughout the property. Topographic coverage is on US Geological Survey "Mason Butte" and "Lincoln Flat" 7.5' topographic quadrangles. The nearest major city is Reno, Nevada a pproximately 75 miles to the northwest.

History

Over the history of the MacArthur project, several operators have contributed to the current drillhole database of more than 300 holes. During the late 1940s, Consolidated Copper Mines attracted the interest of the US Bureau of Mines to complete 7,680 feet of trenching in 1948 and followed up with eight diamond drillholes for 3,414 feet in 1950. Anaconda, searching for shallow oxide feed for their Yerington mine, acquired leases and began investigations at MacArthur including 33 shallow drillholes (during 1955, 1956, and 1957).

In 1963, Bear Creek Mining Company (Bear Creek) optioned claims on the MacArthur property and completed large-scale geologic mapping, rock chip (and float) grid sampling, alteration mapping, Induced Potential (IP) and audio magneto-telluric geophysical surveys, and drilled at least fourteen air rotary holes, the deepest to 663 feet. At least four holes for 1,237 feet were drilled to satisfy claim staking location work. Exploration drilling was targeted on limonite cappings and on IP anomalies. Bear Creek drilled north and west of the MacArthur pit boundaries, focusing most of their attention and drilling in the Gallagher area.

During 1967 to 1968, The Superior Oil Company (Superior) optioned the claims formerly held by Bear Creek and drilled eleven holes as rotary pre-collar, core finish, for 13,116 feet testing the concept that a deep primary sulfide-bearing porphyry copper ore shell might underlie the MacArthur oxide mineralization heretofore tested no deeper than 663 feet. Two of Superior's holes were collared along the current north margin of the MacArthur pit while the remainder fall within Quaterra's claim boundaries. Superior failed to meet objectives and abandoned the claims in the late 1960s.

During the early 1970s, with the Yerington mine nearing the end of its life, Anaconda acquired a land position and launched an extensive trenching and rotary drilling program (over 225 rotary holes for approximately 46,000 feet in 1972 and 55 rotary holes for approximately 9,809 feet in 1973) over and adjacent to the present day MacArthur pit. The result was a resource approaching 13 million tons of plus 0.4 percent Cu (1972 data only), described as an oxidized low-grade copper deposit which has been locally enriched by exotic copper. Anaconda's resource calculations were developed into the mine plan supporting the 5.5 million tons at 0.30 percent Cu mined from the MacArthur pit by Arimetco during 1995-1997.

During 1987 to 1991, Pangea located 304 unpatented lode claims and conducted an aggressive gold evaluation of the MacArthur area from the present day MacArthur pit westerly to the Gallagher area. Pangea's program included over 549 rock chip samples, geologic and alteration mapping, followed by trenching two target areas. Eight trenches for 1,420 were cut and sampled in the Gallagher area and four additional trenches for 720 located in an undefined "north target". Anomalous gold values (41 samples exceeding 0.5 g / tonne Au) led to a 15-hole / 2,110-foot reverse circulation drilling program with 1,310 feet in seven holes testing the Gallagher area. Pangea found the drilling results discouraging (best gold value of 0.026 oz / short ton over five feet) and abandoned the propert y thereafter.

Metech Pty. Ltd., of Perth, Australia was commissioned to prepare an ore reserve and mining planning study of the MacArthur deposit in 1989. Metech digitized the Anaconda data set which consisted of 11,529 assay intervals from 290 drill holes. The Metech study developed a statistically controlled Kriged ore body model of the MacArthur deposit within defined zones of mineralization. The study reported the definition of a (non 43-101 compliant) overall “geologic reserve” of 63.2 million tons grading 0.26% TCu at a 0.18% TCu cut-off.

In 1989 Arimetco International (“Arimetco”) purchased the Anaconda Yerington district properties and consolidated a major land position consisting of over 8,500 acres including 85 patented claims. Arimetco entered the district to extract copper by heap leaching methods, with initial production from the Anaconda Yerington mine oxide stockpile and Yerington mine vat leach tailings. Arimetco’s leach pads were located on the Yerington mine dump and tailings sites approximately five miles south of the MacArthur property. During evaluation and mining of the MacArthur mine, Arimetco drilled an unknown number of holes as a check on Anaconda’s 1972 to 1973 drilling. Anaconda’s drilling and resource calculations provided the mine planning data for Arimetco’s MacArthu r mine.

Arimetco mined a total of six million tons at an estimated grade of 0.36 % total copper using open pit methods from the MacArthur deposit in the period of 1995 to 1998. The low-grade oxide ore was trucked to heaps at the Yerington site where it was successfully processed with operations to remove copper from the Yerington mine tailings using a solvent extraction electro-winning process. Due to financial difficulties resulting primarily from the low price of copper, Arimetco sought protection under Chapter 11 of the U. S. bankruptcy Code in January 1997 and suspended all operations in 2000. After Arimetco’s departure, the mining Claims over the deposit were allowed to expire. No consistent, large-scale mining has occurred on the site.

Geology

The MacArthur copper deposit forms part of the Yerington mining district which includes at least three, large, porphyry copper deposits (Yerington, Ann Mason, Bear-Lagomarsino), as well as two large IOCG deposits (Pumpkin Hollow, and Minnesota). Mineralization ranges from disseminated porphyry copper occurrences to skarn, limestone replacement, and vein type deposits.

The Yerington area is underlain by early Mesozoic volcanic and sedimentary rocks now exposed along uplands in the Singatse Range in the west and the Wassuk Range to the east. These Mesozoic rocks were intruded by two Middle Jurassic batholiths, an older granodiorite (Yerington Batholith) and younger quartz monzonite (Bear Quartz Monzonite) that comprise the majority of outcropping rocks in the district. These batholiths were themselves intruded by another Middle Jurassic quartz monzonite event moderately to steeply north dipping quartz-biotite-hornblende porphyry dike swarms, associated with copper mineralization, striking north-northwesterly across the entire mining district.

Early to Middle Tertiary volcanics deposited ash flow tuffs prior to the advent of normal, faulting associated with Late Tertiary basin-and-range extension that displaced and tilted all of the above-mentioned rocks. These faults dip east and are curved, concave upward, so that the dip of the fault flattens eastward. Net displacements are in an east-west direction. The geologic section is completed by post-faulting conglomerates and alluvium section.

At MacArthur, the older granodiorite underlies most of the northern and western parts of the Company’s claim block. The intrusive weathers as an irregularly orange stained, medium olive green, fine to medium grained rock. Greenish epidote and minor orange limonite staining are present to common. Megascopic rock constituents include ~50 percent plagioclase, ~20 percent orthoclase, <20 percent quartz, 5 to 20 percent mafics (hornblende), 1 to 10 percent epidote, (and minor magnetite and other opaques) overprinted by irregular orange limonite alteration.

The quartz monzonite, cropping out along the east part of the claim block and underlying the MacArthur pit, is beige to light gray to off white, fine to medium grained, hard but well-fractured, with minor textural variants. Megascopic constituents include ~30 percent orthoclase, ~30 percent plagioclase, ~ 20 percent quartz, and 5 to 10 percent hornblende. In bench walls at the MacArthur Pit, quartz monzonite hosts conspicuous light brown limonite alteration banding (averaging 4 to 6 per foot) sub-parallel to the steeply north dipping, west-northwest trending quartz porphyry dikes. Along the eastern portions of the property, including the eastern third of the MacArthur pit, quartz monzonite assumes a light gray color due to widespread sodic-calcic alteration.

A phase referred to as the “border-phase quartz monzonite” commonly lies at the contact between the granodiorite and the quartz monzonite. The border-phase quartz monzonite is finer-grained than the quartz monzonite and has more abundant potassium feldspar. The border-phase may represent a contact zone between the quartz monzonite and granodiorite or may represent another Middle Jurassic intrusive event.

Quartz porphyry dikes that host a large portion of the primary copper mineralization at Anaconda’s Yerington mine are associated with all copper occurrences in the district. The porphyry dikes at MacArthur are classified by dominate mafic minerals into quartz biotite porphyry and quartz hornblende porphyry, each subdivided further based on composition and alteration. Dikes contain feldspar crystals and either hornblende or biotite crystals set in an aphanitic matrix. The structures are typically ridge-formers with widths to 50 feet, dip steeply to the north, and follow a penetrative north-northwest (S60°E to S80°E) structural fabric. Narrow (<10 feet) fine grained andesite dikes, post porphyry diking, follow the same NNW structural fabric.

Both Jurassic and Tertiary age andesite dikes in the walls of the MacArthur Pit can be traced from bench to bench and projected across the pit floors. The Jurassic dikes are commonly very fine grained, dactylitic plagioclase-bearing porphyries that pinch and swell as they fill fractures and intrude the hornblende and biotite quartz porphyry dikes. Tertiary hornblende andesite dikes are similar, but coarser grained than the Jurassic andesite dikes, containing abundant, acicular, black hornblende phenocrysts and occasionally plagioclase phenocrysts.

The Mesozoic intrusive rocks are unconformably overlain by a series of nine Mid-Tertiary ash flow tuff units. Quaterra’s claims partly cover one of the units, the Guild Mine Member, a crystal rich ash flow tuff dated at 27.1 to 25.1 Ma.

Mineralization

The MacArthur deposit is part of a large, partially defined porphyry copper system that has been complicated by complex faulting and possible post-mineral tilting. Events leading to the current geometry and distribution of known mineralization include 1) emplacement of primary porphyry copper mineralization; 2) supergene enrichment resulting in the formation of a widespread, tabular zone of secondary chalcocite mineralization below outcrops of totally oxidized rocks called a leached cap; and 3) oxidation of outcropping and near-surface parts of this chalcocite blanket coupled with partial remobilization of copper to form the upper zone of oxide copper now exposed in the MacArthur pit.

Based on drilling to date, the copper deposit is a 50-150 foot thick, tabular zone of secondary copper (oxides and chalcocite) covering an area of approximately 1.5 square miles. This mineralized zone has been only partially delineated and remains open for extension to the north, west and south. The flat-lying zones of oxide copper mirror topography, exhibit strong fracture control and range in thickness from 50 to 100 feet. Secondary chalcocite mineralization forms a blanket up to 50 feet thick that is mixed with and underlies the oxide copper. Primary chalcopyrite mineralization has been intersected in several locations mixed with and below the chalcocite. The extent of the primary copper is unknown as most of the drill holes bottomed at 400 feet or less.

Copper oxide mineralization is visible in the MacArthur open pit where a total of twelve, 7-meter high benches step down toward the northeast following the original topography. The excavation exposes copper mineralization including chrysocolla, copper wad (neotocite), pitch limonite (vitreous, goethite) and minor amounts of malachite and azurite all hosted in medium grained, biotite, quartz monzonite. Although copper wad (neotocite) and chrysocolla are exposed in the pit walls throughout most of the pit area, the copper wad is more abundant near the western end of the pit while chrysocolla is more common near the east end. “Pitch” limonite, (goethite) after chalcopyrite occurs sporadically as individual disseminations as well as along hairline veinlets containing biotized hornblen de.

A significant amount of chalcocite has been intersected in drillholes. Chalcocite is seen on drill chips coating pyrite and chalcopyrite as weak to strong coatings and is strongest when pooled around the MacArthur fault. Chalcopyrite is present as disseminations and veinlets, with or without chalcocite. As much of the historic drilling was stopped at shallow (<400 foot) depths, the scope and extent of chalcopyrite mineralization has not been fully defined. Hole QM-040, drilled at the western end of the northern most section of drill holes intercepted a drilled thickness of 260 feet of predominantly chalcocite mineralization (with moderate amounts of chalcocite coating chalcopyrite) below the MacArthur fault averaging 0.38% TCu at a depth of 140 feet, including 20 feet assaying 1.48% TCu.&# 160; The hole bottomed in mineralization at a total depth of 400 feet.

Both copper oxide and chalcocite mineralization occur over approximately 9,000 feet east-west by 4,500 feet north-south as defined by drilling as illustrated in the attached three-dimensional model. Copper oxides are structurally controlled coating fractures, joint surfaces, and developed as green or black “streaks” within shears and faults over several feet. Oxide mineralization occurs as a general, flat-lying geometry extending down as much as 150 feet or deeper below surface. Chalcocite mineralization forms a flat-lying blanket, up to 50 feet thick, mixed with and below oxide mineralization.

Primary chalcopyrite mineralization occurs irregularly with chalcocite and as porphyry style disseminations or as veinlets in quartz monzonite below both the oxide and chalcocite mineralization where it is associated with potassic alteration. The Company’s drilling program in the Gallagher area has delineated a zone of chalcopyrite mineralization that extends over a north-south distance of 2,500 feet. The primary sulfide zone has a defined width of 500 feet and extends to a depth of approximately 650 feet.

Chalcopyrite mineralization has also been identified north of the pit in association with pervasive sericite and magnetite in quartz monzonite. The chalcopyrite mineralized zone (partially enriched with chalcocite) in hole QM-068 averages 1.15 % TCu over a drilled thickness of 115 feet at a depth of 470 feet. The zone is believed to have the potential of developing down-dip to the north toward a possible porphyry center at depth.

Exploration and Drilling Results

Quaterra acquired the digitized Anaconda exploration and drilling data package in August 2006 and commenced a review of the deposit geology and mineralization model using Datamine software. The data was used to assess the required drilling and sampling to complete a technical report on the MacArthur Project with the objective of preparing a 43-101 compliant resource estimate.

The lateral zonation of supergene copper minerals visible at the surface, a possible chalcocite blanket to the north of the pit, and a large, pervasive phyllic alteration zone to the north and west of the mine workings, all suggested that the MacArthur deposit could have a significant potential for growth; both in the form of copper oxides and as primary sulfides in a related porphyry system.

In April 2007, the Company commenced a drilling program to twin approximately 10% of the shallow holes that defined the previously explored copper oxide mineralization at MacArthur and to identify extensions of copper oxide and chalcocite mineralization in the vicinity of the open pit. The program also included 5 deep core holes to investigate the potential for primary copper mineralization in relation to a primary copper porphyry system at depth.

The 20-month drilling program totaled 80,100 feet in 173 holes including 23,900 feet of core in 49 holes and 56,200 feet of reverse circulation drilling in 124 holes. Although limited to a maximum disturbance of 5 acres under a Notice of Intent permit, the program was designed to maximize the use of existing roads and disturbances. The drilling successfully targeted a deeper chalcocite zone in step-out holes from the pit, expanded the known oxide mineralization, and encountered a large, underlying tabular blanket of mixed oxide-chalcocite mineralization that remains open for extension by additional drilling. The 50-150 foot thick zone of secondary copper has been defined over an area of approximately 1.5 square miles. The chalcocite blanket is associated with and overlies primary chalcopyrite mineralization verified by deeper drillholes in the western and northern margins of the drilled area. The primary copper mineralization in the northern area is a target for a possible porphyry center.

A helicopter-borne aeromagnetic survey conducted over the project early in 2008 coupled with an inversion of historical IPR data presents a geophysical interpretation of the MacArthur project area is both indicative of mineralization presently identified on the project and encouraging for future growth of the deposit though additional drilling. High magnetic anomalies located at the southwest and northeast margins of the drilled areas present attractive targets for the discovery of primary sulfide mineralization. The North Porphyry target to the northeast is further substantiated by both coincident IP and low resistivity anomalies. Limited drilling near the North Porphyry target and in the Gallagher prospect to the southwest has intersected significant widths of chalcopyrite mineralization. T he strongest part of both anomalies remain untested as does a large area of subdued magnetic response due partially to the intense leaching of the near surface rocks that resulted in the formation of the oxide copper and chalcocite zones.

Drilling on the MacArthur project was suspended through most of 2009 pending receipt of a Plan of Operations (POO) drilling permit. On October 28th the Company received the approval of the MacArthur POO and the BLM Record of Decision with a Finding of No Significant Impact (FONSI). The POO environmental assessment anticipates a total surface disturbance of 200 acres as a result of drilling activities throughout much of the project area. The first phase of exploration includes 25.5 acres of surface disturbance related to 274 approved drill sites and includes access roads, overland travel and trenching for bulk samples.

Future Work Plans

A 15,000 foot reverse circulation drilling program was initiated in early December 2009. The program is planned to test the northern extension to higher grade acid soluble copper mineralization on 500 foot centers northwest of the pit (where QM60 intercepted 260 ft. averaging 0.38% Cu at a depth of 140 ft.) and filling in an undrilled area west of the pit (where QM67 intercepted 50 ft. averaging 0.42% Cu at a depth of 175 ft.). An additional 4,000 feet of drilling in 2 to 3 deep holes are scheduled in early 2010 to test the North Porphyry target. An induced polarization geophysical survey has been completed at MacArthur to target the deep drilling. The Company plans to update the MacArthur 43-101 resource estimate forthcoming completion of the drilling program.

Quaterra's future plans for the MacArthur project include reducing drillhole spacing, preliminary metallurgical testwork, initiating mine planning and baseline environmental studies, continued surface geologic mapping, and securing adequate supplies of water and power. Attention will be directed to metallurgical leach column tests with oxide-bearing host rock readily sourced from the MacArthur Pit. Large diameter drilling will be necessary to obtain adequate sample material from the non-outcropping chalcocite and chalcopyrite mineralization. These items are required for the project to proceed toward feasibility.

Sampling, Analysis and Security of Samples

The MacArthur drilling program is routinely supervised in the field by the project geologist for monitoring recovery, proper sample handling and accuracy in labeling. Drill core (HQ diameter) and reverse circulation samples are delivered from the drilling rigs to the core and sample storage facility in Yerington by the drillers at the end of each 12 hour shift for logging and sampling by the project geologists.

At the core storage/logging facility, core is photographed, measured, core recovery calculated, and the rock types, alteration minerals, textural features, structures, veining, and mineralized zones documented. Sample intervals on the first three holes were fixed at 5 feet. In subsequent drill holes the sample intervals are taken at each of the core runs marked by the driller's blocks. Exceptions are where full recovery occurs in numerous, short core runs in intervals less than about 6 feet, or where the geologists visually selected sample intervals based on rock type or structure. Sample intervals are measured and marked with permanent marker, orange ribbon and aluminum tag that is stapled to the core tray showing the sample number. Where the core sample is coherent a line is drawn wit h permanent marker along the stick so that it is sawn in half perpendicular to the "grain" in order to get a representative split. The core is stored on pallets to be picked up by the analytical laboratory.

When core from the project arrives at the laboratory, it is split, using a core saw, into halves and one half of each interval is placed into a sample bag that is marked with the sample number. The sample is then dried, crushed to –10 mesh, rotary split to 1,000 grams, pulverized to –150 mesh, and split to 350 gram pulps. The pulps are assayed for total copper using a 2 gram-3 acid volumetric ore grade atomic-absorption (AA) spectroscopy analysis. The solution from the total Cu analysis is assayed by inductively coupled plasma (ICP) spectrometry for 69 elements. Oxide copper (acid soluble) content of the sample is then analyzed by using a weak, sulfuric acid solution leach of a 1 gram pulp followed by AAS copper. Internal quality assurance and quality control procedures include the insertion of standards and duplicates into the sample sequences. Rejects from the previously analyzed samples are also sent to another accredited laboratory for check analyses. The remaining half core is placed back into the core box in its original position and the core boxes are returned to the Yerington core storage/logging facility by the laboratory truck, were it is then stacked and stored in order and by hole number. Reject and pulps are also returned with the core to the Yerington facility for archiving.

American Assay Laboratories ("AAL") located in Sparks, Nevada prepared and assayed samples from the MacArthur drilling program in 2007. AAL is ISO/IEC 17025 certified and participates in CANMET, PTP MAL certification analyses twice a year, in GEOSTATS, SMA, and IOAG testing twice a year. Core samples from subsequent programs have been prepared and analyzed by ISO17025 compliant ALS Chemex Laboratories in Sparks, Nevada and Skyline Assayers and Laboratories ("Skyline") in Tucson, Arizona.

The MacArthur reverse circulation ("RC") drilling program is supervised in the field by the project geologist for sample accuracy, proper handling and accuracy in labeling. Methods and procedures for splitting and packaging of samples are conducted such that the quality of the sample splitting meets or exceeds standards required under NI 43-101 and a chain of custody starts with the drillers collecting, splitting and bagging of RC drill cuttings.

For logging of drilled lithologies, a continuous chip sample is collected in a plastic chip tray over five foot intervals and stored for logging by the project geologists. A 5/16 continuous split of five foot sample intervals is collected for assaying from 5.2 inch diameter drill holes through a wet splitter mounted on the rig. The samples are placed in sample bags and transported from the drilling rig to the Company's storage facility in Yerington at the end of each 12 hour shift. The samples are then inventoried by Company personnel, dried, placed on pallets, wrapped in plastic and shipped via United Parcel Service to the Skyline laboratory in Tucson, Arizona for sample preparation and assaying. Rejects and pulps are returned to the Yerington facility for archiving.

Skyline Assayers & Laboratories is accredited by the American Association for Laboratory Accreditation (A2LA - certificate no. 2953.01) in the Chemical field of Testing. Skyline is a recognized industry leader for all types of base metal, ferrous and non-ferrous analysis including high quality ore-grade assays, sequential copper analyses of ores, and umpire assays of metallurgical products. The Tucson laboratory has provided analytical service to the copper mining industry for over 70 years.

At Skyline, the RC samples are crushed to plus 75% passing a -10 mesh, split and pulverized at the Skyline laboratories for assay using analytical techniques as described for the core drilling program. Internal quality assurance and quality control procedures include the insertion of standards into the sample sequences. Rejects from the previously analyzed samples are sent to ALS Chemex Laboratories in Sparks, Nevada for check assays.

Mineral Resources

In October 2008, Quaterra contracted Tetra Tech, Inc. of Golden, Colorado, to complete a NI43-101 compliant independent resource estimate and technical report for the MacArthur Copper Project. The Tetra Tech estimate gave MacArthur project an initial measured and indicated oxide/chalcocite resource of 57.36 million tons averaging 0.239% total copper (TCu) that contains 273.6 million pounds of copper. An inferred oxide/chalcocite resource of 75.8 million tons averaging 0.283% TCu contains 429.3 million pounds of copper. An inferred primary sulfide resource of 6.4 million tons averaging 0.539% TCu contains 68.9 million pounds of copper. The base case cutoff grade for the leachable (oxide/chalcocite) resources is 0.18% TCu. The base case cutoff grade for the primary sulfide resource is 0.30% TCu. Both of these values are representative of actual cutoff grades in use as of the date of the report. Table 2-1 presents a summary of measured, indicated and inferred resources at various cutoff grades.

Table 2-1:

MACARTHUR COPPER PROJECT –YERINGTON, NEVADA MEASURED COPPER RESOURCES January 2009				
	Cutoff Grade %TCu	**Tons (x1000)**	**Average Grade %TCu**	**Contained Copper (lbs x 1000)**
Oxide and Chalcocite Material (MinZone 10 and 20)	0.50	307	0.585	3,594.28
	0.40	957	0.486	9,309.09
	0.35	1,695	0.437	14,812.69
	0.30	3,044	0.386	23,486.70
	0.25	5,889	0.331	38,942.61
	0.20	11,470	0.278	63,708.34
	0.18	14,170	0.261	73,969.30
	0.15	17,186	0.244	83,970.00
Primary Material (MinZone 30)	0.50	N/A	N/A	N/A
	0.40			
	0.35			
	0.30			
	0.25			
	0.20			
	0.18			
	0.15			

MACARTHUR COPPER PROJECT –YERINGTON, NEVADA INDICATED COPPER RESOURCES January 2009				
	Cutoff Grade %TCu	**Tons (x1000)**	**Average Grade %TCu**	**Contained Copper (lbs x 1000)**
Oxide and Chalcocite Material (MinZone 10 and 20)	0.50	598	0.628	7,505.20
	0.40	1,518	0.516	15,661.55
	0.35	2,390	0.463	22,139.62
	0.30	4,022	0.406	32,638.77
	0.25	8,728	0.332	58,021.47
	0.20	27,608	0.255	140,754.35
	0.18	43,195	0.231	199,683.85
	0.15	72,111	0.204	294,730.71
Primary Material (MinZone 30)	0.50	2	0.562	22.48
	0.40	7	0.473	66.26
	0.35	27	0.392	211.73
	0.30	84	0.342	574.22
	0.25	204	0.300	1,224.82
	0.20	481	0.254	2,441.56
	0.18	565	0.245	2,762.85
	0.15	730	0.226	3,305.44

MACARTHUR COPPER PROJECT –YERINGTON, NEVADA MEASURED + INDICATED COPPER RESOURCES January 2009				
	Cutoff Grade %TCu	**Tons (x1000)**	**Average Grade %TCu**	**Contained Copper (lbs x 1000)**
Oxide and Chalcocite Material (MinZone 10 and 20)	0.50	905	0.613	11,099.48
	0.40	2,475	0.504	24,970.64
	0.35	4,085	0.452	36,952.31
	0.30	7,066	0.397	56,125.46
	0.25	14,617	0.332	96,964.08
	0.20	39,078	0.262	204,462.69
	0.18	57,365	0.239	273,653.15
	0.15	89,297	0.212	378,700.71
Primary Material (MinZone 30)	0.50	2	0.562	22.48
	0.40	7	0.473	66.26
	0.35	27	0.392	211.73
	0.30	84	0.342	574.22
	0.25	204	0.300	1,224.82
	0.20	481	0.254	2,441.56
	0.18	565	0.245	2,762.85
	0.15	730	0.226	3,305.44

MACARTHUR COPPER PROJECT –YERINGTON, NEVADA INFERRED COPPER RESOURCES January 2009				
	Cutoff Grade %TCu	**Tons (x1000)**	**Average Grade %TCu**	**Contained Copper (lbs x 1000)**
Oxide and Chalcocite Material (MinZone 10 and 20)	0.50	3,988	0.971	77,468.26
	0.40	6,932	0.744	103,111.97
	0.35	9,416	0.646	121,668.91
	0.30	15,772	0.515	162,380.18
	0.25	29,287	0.401	234,916.85
	0.20	57,484	0.313	359,765.78
	0.18	75,832	0.283	429,335.65
	0.15	114,426	0.243	555,424.47
Primary Material (MinZone 30)	0.50	4,538	0.593	53,802.53
	0.40	5,633	0.567	63,844.42
	0.35	5,842	0.560	65,395.35
	0.30	6,398	0.539	68,932.05
	0.25	9,101	0.459	83,601.79
	0.20	12,418	0.398	98,747.94
	0.18	14,367	0.370	106,172.13
	0.15	18,116	0.327	118,587.34

Tetra Tech's resource calculation is based on 449 Quaterra and Anaconda drill holes containing 134,255.6 feet and 26,727 sample assay values. The MacArthur geologic model was used to guide the statistical and geostatistical analysis of the copper assay data for the resource estimate. The analysis of the copper assays further confirmed the geologic divisions made by Quaterra in the geologic model. Copper grades were estimated in the individual blocks of the model measuring 25 by 25 feet by 20 feet high, by ordinary, whole-block kriging. The rock model was then assigned a tonnage factor based on the historic information that indicates an average in-place bulk density of 12.5 cubic-feet per ton. The tonnage factors were based on a number of tests from the core and, in Tetra Tech 's opinion, are representative of the various rock units, and are acceptable for estimation of the in-place geologic resources. The copper resources were estimated using whole block kriging techniques and oriented search ellipsoids based on the individual variograms and were then classified into measured, indicated, and inferred categories by a combination of kriging variance, number of points used in the estimate, and number of sectors used.

The location of the various categories of resource blocks in the estimate reflects the density of drill holes on the project. Measured and indicated resource blocks are predominantly in or adjacent to the MacArthur pit where the drill hole spacing is the tightest. Inferred resource blocks trace the wider-spaced, 500 foot by 500 foot drilling pattern to the north and west of the pit. Several isolated areas containing indicated resource blocks are also estimated where one or more angle holes have been drilled from the same location in the wider spaced pattern.

The technical report concludes that significant potential for development of additional mineral resources are present within and adjacent to the current drill-hole pattern at MacArthur. The report recommends more infill drilling within the known oxide/chalcocite resource area, including a 2,000 foot by 2,000 foot area west of the pit, step-out drilling to enlarge the oxide/chalcocite resource to the north, south and west and deep drilling to evaluate the potential for additional primary sulfide mineralization at depth.

The Tetra Tech resource estimate is included with a description of the project history, geology, mineralization, sampling procedures, and laboratory Quality Assurance/Quality Control procedures. The NI43-101 Technical Report is available at www.sedar.com. The Qualified Person for the MacArthur Copper Project resource estimate and the technical report is Mr. John W. Rozelle, P.G., Principal Geologist for Tetra Tech, Golden Colorado.

Yerington Porphyry Copper Mine – Nevada, USA

On May 1, 2007, the Company received the approval of the appropriate U.S. court to the acquisition by a subsidiary of Quaterra of all Arimetco assets in the Yerington Mining District. The purchase price comprises US$500,000 cash, 250,000 of the Company's common shares and a 2% net smelter return royalty capped at US$7.5 million dollars on production from any claims owned by the Company in the Yerington and MacArthur mine areas.

Quaterra's review of the Arimetco assets in the Yerington Mining District has progressed slowly but steadily. The Chambers Group Inc. and Golder Associates Inc. completed a Phase I Environmental Site Assessment Report (ESA) in April of 2008 as part of the Company's due diligence. The purpose of this Phase I ESA is to identify conditions indicative of releases or threatened releases of hazardous substances so that the Company may establish liability protection as a bona fide prospective purchaser. This report is essential to obtain requested environmental protections for past mining related activities.

The original 180 day review period began on July 13, 2007 and has now been extended to June 14, 2010.

The Chambers Group Inc. and Golder Associates Inc. completed a Phase 1 Environmental Site Assessment Report (ESA) in April 2008 to identify conditions indicative of releases or threatened releases of hazardous substances. The report identifies some environmental concerns related to the project, but nothing extraordinary for operations of similar size and vintage. The study allows the Company to establish liability protection as a bona fide prospective purchaser and must be updated prior to closing the transaction. SRK Consulting (U.S.), Inc. completed this update on January 11, 2010.

Due diligence has investigated most of the issues related to the Arimetco assets with a few items pending near term completion. A legal description of the property has been completed including a chain of title report. Water rights for the mine have been extended and assigned to the property. Further extensions will require the Company to show that substantial work has been accomplished toward the goal of putting the water rights to full beneficial use. The most important remaining issues are completing agreements with the EPA, Nevada state agencies and the Atlantic Richfield Company ("ARC") that will define, limit and protect the Company from existing liabilities on the property.

Technical due diligence has concentrated on reviewing and compiling a wealth of historical data in the Anaconda Library in Laramie, Wyoming. To assist in the review, numerous reports, maps and historical drilling data have been scanned and entered into an internal data base. An initial review has been completed of both past production and remaining mineralization in and around the Yerington pit. The area contains significant under-explored potential for copper mineralization.

Although the process has been slow, the Arimetco assets merit the efforts required for acquisition. The Yerington mine is the center of a prolific copper district and can provide Quaterra not only with additional exploration targets but increased flexibility when considering production alternatives. Subject to successful completion of due diligence, Quaterra plans to explore the property as part of its ongoing exploration program at MacArthur. Significant tonnages of copper oxide and sulfide mineralization remain below and peripheral to the Yerington pit and much of the area between the pit and the MacArthur deposit remains under-explored, including the large and only partially delineated Bear deposit.

Expenditures to Date

Acquisition costs incurred to December 31, 2009 were $1,659,336 and exploration expenditures were $739,824 for a total of $2,399,160. Acquisition costs incurred to December 31, 2008 were $1,338,894 and exploration expenditures were $689,125 for a total of $2,028,019.

Future Work Plans

Subject to successful completion of due diligence, Quaterra plans to explore the property as part of an ongoing exploration drilling program at MacArthur.

Arizona Uranium Claims, USA

Acquisition and Staking of Uranium Claims

Quaterra commenced uranium exploration in Arizona in June 2005 with the acquisition of 99 unpatented lode mining claims from North Exploration LLC ("North") that cover several uranium breccia pipe targets in the Arizona Strip district. Under the terms of the North agreement, the Company may acquire a 100% interest in any or all of the North claims by making staged payments over a five-year period totaling US$500,000 and issuing 600,000 common shares. The North Properties are subject to a 2% production royalty on each Property, 1% of which may be purchased by Quaterra for US$1 million. The North agreement also included an option to acquire other properties in Utah and Wyoming that are prospective for both uranium and vanadium.

In mid 2006, Quaterra signed a letter agreement with Nu Star Exploration LLC ("Nustar") to lease 18 Claims covering 4 additional breccia pipe targets in the district. The terms of the Nustar lease are an upfront payment of US$20,000, a first anniversary payment of US$30,000, a second anniversary payment of US$40,000 and a final anniversary payment of US$100,000. The Nustar Claims are subject to a 4 % Yellowcake royalty, 75% of which the Company can buy back for US$500,000 per Claim group (thereby reducing the royalty from 4% to 1%).

Quaterra staked an additional 550 mining Claims on the Arizona Strip in 2006 and another 1,450 claims were perfected in early 2007 to cover more than 200 high and moderate priority anomalies identified by an airborne VTEM geophysical survey.

In response to a July 20, 2009 decision by the US Department of the Interior ("DOI") to segregate 1 million acres of federal lands in the Arizona Strip for two years pending a review for a possible 20 year withdrawal of the district from mineral entry, Quaterra conducted a detailed review of all the Company's Arizona Strip assets. Unpatented claims held in the area of segregation were prioritized and selectively reduced to establish a land position consisting of 1,004 claims and one state lease that covers approximately 21,000 acres. The optimized land position controls 195 VTEM anomalies that include Quaterra's best breccia pipe targets with a maintenance cost that can be supported throughout the two year segregation period.

In early 2010, Arizona State Mineral Exploration Permits ("MEPs") for 5 square miles totaling approximately 3,200 were acquired through an option agreement with Eagle Hill Exploration, Eagle Hill Arizona Uranium LLC, and Snowden Resources Corp. The Company's unpatented claims form a total project area of approximately 38 square miles. The properties consist of many individual and scattered claim blocks that have been selectively staked over targets with some surface expression of a possible collapse structure, with favorable VTEM geophysical signatures and within areas of known mineralized occurrences.

Expenditures to Date

Acquisition costs incurred to December 31, 2009 were $3,951,141 and exploration expenditures were $7,391,365for a total of $11,342,506. Acquisition costs incurred to December 31, 2008 were $3,534,618 and exploration expenditures were $6,982,347 for a total of $10,516,965.

Location, Access and Infrastructure

Quaterra's Arizona Uranium property is located in the northern Arizona Strip uranium district in Coconino and Mohave Counties. The property occupies the southwest corner of the Colorado Plateau physiographic province in northwestern Arizona just south of the Utah state line. It is bounded to the west by the Grand Wash Cliffs and to the east by the Echo Cliffs. The area is characterized by a broad and featureless expanse of range land that becomes deeply incised by canyons of four major drainages.

Access to the property is provided by maintained county roads, mine access roads and a network of BLM recognized dirt roads and jeep trails used by ranchers and prospectors as well as State and Federal authorities for land management. Nearly all of the surface and mineral rights with the exception of the Arizona State lands are Federal and managed by the Bureau of Land Management with a field office in St. George, Utah.

History

Uranium mineralization was first discovered on the Arizona strip in a mineralized breccia pipe in 1947. The uranium occurred in association with copper mineralization at the Orphan mine two miles west of the visitor's center on the south rim of the Grand Canyon. The first uranium ore was shipped by the Golden Crown Mining Company in 1956 to a buying station in Tuba City. Before closing in 1969, the Orphan operation produced a reported total of 4.4 million lbs of uranium in material averaging 0.42% U3O8 and 6.7 million lbs of copper. (Baillieul, T.A. and Zollinger, R.C. (1980) NURE Grand Canyon Quadrangle, Arizona PGJ-020, 41p.).

The relationship of uranium to copper mineralization initiated an investigation of several small copper deposits in the region. Uranium was identified in the Hack Canyon copper mine on the northern Arizona strip in the 1950s but it was not until 1974 when Western Nuclear discovered uranium ore bodies in the Hack 1 and Hack 2 breccia pipes that industry began to focus attention on the emerging district. Energy Fuels Nuclear Inc. ("Energy Fuels") acquired the Hack Canyon ore bodies in 1980 and initiated an intense campaign of land acquisition and exploration that over the next ten years discovered seven ore bodies. With the entrance of Pathfinder Mines and Union Pacific Resources, at least three additional mineralized breccia pipes were added to the district. Several more were in ea rlier stages of discovery when in the early 1990s the price of uranium dropped below the cost of production.

The Arizona Strip historically represents some of the highest grade mineralization and most profitable per pound uranium production in the United States. Energy Fuels breccia pipe uranium mines were some of last hard rock uranium producers in the US prior to the price decline of the 1990s. Since 1980, the Arizona Strip has produced in excess of 19 million pounds of uranium, averaging 0.65% U3O8 from seven mines. Of these mines, Hack Canyon I, II, and III, Pigeon and Hermit are mined out and have been reclaimed, Pinenut and Arizona 1 (owned by Dennison Mines) are currently in the final phases of development and pending permitting to commence production and Kanab North has been placed on a standby with reserves remaining.

Geology and Mineralization

The canyon walls of northern Arizona expose numerous breccia pipes that are characteristic of the collapse structures that host uranium mineralization in the Arizona strip. The collapse of cavern roofs in the Mississippian Redwall Limestone forms a pipe of breccia through the subsequent collapse of overlying sediments through mechanical and chemical processes to form a vertical column of breccia. Breccia pipes in the region average 200 to 400 feet in width and can extend upward over 3,000 feet from the Redwall Limestone to the upper Triassic sequence.

Many northern Arizona Breccia pipes exhibit several common morphological features that are used to identify the structures at the surface and to position drill holes at depth. The cylindrical area of vertically displaced breccia in the center of the pipe is generally referred to as the “pipe throat.” The amount of vertical displacement in the throat ranges from 50 to several hundred feet and often decreases up section. The internal geometry of the throat can be complicated by the later formation of “pipe in pipe” structures. These internal features are the result of late stage (often post-mineral) collapse due to continued dissolution of carbonates in the lower reaches of the pipe throat. They may result in the dispersal and elimination of economic accumulations of uranium minera lization in the pipe.

The throat of a breccia pipe is seldom visible at the surface when not exposed in canyon walls. Where covered by the Triassic Moenkopi siltstone or recent alluvium, the only evidence of a pipe structure may be a large circular structure of gently inward dipping beds or even more subtle circular anomalies formed by ring fractures and vegetation. These features are caused by the dissolution of evaporites in the Permian Toroweap and Kaibab Formations (“PKfm”) along the margins of the throat during the formation of the pipe. As the evaporites are removed, a pronounced structural depression or “collapse cone” develops in the overlying strata above the Coconino sandstone. Many of the collapse cones are characterized by a thick section of Moenkopi siltstone that fills the con e near the upper Kaibab horizon. Although breccia pipes often have some structural symmetry at different levels, the throat of a pipe is not always in the center of a collapse cone and circular depressions are not always related to pipes.

Uranium mineralization in breccia pipes of the northern district occurs predominantly within the pipe throat and below the upper Hermit contact. Mineralization is also present in ring fractures along the margins of the throat, and in the underlying Supai Group, but significant accumulations at this level is less common on the north rim than in the southern district. Economic concentrations of mineralization often occur over a vertical distance of more than 600 feet in the pipe throat. Scattered mineralization can extend well below the upper contact of the Esplanade Sandstone.

Uranium occurs primarily as pitchblende in voids between sand grains and replacing rock fragments of a reduced sandstone dominant breccia derived from the Coconino Sandstone. Calcite and gypsum are common cementing minerals. Associated trace elements include copper, arsenic, nickel, lead, zinc and silver. The mineralized breccia often contains abundant bitumen that is considered an important reducing agent for the geochemical system. Uranium is generally thought to have been transported to the pipe by oxidizing ground waters in the Coconino Sandstone and deposited in a “trap” of porous sandstone breccia within the non porous pipe walls of Hermit siltstone and above a relatively tight base of siltstone dominant breccia. Finely disseminated pyrite is common in the mineral ized zone and may contribute to the reducing environment necessary for the deposition of uranium. Immediately above the mineralization, pyrite becomes massive and forms a “cap” of pyrite after marcasite that can exceed 50 feet in thickness.

The USGS Open File Report (OFR-89-550) shows the mapped locations of 1,296 pipes in northern Arizona. More than 90% of mapped pipes are shown within the deeper canyons of the region where they are exposed by erosion of the younger strata. Because of their scenic value, these canyons have been withdrawn from exploration and mining. However, the same density of pipes is probable at depth in the surrounding district where the number of known pipes decreases dramatically below the cover of successive layers of younger sediments until fewer than 2 pipes are evident over a surface area of 500 square miles in the upper Triassic sequence. Clearly, the upper level of stoping by collapse varies and many pipes may occur at depth within the district and remain hidden with no surface evidence of a pipe th roat. If these structures penetrate the Coconino Sandstone, an ore body may exist with no pipe feature at the surface.

Hidden or “blind” pipes may be the most numerous types of mineralized structures. Until the discovery of A-1, the Hack 2 mine was the only blind pipe ever discovered in the district. Hack 2 was also the largest deposit ever mined in the district with approximately 7 million pounds of U_3O_8 produced. The number of pipes identified to date may represent only a small fraction of the number of mineralized hidden pipes that lie waiting to be discovered at depth. With continued exploration, the Arizona Strip may soon become one of the more significant producing uranium districts in the United States.

Recent Exploration and Drilling Results

The discovery of new deposits in a mature district requires a determined and innovative approach combined with the latest exploration technology. Quaterra initiated uranium exploration on the Arizona Strip in 2006 with methods that have been proven by years of past experience with Energy Fuels Nuclear. Geologic mapping, aerial photography and satellite imagery have been and continue to be used extensively to identify breccia pipe targets. When a target was located, surface time-domain electromagnetic geophysical surveys had significant success in defining areas of thickened (conductive) siltstone within the surface structure. Shallow drill holes are used define a collapse cone and to target deep holes to test for mineralization in the pipe throat. Most of the obvious targets identi fied by these methods have been located and drill tested by companies exploring the northern district in the 1980s. However, extensive areas remained unexplored because of the time and expense required by the surface geophysical surveys.

Since commencing on the Arizona Strip, Quaterra has drilled 98,403 feet in 105 shallow and 41 deep holes that investigated 25 targets. The program had limited success until Quaterra contracted Geotech Ltd. to conduct the first extensive test of an airborne time-domain electromagnetic system (VTEM) in the district in early 2007. The VTEM system identified most of the known breccia pipes and more than 200 moderate to high priority targets on the Company’s property with similar geophysical signatures but with little or no outcropping evidence of a collapse feature. The similarities to known structures and the sheer number of targets suggested that many of the anomalies could be bind pipes.

The first VTEM target tested resulted in the discovery of the first new mineralized breccia pipe found on the Arizona Strip in 18 years. Discovery Hole A-01-31 intercepted a thickness of 57 feet averaging 0.33% U_3O_8 at a depth of 1,034 feet. The intercept includes a higher grade interval of 28 feet averaging 0.58% U_3O_8. The drill-hole data indicate that the A-1 structure is a hidden breccia pipe. Upward collapse of the A-1 pipe stopped more than 400 feet below the surface.

Quaterra followed up on the discovery of the A-1 mineralized pipe with a drilling program in 2008 dedicated to testing several more of the many airborne geophysical anomalies on Quaterra’s properties. The first hole to test the second geophysical anomaly identified a new breccia pipe with high-grade uranium mineralization at A-20. Discovery Hole A-20-01 intercepted a thickness of 34.5 feet averaging 0.37% U_3O_8 at a depth of 1,442 feet, including a high-grade zone of 6.5 feet averaging 0.63% U_3O_8 at a depth of 1,443 fe et. The hole also intercepted a deeper zone of 13.0 feet averaging 0.46% at a depth of 1,567 feet that includes a higher grade interval of 10.0 feet averaging 0.58%.

The relative size of the A-20 pipe can not yet be determined, but it may be comparable to the larger breccia pipes in the district. Only three holes have been completed in the structure, one exited the pipe above the favorable mineralized horizon and two have penetrated pipe breccia. The discovery underscored the validity of the geophysical technique and raised expectations for the 195 anomalies on Quaterra’s property.

Near surface structures were identified in all but three of seven additional targets tested during the year. The A-18 target, located midway between and about half a mile from the Company’s mineralized Ollie and A20 pipes, is in an ideal position for a single development to access all three targets. To date, five deep and two shallow holes have been completed that define a 40-foot-deep structural depression at the upper Fossil Mountain horizon. The deep holes have encountered up to eight feet of altered Hermit shale and a strongly altered section of Coconino sandstone that are indicative of close proximity to a pipe throat.

Drilling at the A51 target, located 1.5 miles west of the A1 discovery provided similar encouragement. Three shallow holes and four deep holes defined a 60-foot-deep structure at the upper Fossil Mountain horizon and more than 20 feet of alteration in the Hermit shale. A gamma log of one deep hole showed a radiometric anomaly over a thickness of 15 feet in the Toroweap Formation. The holes are believed to have encountered the outer margins of a breccia pipe structure.

While waiting to complete a down-hole survey, one rig was moved to the Ollie prospect to re-enter and probe an old hole drilled by Energy Fuels Nuclear in 1990. The probe identified an intercept in hole JH2618-04 of 52.5 feet averaging 0.24% eU3O8 at a depth of 1,342.5 feet, including 27.0 feet averaging 0.36% eU3O8 at a depth of 1,359.5 feet. A down-hole TEM survey (using technology that was nonexistent during the EFN program) identified a significant anomaly to the south of the drilled area which suggests that a large section of the Ollie pipe may remain untested. The down-hole TEM proved exceptionally valuable in locating the pyrite cap and providing information to target additional drill holes.

The A-21 VTEM target may also be a pipe, but deep drilling has failed to encounter the throat below the upper Coconino horizon. Three shallow and two deep holes have defined approximately 30 feet of structural closure in the Kaibab Formation and up to five feet of altered Hermit Shale below the lower Coconino contact indicating the proximity of a pipe structure. Additional shallow drilling will be required to target the pipe throat at depth.

Future Work Plans

Quaterra's position on the Arizona Strip, selectively staked to control airborne geophysical anomalies, has given the Company a unique advantage in the search for breccia pipes. The Company's assets now include 3 mineralized breccia pipes; one which could be among the larger identified in the district, 4 probable pipe structures that remain untested in the favorable horizon for uranium mineralization, and 5 possible pipe structures that have been defined by shallow drilling or have pipe structures clearly visible at the surface. The success of past drilling programs has proven the validity of the geophysical targets and added significantly to the prospective value of the many anomalies remaining to be tested on the Company's properties. Future drilling programs to explore these targets will neces sarily be subject to the status of public lands in the district, access to funding and commodity prices.

Although the Arizona Strip represents one of the few areas in the U.S. that has been officially set aside for mining and public use by an act of Congress, anti-mining interests are currently pursuing the removal of the district from mineral entry. On July 20, 2009, the DOI announced a decision to segregate 1 million acres of federal lands in the Arizona Strip for two years to allow an evaluation as to whether the DOI should withdraw the lands from new mining claims for a year of 20 years. The release states that the segregation would prohibit new mining claims in the designated areas but "would not prohibit ongoing or future mining or extraction operations on valid pre-existing claims."

It is the Company's view, based on advice from Counsel, that mining companies holding valid claims within the land segregated from mining may exercise notice operations to confirm or corroborate previous work on existing claims. The Company presently has a total of 26 breccia pipe targets that are fully permitted and bonded for exploration drilling.

Future drilling programs to explore the Company's breccia pipe targets will necessarily be subject to funding and the status of public lands in the district. Past operations have an exemplary record of prudent mining and reclamation. The uranium of this prolific district represents an enormous domestic supply of clean energy at a time when it is critical to the needs of the country; however, the Company will not commit significant expenditures on additional exploration projects on federal lands until the legal status of exploration and mining operations in the area is clarified.

As a result of the segregation, Quaterra is changing the focus of the breccia pipe exploration program to the evaluation of State owned properties in the Arizona Strip where a number of geophysical anomalies have been identified by the Company's airborne VTEM survey. The restrictions on uranium exploration on Federal lands do not affect exploration activity or access to conduct exploration on Arizona State lands. These lands lie within the heart of the uranium district and are vital to Arizona to provide funds for Arizona school districts. In contrast to the segregated area, exploration on State mineral properties is encouraged and permitting is relatively easy.

Sampling, Analysis and Security of Samples

The Company uses the industry standard gamma logging method for grade determinations of uranium mineralization in drill holes. The process requires systematic calibration of the logging tools for precision and accuracy. Grades are reported as equivalent "U3O8" based on an assumed direct correlation between gamma-ray intensity, as measured by the gamma logging tools, and uranium content. The techniques for gamma log interpretation has been found to be an accurate representation of in-situ grades for uranium mineralization in the district as established by Energy Fuels Nuclear Inc. during their exploration and mining operations conducted on the Arizona Strip.

Down hole logging for the drill holes is contracted to Strata Data, Casper, Wyoming and Century Geophysical Corp. with verification by Geophysical Logging Service of Prescott, Arizona. The down-hole gamma logging tools are routinely calibrated by probing standardized test pits in Grand Junction, Colorado. Mr. Ken Sweet, Geophysical Consultant, of Denver Colorado provides QA/QC and final interpretation of the process.

Geophysical Logging Service uses a borehole NaI detector manufactured by Mt. Sopris in Golden, Colorado for initial grade calculations. It is of the type 2PGA1000 which is a standard for uranium logging. It uses a large crystal, 22.22 mm in diameter and 76.2 mm long. As a back up an HLP-2375 tool is used, also manufactured by Mt. Sopris. The HLP tool is a smaller diameter and can be used small drill holes.

The tools are calibrated in Grand Junction Colorado, nominally every 3-6 months. When ore grade mineralization is encountered the tool will be calibrated more often. In general, variation with this tool is insignificant within a year and requiring less than a 1% calibration change. There are 4 calibration pits in Grand Junction; 0.231%, 0.452%, 1.22%, and 2.63% U3O8. The calibration pits are constructed of natural uranium ore. Corrections are made for hole diameter, the type of drilling pipe, and fluid in the hole. Because the grades and thicknesses of the mineralized section are determined by down hole logging tools, the Company uses rotary drilling for exploration on the project. Drill cuttings from the program are often limited to the upper 400 feet of the hole. Circu lation of the samples to the surface is often lost in the deeper evaporite dominant sections. Samples of the cuttings are collected in plastic boxes and archived in locked storage facilities.

When mineralization is intersected, spot core is collected when possible to compare to the interpreted gamma response. In some cases corrections need to be made for disequilibrium as established by closed-can analysis or direct neutron activation that compares the chemical values of core vs. the interpreted gamma grades. The gamma response has the advantage of sampling a large volume, on the order of 60 cm. Data is sampled at 0.5 foot or closer spacing. All core from the program is placed in boxes marked for depths, logged by the Company geologist and kept in the Company's storage facilities in Kanab, Utah.

For hole deviation a Mt. Sopris 2DVA-1000 borehole deviation probe is used. It consists of a 3 axis flux gate magnetometer and a 3 axis accelerometer. The tool is calibrated on the surface using a "Jig" to hold it in a known orientation. The data is recorded continually along the hole.

Induction logs are used in conjunction with the gamma probe to provide additional lithologic information. Correlation of the interpreted lithologies between drill holes in a target area can reveal structural deformation related to a possible breccia pipe.

Mineral Resources

There are no resources or reserves on the Company's Arizona Strip properties that comply with the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines as adopted by CIM Council on August 20, 2000.

Duke Island, Alaska

Acquisition

In March and April 2001, Avalon Development, under contract with Quaterra, conducted reconnaissance scale pan concentrate and grab rock sampling and staked 45 federal claims and 6 state claims. The Company increased the Company's property position during subsequent field programs, to include a total of 129 unpatented Federal lode mining Claims covering 2,580 acres, and 11 state of Alaska mining claims covering 1,280 acres in the Ketchikan quadrangle in Township 80 South, Range 93 East. Mineral rights in this part of Alaska are administered by the U.S. Forest Service and the Alaska Department of Natural Resources. The Duke Island Project is located within the Tongass National Forest on multiple-use lands open to mineral development.

Expenditures to Date

Acquisition costs incurred to December 31, 2009 for both Duke Island and Herbert Glacier properties were $275,707 and exploration expenditures were $2,410,713 for a total of $2,686,420. Acquisition costs incurred to December 31, 2008 were $254,722 and exploration expenditures were $2,357,173 for a total of $2,611,945.

Location, Access and Infrastructure

The Duke Island project is in the Ketchikan quadrangle in Township 80 South, Range 93 East. The project is accessible via boat, small float plane and helicopter. There is tidewater access to the southeast end of the Property at Judd Harbor and the central portion of the Property via Hall Cove. The city of Ketchikan (population 14,000) is located 30 miles to the north and is the regional commercial hub for this part of southeast Alaska. The city hosts an all-season deep water port, international airport, commercial fixed wing and helicopter services, and most of the support industry required for mineral exploration.

History

Early exploration on Duke Island is limited to a drilling program in the late 1950's by Columbia Iron Mining, a subsidiary of United States Steel. The program tested two areas for potential magnetite mineralization. Nine vertical drill holes are reported to have been drilled to a depth of 500 feet to ascertain the magnetite content of the ultramafic rocks (Irvine, 1974). Six holes were drilled on the southeast side of Hall Cove and three in the Judd Harbor area. Precise locations of these holes are uncertain and no assay data of any kind is available. The potential for PGE mineralization was not addressed during these efforts.

In March and April 2001, Avalon Development under contract with Quaterra conducted reconnaissance scale pan concentrate and grab rock sampling while staking 45 federal lode mineral claims and 6 state lode mineral claims. Follow-up work for Quaterra was conducted in July which resulted in discovery of Cu-Ni-PGE sulfide mineralization hosted in pyroxenite on the north end of Quaterra's claims. Avalon conducted subsequent rock sampling and soil sampling in September and October. In conjunction with rock sampling 3,415 meters of dipole-dipole induced polarization geophysics were completed by Zonge Engineering in September and October. In November and December Avalon collected additional rock samples from the project and completed 4 diamond drill holes totaling 448 meters from two drill stat ions in the Marquis zone.

In May 2002 Avalon Development conducted limited field reconnaissance work to ground truth several Landsat TM anomalies identified by Perry Remote Sensing and revealed outcropping disseminated sulfide mineralization outside areas previously known to contain such mineralization. A total of 43 grab rock samples were collected at this time. In July 2002 AeroQuest Ltd. flew combined airborne magnetics and 6-channel electromagnetics over the Duke Island project. A total of 890.5 line kilometers of survey was completed with most of this total along 200 meter-spaced lines. A small area (168 line kilometers) covering the Marquis (Discovery) zone was flown at 100 meter spacing. Joseph Inman of Kennecott Exploration Services reviewed the data and prioritized magnetic and electromagnetic targ ets for subsequent field follow-up.

In September 2003 Avalon Development field checked high priority EM conductors and collected a total of 45 rock grab samples and 66 shovel soil samples. Reconnaissance work elsewhere on the island revealed the presence of disseminated sulfide mineralization at Cape Northumberland on the extreme southern end of Duke Island.

In late May and early June 2004 Clark Jorgenson of Big Sky Geophysics was contracted to conduct a ground based HCP-EM (Max-Min), magnetometer, and gravimeter survey of the Marquis and Raven prospects. Avalon Development provided permitting and field support. Big Sky completed 6.1 line km of survey over the Marquis and Raven prospects.

In mid June 2005 Mike Powers of Aurora Geosciences completed 14.6 line km of ground based gravimeter survey, expanding on the 2004 program. During August and September of 2005, a total of 1,372 meters of NQ2 core was drilled in 7 holes to explore the Marquis, Potato Patch, and Raven prospects.

In early 2008, Fugro Airborne flew 389 line km of HeliGEOTEM ®II over the Hall Cove and Judd Harbor intrusions centered on the Marquis prospect and the area of cover to the north. The survey comprised 84 lines at 150 meter spacings and 6 tie lines at 1500 meter spacing. In early May 2008 Avalon Development staked an additional 75 federal lode mineral claims for Quaterra Alaska Inc. During July and August 2008 Zonge Engineering conducted 5 lines of NSAMT surveys totaling 9 line km over the Marquis prospect and the covered area to the north. Concurrent with the NSAMT survey Dave Matherly conducted 9 lines of gravity survey totaling 210 stations over the Marquis and the covered northern area, and over the Monte pr ospect.

In September 2009 Quaterra Resources entered into a joint venture agreement on Duke Island with Copper Ridge Explorations Inc. ("Copper Ridge"). Under terms of the agreement, Copper Ridge can earn up to a 51% interest in the Duke Island property by issuing one million pre-consolidation shares and spending $3 million on exploration by December 31, 2012. A total of $750,000 of the $3,000,000 is a firm commitment to be spent by December 31, 2010.

Following execution of the Quaterra – Copper Ridge joint venture in September 2009, Copper Ridge initiated a field program at Duke Island in preparation for drilling planned for 2010. The 2009 field work was completed by personnel from Avalon Development and Copper Ridge between October 3rd and October 13th. The three-person field crew worked from a tent camp in the Marquis zone area and collected magnetic susceptibility, resistivity, and semi-quantitative compositional data (Niton hand held XRF) from 104 sites covering the majority of the Marquis area covered by previous NSAMT surveys. Lithologic and structural information were recorded at e ach site and along the traverses between sites to allow completion of an updated geologic map for the Marquis area. At select site outcrops, mostly those containing visible magmatic sulfide mineralization, field personnel collected 43 grab rock samples for comparison to Niton results. Analytical work on these samples included Au, Pt and Pd by fire assay techniques and 2-acid and 4-acid ICP-AES analyses.

Geology and Mineralization

The Duke Island complex consists of two separate, well-exposed, ultramafic bodies interpreted to be parts of the same intrusive body at depth. Both intrusives are comprised of a dunite and peridotite core surrounded by concentric zones of olivine clinopyroxenite, hornblende-magnetite clinopyroxenite, and gabbro. The presence of dominantly ultramafic cumulates likely resulted from concentration of the mafic minerals by flow, settling, and entrapment from a mafic magma, rather than an origin as an unusual ultramafic magma.

A series of northwest and northeast trending faults appear to post-date emplacement of the Duke Island ultramafic body. The most significant of these structures is the Hall Cove – Grave Point structure which trends northeast along the trace of Hall Cove. Field relationships suggest this structure has an unknown amount of southeast-side down relative displacement. Ultramafic rocks of the Judd Harbor portion of the complex are exposed between the Bite Cove and Judd Harbor faults suggesting the ultramafic blocks occupy a horst block between the two structures. Copper-nickel-PGE mineralization discovered to date appears to be controlled by northwest trending structures although its relationship to the Hall Cove, Bite Cove and Judd Harbor structures is unknown.

Copper and nickel occurs as chalcopyrite and pentlandite in massive to disseminated pyrrhotite. Sulfide mineralization is primarily hosted in clinopyroxenite as interstitial blebs, pods and net-textured masses. There is little correlation between PGE content and sulfide content. PGE enriched intervals occur in sulfide rich intervals, but there are also numerous sulfide rich intervals with no appreciable PGE content.

Geochemical, geological and geophysical data from the project suggests that sulfide mineralization at Duke Island extends for over 14.5 kilometers along strike and up to 3.8 kilometers across strike with the ultimate dimensions of the system remaining open to expansion. Prior to discovery of significant accumulations of massive, semi-massive and disseminated sulfide mineralization, the mafic-ultramafic intrusive was considered to be a classic zoned Ural-Alaska type complex of mid-Cretaceous age.

Many of the zoned ultramafic complexes in the Koryak-Kamchatka and Southeast Alaska belts are described and mapped as plug or pipe-like, concentrically zoned intrusions, which are dome-like bodies originating from diapiric injection of ultramafic magmas-a type notably absent of economic nickel sulfide occurrences. The copper, nickel and iron contents at Duke Island are significantly elevated relative to most Ural–Alaska complexes. The geometry and the abundance of sulfide mineralization present on the property have many characteristics of layered mafic intrusive complex. Similar intrusives host some of the world's largest copper-nickel systems.

Drilling and Exploration

During November and December 2001, Quaterra contracted Layne Drilling to complete 4 diamond drill holes (447 meters, 1,467 feet) in the Marquis zone. The holes were drilled from two drill pads approximately 750 feet apart centered on a coincident rock geochemical and IP geophysical anomaly. The drill targets are associated with a highly conductive IP anomaly flanked by extensive chargeability anomalies to the northeast and southwest. Massive sulfides with highly anomalous copper and lesser nickel and PGE values were encountered in all holes.

In January 2002 Perry Remote Sensing was retained to conduct a preliminary Landsat Thematic Mapping analysis of the Duke Island Prospect (Perry, 2002). The spectral image of iron-oxide stained sulfide-bearing rocks at the Marquis zone was used for ground truth to determine if surface outcrops of other potentially mineralized areas exist on Duke Island. The TM imagery identified two other obvious targets to the southwest and southeast of the Marquis zone. A total of 43 rock samples were collected in June 2002 in the southwestern TM anomaly, now known as the Monte zone. Approximately fifty percent of these samples (21 samples) returned values in excess of 1,000 ppm copper. Values for Pt, Pd, Ni and Co were generally lower than seen in the Marquis zone with maximum values of 310 ppb, 468 ppb, 784 ppm and 237 ppm, respectively.

AeroQuest Ltd. (“Aeroquest”) flew combined airborne magnetics and 6-channel electromagnetics over the Duke Island Project in July 2002. A total of 890.5 line kilometers of survey was completed with most of this total along 200 meter-spaced lines. The survey revealed that areas of known sulfide mineralization generally fall within broad zones of anomalous conductivity that extend well beyond the limits of outcropping sulfides. A total of 459 high priority anomalies were identified by Aeroquest, including 311 Type 1 anomalies with positive in-phase response and a distinct, probable hardrock source and 148 Type 2 anomalies with a negative inphase and positive quadrature response (conductive magnetic anomalies).

The largest zone of conductive anomalies occurs on the north side of the Marquis Zone and extends for 2.5 kilometers in an east-west direction. Magnetic and EM data also suggest that gabbroic units extending 1-2 miles to the north-northeast from the summit of Mt. Lazaro are underlain by highly conductive and variably magnetic rocks and that sulfide mineralization may underlie the gabbro body, significantly increasing the size potential of the Duke Island system.

Consulting geophysicist, Joe Inman of Salt Lake City, Utah prioritized the airborne EM anomalies and an initial ground follow-up of airborne EM anomalies was begun in September 2003. A total of 45 rock grab samples and 66 shovel soil samples were collected. Sampling was concentrated on the northeast Marquis, Raven and Potato Patch zones. These target areas also exhibit strongly conductive electromagnetic signature that suggest the presence of sulfide mineralization. Anomalous copper values up to 136 ppm were recovered from soils in the northeast Marquis zone however, additional soil sampling due east of the Marquis discovery returned highly anomalous copper (to 359 ppm) with grab rock samples returning values up to 984 ppm copper. No previous sulfide mineralization was known from t his area and no surface outcrops of sulfide mineralization have been found to explain these soil and rock anomalies.

In addition, the 2003 field work expanded the size of known sulfide mineralization at the Potato Patch zone and also expanded the size of known sulfide mineralization at the Raven zone. Previous work at the Raven zone returned copper values up to 2.2% from a small area of outcrops surrounded by low, swampy topography. Soil sampling completed in 2003 returned copper values up to 4,320 ppm and Pt + Pd values up to 439 ppb from covered swampy terrain immediately south of outcropping sulfide mineralization. Sulfide mineralization at Raven was extended to over 650 meters south of the original Raven discovery outcrops and remains open to expansion in all directions.

During reconnaissance work completed in 2003 a new zone of disseminated copper sulfide mineralization was discovered at tidewater on Cape Northumberland on the extreme southern tip of Duke Island. While copper values (up to 352 ppm) did not reach percent-levels, the Northumberland zone is unique in that it represents the only sulfide mineralization discovered to date which is not located within the NW-SE trending belt of mineralization extending from the East Judd to Raven prospects. The significance of the sulfide mineralization at Northumberland and its extent are unknown.

In late May and early June 2004 Clark Jorgenson of Big Sky Geophysics was contracted to conduct a ground based HCP-EM (Max-Min), magnetometer, and gravimeter survey of the Marquis and Raven prospects. Big Sky completed 20,000 line-feet (6.1 line km) of survey over the Marquis and Raven prospects. Results from this survey indicated three strong Max-Min conductive anomalies, two moderately conductive anomalies, and three weakly conductive anomalies at the Marquis prospect. The strong conductive anomalies are located coincident with the IP resistivity low and with an interpreted dip to the northeast. The weakly conductive anomalies are located to the northeast of the IP anomaly and dip to the southwest. There is an increase in rock density which starts in the western side of the Marqu is prospect and trends east toward Knob Hill. At the Raven prospect Big Sky identified two weak Max-Min conductors on the western survey line. These are coincident with relative rock density highs that form two ellipsoids elongated W-E, one centered on the main Raven prospect and the other to the south separated by a density low. The shape and location of the relative density highs are somewhat coincident with the airborne EM conductivity highs and airborne magnetic highs previously identified at the Raven prospect.

In mid June 2005 the Company contracted Aurora Geosciences to conduct a 48,030 line-feet (14.6 line km) ground based gravimetric survey of the Marquis, Raven, Potato Patch, Scarp, and Lookout prospects along with the Northeast and Far Northeast areas. Results from this survey confirmed the 2004 gravity survey results and the expanded grids revealed local gravity highs in all of the surveyed areas. Local increases in density may reflect significant sulfide accumulation. Gravity field results from each prospect relative to each other show a general increase in the corrected Bouguer anomaly from west to east (-92.4 mgals to -74 mgals) perhaps showing the increasing thickness of the ultramafic package over the modeled feeder for the intrusion at the head of Hall Cove.

During August-September 2005 Quaterra contracted Connors Drilling to complete 7 NQ2 core drill holes at the Marquis, Potato Patch, and Raven prospects totaling 4,504 feet. Two holes were collared northeast of holes DK0101 through DK0104 and aimed southwest back toward the Marquis IP anomaly and the previous drill holes in the Marquis prospect. Both holes intercepted semi-massive to massive sulfide at depth in the hole indicating that the sulfide horizon is north dipping. Hole DK0501 intercepted semi-massive to massive sulfides at 238 feet down hole. This hole intercepted clinopyroxenite from surface to a total depth of 654 feet. Co and Ni values positively correlate with Cu and S values. Cu:Ni ratios for mineralized intervals averaged 2.17 . This hole did not exit mineralization.

Avalon Development Corp completed a technical report on the Duke Island project for the Company in August 2006. The report concluded that mineralization identified at Duke Island had the potential to elevate the Project to one of the most important new discoveries in North America. The report recommended extensive geochemical sampling and geologic mapping of the Monte prospect and other prospective areas. It also recommended a thorough review of all petrological, geochemical and lithologic data to help guide future exploration efforts including a 14,500 foot drilling program includes specific exploration holes to test the Marquis, Raven, Scarp, and Lookout targets.

A detailed review of the Duke Island data in 2007 suggested that sulfide mineralization may be related to an elongate sill complex, not a Ural Alaska ultramafic intrusive. The Duke Island complex appears favorable for hosting additional areas of mineralization with possibly higher sulfide concentrations and better metal grades in more basal and more dynamically active portions of the ultramafic contact zones. A low-lying area with essentially no outcrop to the north and east of earlier drilling presented an attractive target where numerous moderate to strong airborne EM conductors remain untested.

Quaterra contracted Fugro Airborne Surveys Inc. in early 2008 to conduct a 20-square-mile HeliGeoTEM survey for the identification of new drilling targets on the Duke Island project. The airborne time domain survey defined a strong conductive anomaly with a “wine glass” shaped profile adjoining the Marquis, Far North and Zone A targets. The anomaly is approximately 4,000 feet wide by 5,000 feet long with an additional 2,000 foot extension along the southern edge. The profile axis is oriented northwest-southeast with Zone A located at a position near the “wine glass” base and the Marquis and Zone A targets forming the edges of the “wine glass”.

The southwestern margin of the anomaly corresponds to a thick section of massive to semi-massive sulfides encountered by the Company’s past drill holes exploring the Marquis target. Zonge Engineering was contracted to complete NSAMT geophysical surveys over the covered conductive anomaly. Drill holes DK0101 and DK0501 both intercepted the upper edges of the south “lip” of this conductive anomaly but drilling has not tested the throat of the wine-glass shaped anomaly or other parts of the anomaly subsequently outlined by the EM/NSAMT surveys. Given the highly anomalous copper and sporadic nickel and PGE results from hole DK0101 and DK0501, the EM/NSAMT anomalies appear to be a reliable indicator of sulfide mineralization.

Following execution of the Quaterra – Copper Ridge joint venture, Copper Ridge initiated a field program at Duke Island in preparation for drilling planned for 2010. The 2009 field work was completed by personnel from Avalon Development and Copper Ridge between October 3rd and October 13th. The three-person field crew worked from a tent camp in the Marquis zone area and collected magnetic susceptibility, resistivity, and semi-quantitative compositional data (Niton hand held XRF) from 104 sites covering the majority of the Marquis area covered by previous NSAMT surveys. Lithologic and structural information were recorded at each site and along the traverses between sites to allow completion of an updated geologic map for the Marquis area. At select site outcrops, mostly those containing visible magmatic sulfide mineralization, field personnel collected 43 grab rock samples for comparison to Niton results. Analytical work on these samples included Au, Pt and Pd by fire assay techniques and 2-acid and 4-acid ICP-AES analyses.

Outcrop scale geologic mapping of the greater Marquis prospects defines three lithologic units: a plagioclase-pyroxene dominant unit, a clinopyroxene dominant unit (Cpx), and an olivine dominant unit (Wh). All three units display cumulate textures and are medium to coarse grained. Magmatic sulfide mineralization is predominately hosted in Cpx, and in isolated clinopyroxene rich enclaves in Wh. Based on this recent mapping, it appears that Ni-Cu-Fe sulfide mineralization at the Marquis prospect is spatially associated with the contact between Cpx and Wh. At the surface this contact appears to be dipping steeply to the south-southwest. The majority of high Cu-Ni sulfide mineralization is present in the zone between the “olivine in” boundary and the Cpx-Wh contact.< /div>

Future Work Plans

Copper Ridge is planning a 4,000 to 5,000 foot drilling program to test of the highest priority drill targets at Duke Island during the 2010 field season. The program will be part of the option agreement which provides that Copper Ridge can earn up to a 51% interest in the Duke Island Property spending $3 million on exploration by December 31, 2012. The amount of $750,000 of the $3,000,000 is a firm commitment to be spent by December 31, 2010. The firm commitment of $600,000 will be allocated to drilling expenses to target the intrusive to a depth of up to 2,000 feet. Copper Ridge may increase its interest in the Duke Island Property to 65% by spending an additional $2 million on exploration by December 31, 2013.

Sampling, Analysis and Security of Samples

All 2001 core samples were crushed at Bondar Clegg's Fairbanks preparation facility to 80% passing 10 mesh and then pulverized to +95% passing –150 mesh. Sample rejects were retained in Fairbanks and returned to Avalon Development. Sample pulps were to Bondar Clegg's main analytical facility in North Vancouver, British Colombia and analyzed for Pt + Pd + Au by 30 gram lead collection fire assay techniques with an inductively coupled plasma (ICP) finish. In addition, each sample was analyzed for a multi-element package by ICP analytical methods using two acid digestion procedures. The remaining half of the drill core was shipped to Fairbanks and stored in Avalon's secure warehouse.

All 2005 core samples were sawn in the field and sent to Vancouver by ALS Chemex for processing at their prep facility. Samples were crushed to 70% passing 2 millimeters (10 mesh) and a 250 gram split was taken and pulverized to +85% passing 75 microns (200 mesh). All samples were analyzed for Pt + Pd + Au by 30 gram lead collection fire assay techniques with an inductively coupled plasma (ICP) finish. In addition, each sample was analyzed for a suite of 27 trace elements using a four acid digestion procedure followed by ICP techniques with an atomic emission spectrographic finish. Fire assay and ICP processes were adjusted by ALS Chemex to account for the high concentrations of iron, magnesium, and chromium associated with ultramafic rocks. Pulps and rejects and remaining half of the core wa s sent to Avalon Development's Fairbanks warehouse for permanent storage.

A total of 148 sample blanks were inserted into the sampling sequence for the 2001 through 2005 Duke Island programs. Blanks were inserted on a minimum 1 for 25 basis into all sample sequences. Extensive previous analysis of this same blank rock type has given Avalon a large geochemical database for use on a comparative basis. Analyses performed by Bondar-Clegg and ALS Chemex on the blanks from the Duke Island project indicate no unusual or spurious sample results in the blanks submitted.

No blank or check analyses were completed on Duke Island geochemical samples during the period 2001 through 2004. In 2005, in addition to sample blanks, sulfide rich commercial geologic standards from Analytical Solutions Ltd. were inserted on a 1 to 50 basis in each sample submittal during 2005. Analysis results indicate no unusual or spurious sample results in the standards submitted.

Mineral Resources

There are no resources or reserves on the Company's Duke Island project that comply with the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines as adopted by CIM Council on August 20, 2000.

Other Properties

The Company's other properties, listed by commodity, include:

Copper +/- gold: Yerington District (Wassuk, Gray Hills, Copper Canyon); Nevada; SW Tintic, Utah; Peg Leg, Arizona;

Gold +/- silver: Herbert Glacier, Alaska; Central Mexico (Inde, Jaboncillo, Santo Domingo, Marijo, Onix, Albino, Azafran, Tian, Lupita);

Molybdenum: Cave Peak, Texas, Willow Creek, Montana;

Uranium: Tidwell, Sinbad, and Shootaring, Utah and Basin, Wyoming;

Each of these properties are recently acquired and all are in the initial stages of exploration. Data from prior activities is limited or in the process of being acquired and studied. The Company's total expenditures to date with respect to these other properties are minimal.

RISK FACTORS

The Company may not have sufficient funds to complete further exploration programs.

The Company has limited financial resources (working capital of $4,431,663 as of December 31, 2009), do not generate operating revenue, and must finance exploration activity by other means, including financing equity or debt financing. The Company cannot provide any assurance that additional funding will be available for further exploration of the Company's projects or to fulfill anticipated obligations under existing property agreements. As reflected in Note 1 to Quaterra's consolidated financial statements, the Company's ability to continue as a going concern is dependent on Quaterra's ability to obtain financing. If the Company fails to obtain additional financing, the Company will have to delay or cancel further exploration of the Company's properties, and could lose al l interest in the properties.

Prior and future equity transactions could cause dilution of present and prospective shareholders.

Historically, the Company has financed operations through private placements. Recently for example, in September and October of 2009, the Company sold a significant number of common shares, including warrants, in private placements, while in November 2009, a prior private placement of convertible notes was automatically redeemed in exchange for common shares and warrants. In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares through private placements or public offerings. The common shares in these financings often are sold at a discount to market prices, and the exercise price of the warrants sometimes is at or may be lower than market prices. The Company cannot predict the size o f future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of common shares, or securities or convertible into common shares, could result in dilution, possibly substantial, to present and prospective holders of common shares, either at the time of the financing or subsequently when restrictions if any expire and the common shares are resold into the public markets.

The Company has a history of losses and expects to incur losses for the foreseeable future.

The Company has incurred losses during each of the prior three periods in the amounts of $6,988,414 for the year ended December 31, 2009, $6,834,181, for the year ended December 31, 2008, and $7,303,204 for the year ended December 31, 2007. As of December 31, 2009, the Company had an accumulated deficit of $35,615,897. Quaterra expects to continue to incur losses unless and until such time as one or more of the properties enter into commercial production and generate sufficient revenues to fund the Company's continuing operations.

The Company's exploration programs may not result in a commercial mining operation.

Mineral exploration involves significant risk because few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. Quaterra's mineral properties are without a known body of commercial ore and the proposed programs are an exploratory search for ore. The Company cannot provide any assurance that current exploration programs will result in any commercial mining operation. If the exploration programs do not result in the discovery of commercial ore, the Company will be required to acquire additional properties and write-off all investments in existing properties.

The Company does not have Proven Mineral Reserves or Probable Mineral Reserves.

The Company has not established the presence of any Proven Mineral Reserves or Probable Mineral Reserves (as such terms are defined in National Instrument 43-101 of the Canadian Securities Administrators) at any of Quaterra's mineral properties. The Company cannot provide any assurance that future feasibility studies will establish Proven Mineral Reserves or Probable Mineral Reserves at Quaterra's properties. The failure to establish Proven Mineral Reserves or Probable Mineral Reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

The Company's future business and financial condition are dependent upon resource prices.

Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control. These include international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. These factors may negatively affect the marketability of any ore or minerals discovered at, and extracted from, Quaterra's properties. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

The Company's common share price has been and may continue to be subject to volatility.

U.S. and Canadian securities markets in recent years have experienced high levels of price and volume volatility, and the market price of securities of many companies have experience wide fluctuation in price which have not necessarily been related to the operating performance underlying assets values or prospects of such companies. Factors unrelated to Quaterra's financial performance or prospects include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The Company's share price, financial condition, and results of operations are all also likely to be significantly affected by short-term changes in uranium, gold, silver and copper prices. Continual fluctuations in metal prices may occur. As a result of any of these factors, the mark et price of the Company's shares at any given point in time may be subject to wide swings unrelated to any direct action by Quaterra's operations.

Some of the Company's directors and officers may have conflicts of interest due to their involvement with other natural resource companies.

Some the Company's directors and officers are directors or officers of other natural resource or mining-related companies and these associations may give rise to conflicts of interest from time to time. As a result of these conflicts of interest, Quaterra may miss the opportunity to participate in certain transactions, which may have a material, adverse effect on the Company's financial position.

The Company may experience difficulty attracting and retaining qualified management to grow Quaterra's business.

The Company is dependent on the services of key executives including the Chief Executive Officer and other highly skilled and experienced executives and personnel focused on advancing corporate objectives as well as the identification of new opportunities for growth and funding. Due to the Company's relatively small size, the loss of these persons or the Quaterra's inability to attract and retain additional highly skilled employees required for activities may have a material adverse effect on the Company's business and financial condition.

The Company may be limited in its ability to manage growth.

Should the Company be successful in its efforts to develop mineral properties or to raise capital for such development or for the development of other mining ventures, it may experience significant growth in operations. Any expansion of the Company's business would place demands on management, operational capacity, and financial resources. The Company anticipates that it will need to recruit qualified personnel in all areas of operations. There can be no assurance that Quaterra will be effective in retaining current personnel or attracting and retaining additional qualified personnel, expanding operational capacity or otherwise managing growth. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results o f operations.

Environmental and other regulatory requirements may limit the Company's operations and increase expenses.

The Company's operations are subject to environmental regulations promulgated by various Canadian, U.S., and Mexican government agencies. Claims and current and future operations will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies such as ours that engage in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Issuance of permits for Quaterra's exploration activities is subject to the discretion of government authorities, and t he Company may be unable to obtain or maintain such permits. Permits required for future exploration or development may not be obtainable on reasonable terms or on a timely basis. Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact and cause increases in capital expenditures or require abandonment or delays in exploration.

Operating hazards associated with mining may expose the Company to liability.

Mining operations generally involve a high degree of risk, including hazards such as unusual or unexpected geological formations. Operations in which the Company has an interest are subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to or loss of life and property, environmental damage and possible legal liability for any or all damage or loss. The Company currently does not maintain standard insurance policies on Quaterra's properties. The Company may become subject to liability for cave-ins and other hazards for which cannot be fully insured or against which the Company may elect not to insure where premium costs are d isproportionate to the Company's perception of the relevant risks. For example, the Company is not currently covered by any form of political risk insurance or any form of environmental liability insurance. The payment of such insurance premiums and the incurring of such liabilities would reduce the funds available for exploration activities.

The Company's properties may be subject to uncertain title.

The acquisition of title to resource properties or interest therein is a very detailed and time consuming process. Title to and the area of resource concessions may be disputed. The Company has investigated title to all of its mineral properties and, to the best of the Company's knowledge, title to all of Quaterra's properties are in good standing. The properties may be subject to prior, and in some cases, not fully ascertainable unregistered agreements or transfers, and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change.

Enforcement of judgments or bringing actions outside the United States against the Company and its directors and officers may be difficult.

Quaterra is organized under the law of and headquartered in British Columbia, Canada, and the majority of the Company's directors and officers are not citizens or residents of the U.S. In addition, a substantial part of the Company's assets are located outside the U.S. and Canada. As a result, it may be difficult or impossible for you to (a) enforce in courts outside the U.S. judgments against the Company and a majority of Quaterra's directors and officers, obtained in U.S. courts based upon the civil liability provisions of U.S. federal securities laws or (b) bring in courts outside the U.S. an original action against the Company and its directors and officers to enforce liabilities based upon such U.S. securities laws.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

Quaterra has an unlimited number of common shares without nominal value. As at March 26, 2010 there were 115,647,187 common shares outstanding.

Quaterra has only one class of common shares, without any special rights or restrictions.

Each common share is entitled to one vote on the election of each director. There are no cumulative voting rights, in consequence of which a simple majority of votes at the annual meeting can elect all the directors of the Company. Each common share carries with it a right to share equally with every other common share in dividends declared and in any distribution of surplus assets of the Company after payment to creditors on any winding up, liquidation or dissolution. There are no sinking fund provisions. All common shares must be fully paid prior to issue and are thereafter subject to no further capital calls by the Company. There exists no discriminatory provision affecting any existing or prospective holder of common shares as a result of such shareholder owning a substantial n umber of shares.

Material Modifications to the Rights of Security Holders

Effective June 18, 2008, in accordance with the vote of shareholders at the 2008 Annual General Meeting on June 18, 2008, the Company adopted a rights plan applicable to our common shares (the "Rights Plan"). Under the Rights Plan, Quaterra issued one right for no consideration in respect of each outstanding common share. All common shares we subsequently issue during the term of the Rights Plan will have one right represented for each common share. The term of the Rights Plan is through the first annual meeting of shareholders held after June 18, 2013. The rights issued under the Rights Plan become exercisable only if a party acquires 20% or more of the Company's common shares without complying with the Rights Plan or without a waiver from our Board of Directors.

Each right entitles the registered holder to purchase from the Company on the occurrence of certain events, one common share at the price of $100 per share, subject to adjustment (the "Exercise Price"). If a "Flip-in Event" as defined in the Rights Plan occurs, each right would then entitle the registered holder to receive, upon payment of the Exercise Price, that number of common shares that have a market value at the date of that occurrence equal to twice the Exercise Price. The rights are not exercisable until the "Separation Time" as defined in the Rights Plan.

The purpose of the Rights Plan is to ensure, to the extent possible, that all shareholders are treated equally and fairly in connection with any take-over bid or similar proposal to acquire the Company's common shares. Take-over bids may be structured in such a way as to be coercive or discriminatory in effect, or may be initiated at a time when it will be difficult for the Company's Board of Directors to prepare an adequate response. Such offers may result in shareholders receiving unequal or unfair treatment, or not realizing the full or maximum value of their investment in the Company. The Rights Plan discourages the making of any such offers by creating the potential of significant dilution to any offeror who does so.

An offeror can avoid that potential by making an offer that either: (i) qualifies as a "Permitted Bid" under the Rights Plan, and therefore meets certain specified conditions (including a minimum deposit period of 90 days) which aim to ensure that all shareholders are treated fairly and equally; or (ii) does not qualify as a "Permitted Bid" but is negotiated with and has been exempted by the Company's Board of Directors from the application of the Rights Plan in light of the opportunity to bargain for agreed terms and conditions to the offer that are believed to be in the best interests of shareholders.

Under current Canadian securities laws, any party wishing to make a formal take-over bid for the Company's common shares is required to leave the offer open for acceptance for at least 35 days. To qualify as a "Permitted Bid" under the Rights Plan, however, a take-over bid must remain open for acceptance for not less than 90 days. The Board of Directors believes that the statutory minimum period of 35 days may be insufficient for the directors to: (i) evaluate a take-over bid (particularly if the consideration consists, wholly or in part, of shares of another issuer); (ii) explore, develop and pursue alternative transactions that could better maximize shareholder value; and (iii) make reasoned recommendations to the shareholders. The additional time afforded under a "Permitted Bid" is intended to address t hese concerns by providing the Board of Directors with a greater opportunity to assess the merits of the offer and identify other possible suitors or alternative transactions, if any by providing other bidders or proponents of alternative transactions with time to come forward with competing, and potentially superior, proposals.

Stock Options

Quaterra has a stock option plan pursuant to which the directors of the Company are authorized to grant stock options to directors, officers, employees, and consultants of the Company and its subsidiaries.

The following summarizes information about the stock options outstanding and exercisable at December 31, 2009:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2009	Balance December 31, 2008
$ 0.62	$ 0.43	March 25, 2009	-	95,000
$ 0.35	$ 0.20	August 9, 2010	270,000	285,200
$ 0.40	$ 0.30	January 9, 2011	200,000	200,000
$ 1.04	$ 0.81	March 27, 2011	125,000	125,000
$ 1.00	$ 1.24	May 19, 2011	75,000	75,000
$ 1.12	$ 1.16	June 12, 2011	100,000	100,000
$ 1.55	$ 1.17	July 28, 2011	1,431,000	1,439,300
$ 1.55	$ 1.17	August 23, 2011	100,000	100,000
$ 1.50	$ 1.00	September 25, 2011	100,000	100,000
$ 2.05	$ 1.67	December 18, 2011	-	100,000
$ 2.65	$ 1.71	January 11, 2012	-	75,000
$ 2.70	$ 1.71	February 21, 2012	-	25,000
$ 3.33	$ 1.98	July 20, 2012	836,000	2,011,000
$ 3.33	$ 1.83	August 7, 2012	-	80,000
$ 3.45	$ 2.05	March 31, 2013	150,000	200,000
$ 3.30	$ 1.87	June 19, 2013	970,000	2,190,000
$ 0.98	$ 0.52	November 9, 2014	2,575,000	
$ 1.02	$ 0.51	November 9, 2014	2,305,000	
			9,237,000	**7,200,500**

Share Purchase Warrants

The following summarizes information about the warrants outstanding at December 31, 2009:

Expiry Date	Exercise Price		December 31, 2009	December 31, 2008
October 17, 2009	$ 0.60	US		1,741,250
November 27, 2010	$ 0.75	US	1,921,458	1,921,458
December 19, 2010	$ 0.75	US	2,441,333	2,441,333
January 15, 2011	$ 0.75	US	1,880,500	
September 29, 2011	$ 0.75		9,666,206	
October 28, 2011	$ 0.75		5,675,204	
			21,584,701	**6,104,041**

MARKET FOR SECURITIES

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "QTA" and on NYSE Amex under the symbol "QMM". The following tables provide information as to the high and low closing prices and the volume of shares trading for each month during the 12 months of the most recently completed financial year being December 31, 2009:

TSX Venture Exchange

Month	High	Low	Volume
January	0.99	0.54	348,100
February	0.81	0.55	503,300
March	0.85	0.58	177,400
April	0.65	0.53	344,700
May	0.77	0.53	446,300
June	0.78	0.58	199,300
July	0.77	0.54	565,000
August	0.85	0.68	298,800
September	0.79	0.68	904,000
October	0.80	0.69	606,200
November	1.75	0.75	1,675,000
December	2.05	1.10	1,918,800

NYSE Amex

Month	High	Low	Volume
January	0.85	0.42	1,592,200
February	0.66	0.42	1,333,000
March	0.69	0.41	1,022,800
April	0.57	0.30	1,923,000
May	0.70	0.46	1,751,900
June	0.68	0.50	1,271,400
July	0.72	0.46	1,602,900
August	0.79	0.59	1,673,700
September	0.74	0.59	2,532,200
October	0.76	0.64	2,106,200
November	1.70	0.68	5,752,900
December	2.28	1.03	6,552,100

Escrowed Securities

As at the date of this AIF the Company has 250,000 securities allotted from treasury but not distributed with regard to the consideration to be paid in respect to the Yerington property. These securities will be distributed when the relevant terms of the agreement have been met and regulatory approval has been obtained.

Otherwise there are no securities held in escrow or similar arrangement.

Directors and Officers

Name, Occupation, and Experience

The following table sets forth all current directors and executive officers as of the date of this AIF.

Name, Jurisdiction of Residence and Position with the Company	Principal Occupation, Business or Employment	Director Since	Number of Securities Beneficially Owned, Directly or Indirectly, or Controlled or Directed
Tracy Stevenson Utah, USA *Chairman and Director*	Retired Mining Executive	Since 2007	101,126
Thomas C. Patton Washington, USA *President, CEO and Director*	President of the Company	Since 1998	2,314,104
Robert Gayton(1) (2) British Columbia, Canada *Director*	Financial Consultant	Since 1997	125,879
John Kerr(1)(2) British Columbia, Canada *Director*	Geological Engineer	Since 1993	31,667
Lawrence Page, Q.C. British Columbia, Canada *Corporate Secretary and Director*	Lawyer	Since 1995	500
Eugene Spiering British Columbia, Canada *Vice President, Exploration and Director*	Vice President, Exploration of the Company	Since 2006	105,790
LeRoy Wilkes(1)(2) Colorado, USA *Director*	Retired Mining Executive	Since 2006	65,428
Charles Hawley Alaska, USA *Vice President Exploration, Alaska*	Geologist	Since 2001	Nil
Scott Hean British Columbia, Canada *Chief Financial Officer*	Chief Financial Officer of the Company	Since 2006	154,561

Notes:
1. Denotes member of the Audit Committee
2. Denotes member of the Corporate Governance Nomination and Compensation Committee

Tracy Stevenson

Mr. Stevenson received a B.S. Accounting Magna Cum Laude from the University of Utah. He has international experience in finance, mergers and acquisitions, strategic planning, corporate governance, auditing, administration and information systems and technology. He worked for Rio Tinto plc, the world's second largest mining company, and related companies for 26 years, where he held a number of senior leadership positions. Mr. Stevenson was the global head of information systems and shared services for Rio Tinto. He also served for four years as Executive Vice President, Chief Financial Officer and a director of Comalco Ltd., an Australia-based international aluminum company partially owned by Rio Tinto, and a further four years as Chief Financial Officer and a director of Kennecott Corp oration, a diversified North American mining company owned by Rio Tinto. He also has public accounting experience with Coopers & Lybrand (now PriceWaterhouseCoopers). Mr. Stevenson also serves as a director of Vista Gold Corp. Mr. Stevenson is also a founding member of Bedrock Resources, LLC, a private resources financial advisory firm and SOS Investors, a private resources investment firm.

Dr. Thomas Patton

Dr. Patton graduated from the University of Washington in 1971 (Ph.D.) and has worked with both junior and senior mining companies. He served as the President and Chief Operating Officer for Western Silver Corporation from January 1998 to May 2006. Among his accomplishments at Western Silver were the discovery and delineation of the class Peñasquito silver-gold-lead zinc deposit in Zacatecas, Mexico and the subsequent sale of the company to Glamis Gold Ltd. Prior to joining Western Silver, Dr. Patton held senior positions with Rio Tinto PLC and Kennecott Corporation, where he served as Senior Vice President, Exploration and Business Development. Dr. Patton is a member of the Society of Economic Geologists and the American Institute of Mining & Metallurgical Engineers.

Dr. Robert Gayton

Dr. Gayton graduated from the University of British Columbia in 1962 with a Bachelor of Commerce and in 1964 earned the chartered accountant (C.A.) designation. Dr. Gayton joined the Faculty of Business Administration at the University of British Columbia in 1965, beginning 10 years in the academic world, including time at the University of California, Berkeley, earning a Ph.D. in Business. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987. Dr. Gayton also serves as a director of these nine companies: Amerigo Resources Ltd.; Nevsun Resources Ltd.; Eastern Platinum Limited; Western Copper Corp.; Silvercorp Metals Inc.; Trans National Minerals Inc.; B2Gold Corp; and Palo Duro Energy Inc.

John R Kerr

John R. Kerr graduated from the University of British Columbia in 1964 with a Bachelor of Applied Science (B. ASc) degree in Geological Engineering. He has participated in the mining industry continuously since graduation as an exploration geologist. Mr. Kerr has gained experience in recognition and identification of mineral potential in a diversified field of geological environments. Mr. Kerr also serves as director of Pacific Coast Nickel Corp., Bravada Gold Corporation, and Queensgate Resources Corp. He currently operates a geological consulting practice out of Vancouver, B.C., with projects located in all areas of North America.

Lawrence Page, Q.C.

Lawrence Page, Q.C. obtained his law degree from the University of British Columbia in 1964 and was called to the Bar of British Columbia in 1965. He has been admitted to the Bar of Ontario for the purpose of acting as counsel in specified litigation. Mr. Page was awarded the distinction of Queen's Counsel in 1988. Mr. Page practices on his own in Vancouver in the areas of commercial litigation, native law, natural resource law and securities law. He is the principal of the Manex Resource Group, which provides administrative, financial, corporate and geological services to a number of public companies in the mineral resource sector, including Quaterra. Mr. Page also serves as a director of five public companies: Duncastle Gold Corp.; Valterra Resource Corporation; Fortune River Resource Corp.; Southern Silver Exploration Corp.; and Bravo Gold Corp.

Eugene Spiering

Mr. Spiering has a Bachelor of Science-Geology degree from the University of Utah. He has over 28 years of experience in the mining exploration industry. Mr. Spiering previously held the position of Vice President, Exploration at Rio Narcea Mines Ltd., where he managed a team that discovered two gold deposits and completed the final definition of one nickel deposit in Spain. Prior to his tenure at Rio Narcea, Mr. Spiering held the position of senior geologist with Energy Fuels Nuclear, Inc. where his responsibilities included drilling supervision, geologic mapping, and ore reserve calculations related to uranium exploration in northern Arizona and gold exploration in western US and Venezuela. Mr. Spiering is a member of the Society of Economic Geologists, the Society for Mining, Metallurgy & Explora tion, the American Association of Petroleum Geologists, and the Australasian Institute of Mining and Metallurgy.

LeRoy Wilkes

Mr. Wilkes is a graduate mining engineer from the Montana School of Mines. He recently retired as president of Washington Group International's Mining Business Unit. As leader of this group, he participated in developing mining projects throughout the world, including Latin America, Canada, Europe and the United States. Mr. Wilkes was also the Chief Operating Officer of Santa Fe Pacific Gold Corporation during the expansion of its Nevada operations. He was also involved in the development of such projects as Greens Creek, Alaska; Stillwater, Montana; and Las Pelameres in Chile, while serving as Senior Vice President of Business Development for Anaconda Minerals. Mr. Wilkes also serves as a director and chairman of the Board of Sabina Silver Corporation.

Scott B. Hean

Mr. Hean graduated from Simon Fraser University in 1973 and from the Ivey School of Business, London, Ontario, in 1975. He completed the Institute of Corporate Directors Director Education program in May 2006. He has held senior management and executive positions with Bank of Montreal as Senior Vice President and Managing Director responsible for financing in the natural resources sectors in North America and with J.P. Morgan of New York, where he was involved in financing oil and gas companies. Currently, Mr. Hean is director and past chair of the audit committee for Sabina Silver Corporation, a TSX listed company and a director of Southern Silver Exploration Corp., Bravo Gold Corp., and Duncastle Gold Corp., all TSX-Venture listed companies. In the non-profit sector, he serves as a director and chair of the Bill Reid Trust, a not for profit organization concerning the work of the Haida artist, Bill Reid. He has served on numerous not-for-profit Boards, including Outward Bound Canada and B.C. Children's Hospital.

Dr. Charles Hawley

Dr. Hawley graduated with a Bachelor of Arts degree from Hanover College, Indiana in 1951 and earned a Ph.D in geology from the University of Colorado in 1963. He worked for the U.S. Geological Survey from 1952-1968. Dr. Hawley has been working within the exploration and mine development field in Alaska's private sector since 1969.

Control of Securities

The Company's directors and senior officers as a group beneficially own, directly or indirectly, or exercise control or direction over 2,899,055 of the voting securities of the Company as of March 26, 2010.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Dr. Robert Gayton, Dr. Thomas Patton and Lawrence Page were directors or executive officers of Newcoast Silver Mines Ltd. (now Southern Silver Exploration Corp.) at the date of a Cease Trade Order by the British Columbia Securities Commission on September 30, 2003 and by the Alberta Securities Commission on October 31, 2003 for failure to file financial statements. The orders were revoked on October 23, 2003 and March 25, 2004 respectively.

Other than disclosed above, no director or executive office of the Company is, as at March 26, 2010, or was within 10 years before the date of this AIF, a director, chief executive officer ("CEO") or chief financial officer ("CFO") of any company (including the Company), that:

(a) Was subject to an order that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO, or

(b) Was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

For the purpose here of "order" means

(a) A cease trade order;

(b) An order similar to a cease trade order; or

(c) An order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is as at March 26, 2010, or was within 10 years before the date of this AIF, a director, CEO or CFO of any company (including the Company), that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets state the fact; or has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditor s, or had a receiver, receiver executive officer or shareholder other than:

Lawrence Page, a director and President of Saturna Beach Estates Ltd., a private Company formed under the laws of British Columbia, Canada ("SBEL") which conducts the business of a vineyard and winery. On August 17, 2004, SBEL obtained an Order from the Supreme Court of British Columbia under the provisions of the Companies' Creditors Arrangement Act (Canada) that allowed SBEL to continue to run its daily business affairs without creditor action during financial reorganization. At the date hereof, the financial reorganization has been completed and the Order terminated

LEGAL PROCEEDINGS

Legal Proceedings

The Company is not a party to any legal proceedings and is not aware of any such proceedings known to be contemplated.

CONFLICTS OF INTEREST

Conflicts of Interest

Certain officers and directors of the Company are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with the Company from time to time. The British Columbia Business Corporations Act requires, among other things, the officers and directors to act honestly and in good faith with a view to the best interest of the Company and its shareholders, to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and, in the case of directors, to abstain from voting as a director for the approval of any such transaction.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Interest of Management and others in Material Transactions

Except as otherwise disclosed in the Company's annual audited consolidated financial statements and MD&A, no director or executive officer of the Company, beneficially owns or controls directly or indirectly, more than 10% of the Company's common shares and no affiliate of any such persons or companies has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

Transfer Agent and Registrar

The registrar and transfer agent of the Company is CIBC Mellon Trust Company at its office is located in Vancouver, British Columbia, at 1600 – 1066 West Hasting Street, Vancouver BC, V6E 3X1.

MATERIAL CONTRACTS

Material Contracts

The Company entered into an agreement with related party Manex Resource Corp. ("Manex") in June 2008 whereby Manex provides administrative, accounting, and secretarial services to the Company. Manex is a private company controlled by Lawrence Page, a director and officer of the Company. The basic fee for office space and office infrastructure is $12,500 per month and other services rendered are based on hourly rates specified in the agreement. The Company also reimburses Manex for office supplies including paper, courier, postage, parking, filing fees and other out-of-pocket expenses. During the year ended December 31, 2009 the Company paid $479,014 to Manex.

INTERESTS OF EXPERTS

Names of Experts

The following persons, firms and companies are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 Continuous Disclosure Obligations by the Company during, or relating to, the Company's most recently completed financial year and whose profession or business gives authority to the statement, report or valuation made by the person, firm or company.

Name	Description
Smythe Ratcliffe, LLP	Independent Auditors' report dated March 25, 2010, in respect of the Company's consolidated financial statements for the years ended December 31, 2009, 2008 and 2007.
John W. Rozelle, P.G. Tetra Tech	Technical Report dated March 19, 2009 titled "MacArthur Copper Project NI 43-101 Technical Report Lyon County, Nevada, USA
Michelle Stone, Ph.D P.Geo. Caracle Creek International Consulting Inc.	Technical Report dated March 8, 2009 "Independent Technical Report The Nieves Silver Project Zacatecas State, Mexico"

To the best of Quaterra's knowledge, the authors of the report listed above do not have any interest in nor hold any securities of the Company.

Additional Information

Audit Committee Charter

A copy of the charter of the audit committee is available at www.quaterraresources.com.

Composition of the Audit Committee

The audit committee consists of three directors. The following table sets out their names and whether they are 'independent' and 'financially literate' for the purposes of National Instrument 52-110:

Name of Member	Independent (1)	Financially Literate (2)
Robert Gayton	Yes	Yes
John Kerr	Yes	Yes
LeRoy Wilkes	Yes	Yes

(1) To be considered to be independent, a member of the audit committee must not have any direct or indirect 'material relationship' with the Company. A material relationship is a relationship which could, in the view of the board of directors of the Company, reasonably interfere with the exercise of a member's independent judgment.
(2) To be considered financially literate, a member of the audit committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected in the Company's financial statements.

Relevant Education and Experience

The Committee is comprised of Robert Gayton (Chair), John Kerr and LeRoy Wilkes. All three members are independent and are financially literate, as described in National Instrument 52-110. See "Director and Officers" section for detailed description of each member's relevant education and experience.

Pre-approved Policies and Procedures

All non-audited services are pre-approved by the Committee. Before approval is given, the Committee examines the independence of the external auditors in relation to the services to be provided and assesses the reasonableness of the fees to be charged for such services.

External Auditor Service Fees

Financial Year Ending	Audit Fees[1]	Audit Related Fees[2]	Tax Fees	All other Fees	Total
December 31, 2009	$80,000	$nil	$2,800	$5,000	$87,800
December 31, 2008	$97,586	$600	$2,800	$nil	$100,986

(1) The aggregate audit fees include the audit of the Company's consolidated financial statements and the audit of ICFR.

(2) The aggregate fees billed for audit related services that are reasonably related to the performance of the audit of the Company's consolidated financial statements, which are not included under the heading "Audit Fees".

General

Additional information relating the Company can be found on SEDAR at www.sedar.com. The information available at www.sedar.com includes copies of the full text of the technical reports prepared for the Company. Additional financial information including the Company's financial statements and management discussion and analysis for the year ended December 31, 2009 can also be found on SEDAR.

Additional information relating to the Company and its corporate governance policies can be found on the Company's web site at www.quaterraresources.com



(An Exploration Stage Company)

Audited Consolidated Financial Statements
December 31, 2009
(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting - Canada

The accompanying consolidated financial statements have been prepared by the management of Quaterra Resources Inc. in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. The integrity and objectivity of these consolidated financial statements are the responsibility of management.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The consolidated financial statements include amounts that are based on the best estimates and judgment of management.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three outside directors who are not involved in the daily operations of the Company. The functions of the Audit Committee include the review of the quarterly and annual consolidated financial statements, review of the adequacy of the system of internal controls, review any relevant accounting, financial and security regulatory matters, and recommending the appointment of the external auditors. The Audit Committee meets at least quarterly with management to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financia l statements prior to their presentation to the Board of Directors for approval.

The external auditors, Smythe Ratcliffe LLP, conducted an independent examination, in accordance with Canadian generally accepted auditing standards, and expressed their opinion on the consolidated financial statements. Their examination included tests and procedures to provide reasonable assurance that the consolidated financial statements are, in all material respects, presented fairly and in accordance with Canadian generally accepted accounting principles. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

"Thomas C. Patton" (signed)

Thomas C. Patton
President and Chief Executive Officer

"Scott Hean" (signed)

Scott Hean
Chief Financial Officer

Vancouver, Canada
March 25, 2010

Management's Report on Internal Control over Financial Reporting – United States

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management conducted an evaluation of the effectiveness of the internal controls over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2009. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at December 31, 2009 was effective.

The effectiveness of the Company's internal control over financial reporting has been audited by Smythe Ratcliffe LLP, independent auditors, as stated in their report.

"Thomas C. Patton" (signed)

Thomas C. Patton
President and Chief Executive Officer

"Scott Hean" (signed)

Scott Hean
Chief Financial Officer

Vancouver, Canada
March 25, 2010

SmytheRatcliffe
CHARTERED ACCOUNTANTS

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Quaterra Resources Inc.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Quaterra Resources Inc. (an exploration stage company) as at December 31, 2009 and 2008 and the consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009 in conformity with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as at December 31, 2009 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations for the Treadway Commission and our report dated March 25, 2010 expresses an unqualified opinion.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, Canada
March 25, 2010

COMMENTS BY AUDITORS FOR UNITED STATES READERS – U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the change as described in note 17(e) to the consolidated financial statements. Our report to the shareholders dated March 25, 2010, is expressed in accordance with Canadian reporting standards, which do not require a reference to such changes in accounting principles in the auditors' report when such changes are properly accounted for and adequately disclosed in the financial statements

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, Canada
March 25, 2010

Smythe Ratcliffe LLP is a member firm of both the **PKF** International Limited network and **PKF** North America, which are, respectively, a network and an association of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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SmytheRatcliffe
CHARTERED ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Quaterra Resources Inc.
(An Exploration Stage Company)

We have audited Quaterra Resources Inc.'s (the "Company") internal control over financial reporting as at December 31, 2009 based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risks. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2009, based on the criteria established in Internal Control – Integrated Framework issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2009 and 2008 and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2009 and our report dated March 25, 2010 expresses an unqualified opinion on those financial statements.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, Canada
March 25, 2010

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Quaterra Resources Inc.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in Canadian dollars)

		As at December 31 2009	2008
Assets			
Current assets:			
Cash and cash equivalents		$ 4,795,220	$ 524,590
Restricted cash		-	56,028
Investment	Notes 4 & 6(e)	26,000	-
Other receivables		60,323	127,890
Prepaids and deposits		177,603	189,874
Amount due from Joint Venture Partner	Note 6(a)	251,904	88,110
		5,311,050	986,492
Equipment	Note 5	163,094	208,022
Mineral properties	Note 6	36,091,683	32,885,071
Reclamation bonds		306,670	317,704
		$ 41,872,497	**$ 34,397,289**
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 628,750	$ 1,106,783
Due to related parties	Note 9	250,637	49,178
Current portion of promissory note	Note 6(g)(6)	-	334,950
		879,387	1,490,911
Liability component of convertible notes	Note 7	-	2,953,370
		879,387	4,444,281
Shareholders' Equity			
Share capital	Note 8	63,168,843	48,318,994
Equity component of convertible notes	Note 7	-	259,164
Contributed surplus		13,453,030	10,002,333
Accumulated other comprehensive loss		(12,866)	-
Deficit		(35,615,897)	(28,627,483)
		40,993,110	29,953,008
		$ 41,872,497	**$ 34,397,289**

Nature of operations (Note 1)
Commitments (Note 10)

(See accompanying notes to consolidated financial statements)

Approved on behalf of the Board of Directors:

"Thomas Patton" (signed)
Thomas Patton

"Robert Gayton" (signed)
Robert Gayton

Quaterra Resources Inc.
(An Exploration Stage Company)
Consolidated Statements of Operations
(Expressed in Canadian dollars)

	Years ended December 31,		
	2009	**2008**	**2007**
General Administrative Expenses			
Administration	$ 176,280	$ 179,610	$ 170,061
Amortization	72,934	78,023	43,309
Consulting	366,384	740,365	375,452
Directors' and officers' fees	166,318	153,749	87,683
Investor relations and communications	171,989	422,467	344,964
Office and general	410,291	582,669	184,992
Professional fees	415,495	800,086	283,019
Regulatory fees and taxes	72,412	175,564	118,817
Salaries and benefits	378,588	467,309	263,544
Stock-based compensation (Note 8(c))	3,419,775	2,958,838	4,502,163
Transfer agent	41,677	38,790	28,857
Travel and promotion	54,871	139,617	167,998
Operating Expenses	(5,747,014)	(6,737,087)	(6,570,859)
Other			
General exploration costs	(423,681)	(633,741)	(229,334)
Foreign exchange gain/(loss)	601,384	446,118	(778,126)
Interest income	3,250	55,555	248,684
Interest and financing charges	(593,824)	(33,752)	(21,428)
Joint venture administration fee	34,003	68,726	47,859
Warrant modification expense (Note 8(b))	(95,252)	-	-
Write-off of mineral properties	(767,280)	-	-
	(1,241,400)	(97,094)	(732,345)
Loss for the year	(6,988,414)	(6,834,181)	(7,303,204)
Unrealized loss on available-for-sale investment	(12,866)	-	-
Comprehensive loss for the year	$ (7,001,280)	$ (6,834,181)	$ (7,303,204)
Loss per share - basic and diluted	$ (0.08)	$ (0.08)	$ (0.09)
Weighted average number of common shares outstanding	92,443,572	86,304,153	79,971,435

(See accompanying notes to consolidated financial statements)

Quaterra Resources Inc.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,		
	2009	**2008**	**2007**
Operating Activities			
Net loss for the year	$ (6,988,414)	$ (6,834,181)	$ (7,303,204)
Items not involving cash:			
Amortization	72,934	78,023	43,309
Commitment to issue shares for services	-	15,000	-
Stock-based compensation	3,419,775	2,958,838	4,502,163
Shares issued for services	90,000	90,000	67,500
Warrant modification expense	95,252	-	-
Interest expense on convertible notes	-	24,208	-
Write-off of mineral properties	767,280	-	-
Foreign exchange (gain) loss	132,304	(501,383)	757,604
	(2,410,869)	(4,169,495)	(1,932,628)
Changes in non-cash working capital			
Other receivables	67,567	116,494	(212,277)
Prepaid and deposits	12,271	(81,721)	(13,182)
Accounts payable and accrued liabilities	(25,361)	63,103	83,377
Due to related parties	201,459	(37,213)	60,175
Cash used in operating activities	(2,154,933)	(4,108,832)	(2,014,535)
Financing Activities			
Shares issued for cash, net of share issue costs	9,975,207	10,972,246	6,881,465
Net proceeds from convertible notes	1,410,432	3,188,326	-
Repayment of promissory note	-	(270,050)	-
Cash provided by financing activities	11,385,639	13,890,522	6,881,465
Investing Activities			
Expenditures on mineral properties	(4,630,243)	(13,366,464)	(9,132,683)
Due from Joint Venture partner	(163,794)	493,014	(467,694)
Purchase of equipment	(28,006)	(105,592)	(172,187)
Refund (purchase) of reclamation bonds	11,034	(178,212)	(59,594)
Restricted cash	56,028	(56,028)	-
Cash used in investing activities	(4,754,981)	(13,213,282)	(9,832,158)
Effect of foreign exchange on cash	(205,095)	566,282	(757,604)
Increase (decrease) in cash during the year	4,270,630	(2,865,310)	(5,722,832)
Cash and cash equivalents, beginning of year	524,590	3,389,900	9,112,732
Cash and cash equivalents, end of year	$ 4,795,220	$ 524,590	$ 3,389,900

Supplemental cash flow information (Note 13)

(See accompanying notes to consolidated financial statements)

Quaterra Resources Inc.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares		Equity Component of Convertible Notes	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Balance at December 31, 2006	78,104,820	$ 27,861,058	$ -	$ 3,709,557	$(14,490,098)		$ 17,080,517
Common shares issued for cash during the year:							
Exercise of warrants	2,480,785	5,581,766					5,581,766
Exercise of options	2,108,500	1,288,515					1,288,515
Shares issued for mineral property acquisitions	200,000	586,000					586,000
Allotted for mineral property acquisitions	250,000	695,000					695,000
Shares issued for services	22,900	67,500					67,500
Fair value of options and warrants exercised		801,925		(801,925)			-
Share issue costs, net of future income taxes		(6,316)					(6,316)
Stock-based compensation				4,502,163			4,502,163
Net loss for the year					(7,303,204)		(7,303,204)
Balance at December 31, 2007	83,167,005	36,875,448	-	7,409,795	(21,793,302)	-	22,491,941
Common shares issued during the year:							
Shares issued for cash, net of issue costs	3,482,500	10,414,556					10,414,556
Exercise of options	749,000	557,690					557,690
Shares issued for services	64,978	90,000					90,000
Commitment to issue shares for services				15,000			15,000
Equity portion of convertible notes issued			259,164				259,164
Fair value of options exercised		381,300		(381,300)			-
Stock-based compensation				2,958,838			2,958,838
Net loss for the year					(6,834,181)		(6,834,181)
Balance at December 31, 2008	87,463,483	48,318,994	259,164	10,002,333	(28,627,483)	-	29,953,008
Common shares issued during the year:							
Shares issued for cash, net of issue costs	15,227,410	8,841,083					8,841,083
Exercise of options	60,200	33,220					33,220
Exercise of warrants	1,670,000	1,100,905					1,100,905
Shares issued for services	178,483	90,000		(15,000)			75,000
Shares issued for finders' fees	114,000	(45,150)		45,150			-
Shares issued for convertible notes, net of issue costs	6,545,795	4,583,311	(379,150)	-			4,204,161
Shares issued for property (Note 6(g)(3))	200,000	137,000					137,000
Commitment to issue shares for services				15,000			15,000
Equity portion of convertible notes issued			119,986				119,986
Fair value of options and warrants exercised		109,480		(109,480)			-
Stock-based compensation				3,419,775			3,419,775
Warrant modification expense				95,252			95,252
Unrealized loss on available-for-sale investment						(12,866)	(12,866)
Net loss for the year					(6,988,414)		(6,988,414)
Balance at December 31, 2009	**111,459,371**	**$ 63,168,843**	**$ -**	**$ 13,453,030**	**$(35,615,897)**	**$ (12,866)**	**$ 40,993,110**

(See accompanying notes to consolidated financial statements)

1. NATURE OF OPERATIONS

Quaterra Resources Inc., along with its subsidiary companies (collectively "Quaterra" or "the Company"), is engaged in the acquisition and exploration of precious and base metal mineral properties in the United States and Mexico.

The Company incurred a net loss of $6,988,414 for the year ended December 31, 2009 (2008 - $6,834,181; 2007 - $7,303,204). As at December 31, 2009, the Company had an accumulated deficit of $35,615,897 (2008 - $28,627,483) and working capital of $4,431,663 (2008 - $504,419 deficiency).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral properties, is dependent on the Company's ability to obtain the necessary financing. The Company intends to fund its plan of operations from working capital and the proceeds of financings. Future financings are expected to be obtained through joint ventures, exercise of warrants and options, equity financing or other means.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The recoverability of amounts shown for mineral properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of its explorations, establish future profitable production or receive proceeds from disposition of mineral properties. The carrying value of the Company's mineral properties does not reflect current or future values.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars. As described in Note 17, accounting principles generally accepted in Canada differ in certain material respects from accounting principles generally accepted in the United States ("U.S. GAAP").

These consolidated financial statements include the accounts of the Company, its wholly-owned integrated subsidiaries and its proportionate share of the accounts of the joint venture. The wholly-owned subsidiaries include Quaterra Alaska Inc. - incorporated in the United States, Minera Agua Tierra S.A. de C.V. - incorporated in Mexico, and Quaterra International Limited - incorporated in the British Virgin Islands. All significant inter-company accounts and transactions have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral Properties

The Company defers all costs related to investments in mineral interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred resource property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When recoveries exceed the carrying value of the interest, the excess is recognized in the statements of operations.

Asset Retirement Obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include highly-liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less from the date acquired. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Equipment

Equipment is recorded at cost and amortization begins when the asset is substantially put into service. Amortization is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 30% for vehicles, equipment and furniture, 45% for computers and 75% for software.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment (Continued)

The Company reviews the carrying value of its equipment on a regular basis and where the carrying value exceeds the estimated undiscounted future net cash flows, a provision for impairment is recorded based on the discounted estimated future cash flows.

Reclamation Bonds

Certain cash is held in long-term reclamation bonds to support future reclamation work in the United States. No interest is earned on these bonds.

Convertible Notes

The Company's convertible notes are split into their corresponding debt and equity components at the date of issue. The debt component is classified as a liability and recorded at the present value of the Company's obligation to make future principal and interest payments. The equity component represents the value of the conversion right and attached warrants and is recorded using the residual value approach.

Foreign Currency Translation

The functional and reporting currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

i Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
ii Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
iii. Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

Stock-Based Compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options or warrants is measured on the earlier of the date at which the counterparty performance is complete, the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options or warrants is charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contribut ed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets, liabilities, expenses, other income, and contingent assets and liabilities. Significant areas requiring the use of management estimates relate to amortization of equipment, the determination of the recoverability of mineral property costs, the valuation allowance of future tax assets, the bifurcation of the convertible notes into debt and equity components, the determination of AROs and environmental restoration, and the assumptions about the variables used in the calculation of stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Financial Instruments

Financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss). Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share Capital

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

Non-Monetary Transaction

Shares issued for consideration other than cash are valued at the quoted market price at the date of issue.

3. ACCOUNTING CHANGES

Changes in Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section had no effect on the Company's consolidated financial statements.

Recent Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

3. ACCOUNTING CHANGES (Continued)

Business Combinations (Continued)

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred.

Section 1601, "Consolidated Financial Statements", replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011.

Section 1602, "Non-Controlling Interests", establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to International Financial Reporting Standards ("IFRS") on consolidated and separate financial statements. This standard is effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections in the Company's consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended March 31, 2011, which must include the interim results for the prior period ended March 31, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP, but there are some significant differences on recognition, measurement and disclosures. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. INVESTMENT

The Company acquired common shares in Copper Ridge Exploration Inc. ("Copper Ridge"), which are classified as available-for-sale. The Copper Ridge shares were obtained in consideration for payments required pursuant to a property option agreement on the Duke Island property, located in Alaska, United States (Note 6(e)).

	Cost	Fair Value
Balance December 31, 2008	$ -	$ -
Acquisition, 66,667 Copper Ridge common shares	38,866	38,866
Fair value adjustment	-	(12,866)
Balance December 31, 2009	$ 38,866	$ 26,000

5. EQUIPMENT

Equipment is carried at cost less accumulated amortization. Details of equipment are as follows:

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	$ 37,482	$ 26,685	$ 10,797	$ 37,482	$ 17,568	$ 19,914
Office equipment	81,714	46,788	34,926	81,714	32,408	49,306
Software	59,866	49,963	9,903	52,452	37,313	15,139
Vehicles	215,732	108,264	107,468	195,140	71,477	123,663
	$ 394,794	$ 231,700	$ 163,094	$ 366,788	$ 158,766	$ 208,022

6. MINERAL PROPERTIES

The total deferred exploration and acquisition costs of mineral properties for 2009 and 2008 were as follows:

	Mexico			United States					
Mineral Properties	**Nieves**	**Mirasol - Americas**	**Crestones**	**MacArthur**	**Yerington**	**Alaska**	**Uranium Properties**	**Other Properties**	**Total**
Acquisition									
Balance, December 31, 2008	$1,355,726	$ 349,961	$ 84,334	$ 812,380	$1,338,894	$ 254,772	$ 3,534,618	$1,827,174	$ 9,557,859
Additions during the year	57,457	31,749	4,775	257,439	320,442	20,935	416,523	699,977	1,809,297
Write-offs during the year	-	-	-	-	-	-	-	(30,226)	(30,226)
Balance, December 31, 2009	1,413,183	381,710	89,109	1,069,819	1,659,336	275,707	3,951,141	2,496,925	11,336,930
Exploration									
Balance, December 31, 2008	1,734,890	1,679,426	1,392,870	7,452,228	689,125	2,357,173	6,982,347	1,039,153	23,327,212
Assays and surveys	35,113	21,230		102,055			-	41,294	199,692
Camp costs	8,829	18,620	87	91,928		1,787	35,652	37,370	194,273
Drilling services	131,369	6,773	-	39,192			33,852	29,916	241,102
Equipment rental	-	-	-	11,934			1,889	243	14,066
Exploration support	5,674	13,112	124	153,565	182	5,759	88,720	4,349	271,485
Field supplies	4,837	7,052	-	5,983			1,068	-	18,940
Geological services	60,810	99,183	-	349,260	35,426	41,336	154,359	185,826	926,200
Project management	24,258	27,466	392	46,899	14,413	3,000	54,890	9,528	180,846
Travel	3,134	3,592	29	6,537	141	1,658	13,723	2,490	31,304
Vehicle expenses	8,549	8,776	36	40,379	537		24,865	3,545	86,687
Additions during the year	282,573	205,804	668	847,732	50,699	53,540	409,018	314,561	2,164,595
Write-offs during the year	-	-	-	-	-	-	-	(737,054)	(737,054)
Balance, December 31, 2009	2,017,463	1,885,230	1,393,538	8,299,960	739,824	2,410,713	7,391,365	616,660	24,754,753
Total acquisition and exploration, December 31, 2009	**$3,430,646**	**$2,266,940**	**$1,482,647**	**$9,369,779**	**$2,399,160**	**$2,686,420**	**$11,342,506**	**$3,113,585**	**$36,091,683**

6. MINERAL PROPERTIES (Continued)

Mineral Properties	Mexico								
	Nieves	Mirasol - Americas	Crestones	MacArthur	Yerington	Alaska	Uranium Properties	Other Properties	Total
Acquisition									
Balance, December 31, 2007	$1,302,933	$ 314,742	$ 78,097	$ 525,713	$ 979,078	$ 185,344	$ 2,956,192	$1,495,339	$ 7,837,438
Additions during the year	52,793	35,219	6,237	286,667	359,816	69,428	578,426	331,835	1,720,421
Balance, December 31, 2008	1,355,726	349,961	84,334	812,380	1,338,894	254,772	3,534,618	1,827,174	9,557,859
Exploration									
Balance, December 31, 2007	1,102,956	367,322	1,368,426	2,407,015	277,000	1,833,592	3,519,528	841,429	11,717,268
Assays and surveys	89,906	226,481	-	700,550	127,130	183,892	45,677	38,930	1,412,566
Camp costs	19,963	45,951	3,504	226,979	5,924	11,807	99,797	8,274	422,199
Drilling services	351,521	676,870	-	2,081,016	-	36,549	2,086,088	-	5,232,044
Equipment rental	-	8,104	-	187,446	-	839	12,774	33	209,196
Exploration support	15,982	136,315	1,375	307,150	4,932	78,510	107,750	4,380	656,394
Field supplies	16,421	2,777	1,520	117,603	-	2,366	17,207	33,201	191,095
Geological services	33,869	24,516	3,321	1,146,140	258,363	191,304	860,505	75,728	2,593,746
Project management	91,204	147,262	9,089	93,749	1,362	3,913	90,845	26,707	464,131
Travel	2,878	20,547	55	37,875	2,766	12,679	41,054	2,888	120,742
Vehicle expneses	10,190	23,281	5,580	146,705	11,648	1,722	101,122	7,583	307,831
Additions during the year	631,934	1,312,104	24,444	5,045,213	412,125	523,581	3,462,819	197,724	11,609,944
Balance, December 31, 2008	1,734,890	1,679,426	1,392,870	7,452,228	689,125	2,357,173	6,982,347	1,039,153	23,327,212
Total acquisition and exploration, December 31, 2008	**$3,090,616**	**$2,029,387**	**$1,477,204**	**$8,264,608**	**$2,028,019**	**$2,611,945**	**$10,516,965**	**$2,866,327**	**$32,885,071**

6. MINERAL PROPERTIES (Continued)

(a) Nieves Concessions, Mexico

The Company originally owned a 100% interest in the Nieves silver property located in northern Zacatecas, Mexico. In 2003 the Company entered into an agreement with the U.S.-based Blackberry Ventures 1, LLC ("Blackberry"). Pursuant to the terms of the agreement, Blackberry advanced US$1,500,000 to the Company and earned a 50% interest in the property. Accordingly, the Company owns the remaining 50% interest. All work plans are made in consultation with the joint venture partner Blackberry, which contributes its share of ongoing exploration costs plus a 10% administration fee.

The Nieves concessions are subject to a maximum 3% net smelter return royalty ("NSR") to the original concession holders, which the Company may purchase at any time for US$2,000,000. In addition, Kennecott Exploration Company, the optionor in the initial Underlying Agreement, retains NSR royalties of 2% on certain core claims and 1% on certain peripheral claims. Commencing January 26, 2004, an annual advance minimum royalty payment ("AMR") of US$75,000 is due to the concession holders until the commencement of commercial production. On January 24, 2007, this NSR was purchased by Royal Gold Inc.

During the year ended December 31, 2009, the Company received US$175,104 from Blackberry in respect to its share of ongoing exploration costs that were incurred on the property. As of December 31, 2009, $251,904 (2008 - $88,110) was due from Blackberry. On February 5, 2010, the Company received $251,904 from Blackberry.

(b) Mirasol, Americas and Crestones Property, Mexico

The Mirasol and Americas projects are located in the Municipality of Simon Bolivar, Durango, Mexico. The two projects consist of 13 exploration concessions that total 82,926 hectares.

Crestones property is composed of three concessions. The Company holds a 100% interest in a certain mineral concession located in northern Durango, Mexico.

(c) MacArthur Claim, United States

Pursuant to an agreement entered into in October 2005, as amended January 9, 2010, with North Exploration LLC, the Company acquired the right to earn an interest in certain unpatented mining claims covering the former MacArthur copper-oxide mine, in the Yerington district of Lyon County, Nevada. The Company may elect to acquire the property by making the following payments:

(i) US$110,000 on or before January 15, 2007 (paid)
(ii) US$100,000 on or before January 15, 2008 (paid)
(iii) US$125,000 on or before January 15, 2009 (paid)
(iv) US$300,000 (paid) and 150,000 shares (subject to regulatory approval) on or before January 15, 2010
(v) US$1,770,000 (less the market value of the above 150,000 shares) on or before January 15, 2011

The property is subject to a 2% NSR, which may be reduced to 1% for US$1,000,000.

6. MINERAL PROPERTIES (Continued)

(d) Yerington, United States

On May 1, 2007, the Company received approval from the appropriate US court for the acquisition of all Arimetco assets in the Yerington Mining District. The purchase price comprises US$500,000 cash and 250,000 common shares of the Company. The original 180-day due diligence review period that began on July 13, 2007 was extended to June 14, 2010. Up to December 31, 2009, the Company had paid a US$250,000 non-refundable deposit and issued 250,000 common shares (issued), and may elect to acquire a 100% interest in the property by making a further payment of US$250,000 on closing once the due diligence review has been completed.

The property is subject to a 2% NSR to a maximum of US$7,500,000 on commencement of commercial production.

(e) Alaska Properties (Duke Island and Herbert Glacier), United States

On September 29, 2009, the Company signed an option agreement with Copper Ridge for its 100% owned Duke Island property located in southeast Alaska. The agreement provides that Copper Ridge can earn up to a 51% interest by issuing 66,667 common shares (issued) and spending $3,000,000 on exploration by December 31, 2012, with a minimum of $750,000 to be spent by December 31, 2010. Copper Ridge may increase its interest in the property to 65% by spending an additional $2,000,000 on exploration by December 31, 2013.

Pursuant to an agreement made in November 2007, the Company acquired the right to earn an interest in certain mining claims, known as the Herbert Glacier. To earn a 100% interest, the Company is required to make annual payments of US$12,000 from November 2007 to 2011, US$20,000 from November 2012 to 2017, and US$30,000 from November 2018 and every consecutive anniversary thereafter. Up to December 31, 2009, the Company has paid US$36,000.

The property is subject to a NSR as follows:

(i) 3.0% on gold prices less than US$400
(ii) 3.5% on gold prices between US$401 and US$500
(iii) 4.0% on gold prices between US$501 and US$600
(iv) 5.0% on gold prices above US$601

(f) Uranium Properties (Arizona, Utah and Wyoming), United States

Pursuant to a June 2005 agreement with North Exploration LLC, the Company acquired an option to purchase mining claims situated in Arizona, Utah and Wyoming. The Company is required to make the following payments and issue common shares as follows:

(i) US$90,000 and issue 600,000 shares on or before September 6, 2007 (paid and issued)
(ii) US$75,000 on or before September 6, 2008 (paid)
(ii) US$135,000 on or before September 6, 2009 (paid)
(iv) US$200,000 on or before September 6, 2010

6. MINERAL PROPERTIES (Continued)

(f) Uranium Properties (Arizona, Utah and Wyoming), United States (Continued)

The agreement is subject to a 2% NSR payable upon commencement of commercial production, which can be reduced to 1% for US$1,000,000.

Pursuant to an August 2006 agreement, as amended August 14, 2009, with Nustar Exploration LLC, the Company leased 18 claims in the Arizona strip district. The Company is required to pay the following:

(i) US$50,000 on or before August 10, 2007 (paid)
(ii) US$40,000 on or before August 10, 2008 (paid)
(iii) US$100,000 on or before August 10, 2011

This agreement is subject to a 4% royalty payable upon commencement of commercial production of which 3% royalty can be bought back for US$500,000.

In September 2008, three environmental groups filed a lawsuit against the U.S. Secretary of Interior, the U.S. Department of Interior and U.S. Bureau of Land Management for authorizing uranium exploration on one million acres of public land near Grand Canyon. On February 22, 2010, the lawsuit was dismissed and the Company's rights to explore and develop its uranium claims on Arizona strip were unaffected.

(g) Other Properties

(1) Tecolote (formerly East Durango), Mexico

On September 30, 2008, the Company and EXMIN Resources Inc. entered into an agreement allowing the Company to earn a 75% interest in EXMIN's Tecolote Property, Mexico. Under the terms of the agreement, the Company can earn a 75% interest in the property by spending US$500,000 in exploration costs before September 30, 2012 plus make payments as follows:

(i) US$20,000 on September 30, 2008 (paid)
(ii) US$20,000 on September 30, 2009 (paid)
(iii) US$20,000 on September 30, 2010
(iv) US$40,000 on September 30, 2011

(2) Cave Peak Molybdenum Prospect, United States

Pursuant to an option agreement made in March 2007, the Company may acquire a 100% interest in certain prospect permits. The option payments are as follows:

(i) Initial payment of US$50,000 (paid)
(ii) US$50,000 on or before March 27, 2008 (paid)
(iii) US$60,000 on or before March 27, 2009 (paid)

6. MINERAL PROPERTIES (Continued)

(g) Other Properties (Continued)

(2) Cave Peak Molybdenum Prospect, United States (Continued)

(iv) US$70,000 on or before March 27, 2010
(v) US$150,000 on or before March 27, 2011
(vi) US$220,000 on or before March 27, 2012

This property is subject to a royalty of 6.25% on commencement of commercial production.

(3) Willow Creek Molybdenum Prospect, United States

On October 11, 2008, as amended October 26, 2009, the Company secured an option with the Willow Creek Discovery Group, LLC to acquire 100% of the Willow Creek porphyry molybdenum prospect in southwestern Montana. The Company has the right to earn a 100% interest in the property by making the following AMR payments to the Willow Creek Discovery Group totalling US$2,505,000 over a six-year period and issuing 200,000 common shares of the Company:

(i) Initial payment of US$75,000 and 100,000 shares on October 11, 2008 (paid and issued)
(ii) US$30,000 and 100,000 shares on October 11, 2009 (paid and issued)
(iii) US$150,000 or US$50,000 and 100,000 shares on October 11, 2010
(iv) US$150,000 on October 11, 2011
(v) US$350,000 on October 11, 2012
(vi) US$750,000 October 11, 2013
(vii) US$1,000,000 October 11, 2014

The agreement is subject to a 2% NSR payable upon commencement of commercial production. In the event royalty payments are imposed by government agencies such that the total royalty exceeds the equivalent of 4% NSR, the Company can exercise the right to reduce the NSR to the optionor by 1% for $1,000,000 within one year of commencement of commercial production.

(4) Copper Canyon Project, United States

Pursuant to an agreement in November 2007, as amended October 9, 2009, the Company acquired the right to earn an interest in certain mining claims, known as the Copper Canyon Project in Mineral County, Nevada. To earn a 100% interest, the Company is required to make payments totaling US$625,000 as follows:

(i) Initial payment of US$15,000 (paid)
(ii) US$35,000 on or before November 6, 2008 (paid)
(iii) US$35,000 on or before November 6, 2009 (paid)
(iv) US$190,000 on or before November 6, 2010
(v) US$350,000 on or before November 6, 2011

6. MINERAL PROPERTIES (Continued)

(g) Other Properties (Continued)

(4) Copper Canyon Project, United States (Continued)

The property is subject to a 2.5% NSR, which can be reduced to 2.0% for US$500,000.

Should the Company decide to commence commercial production, a payment of US$750,000 is due within five business days from the date the decision is made.

(5) Gray Hills, United States

Pursuant to an agreement made in July 2007, as amended July 24, 2009, the Company entered into a lease with an option to purchase certain mining claims, known as the Gray Hills claims in Lyon County, Nevada. To earn a 100% interest, the Company is required to make payments as follows:

(i) Initial payment of US$15,000 (paid)
(ii) US$20,000 on or before July 11, 2007 (paid)
(iii) US$25,000 on or before July 11, 2008 (paid)
(iv) US$15,000 on or before December 31, 2009 (paid)
(v) US$35,000 on or before July 11, 2010
(vi) US$40,000 on or before July 11, 2011 and each anniversary until such time the option to purchase the property is exercised by the Company or the optionee chooses to withdraw from the lease

The Company may exercise its option to purchase the property at any time, for US$500,000. The property is subject to a 3% NSR, up to 2% of which may be reduced by the Company for US$500,000 per 1%.

(6) South West Tintic and Peg Leg, United States

On May 29, 2009, the Company signed an earn-in agreement with Freeport-McMoRan Exploration Corporation of Phoenix, Arizona ("FMEC") for the Company's South West Tintic project in Utah. Under the terms of the agreement, FMEC has the exclusive right and option to acquire a 70% ownership interest in this property by making a US$275,000 property payment and by spending US$4,725,000 on exploration costs over four years. To keep the option in good standing, FMEC must make a minimum expenditure of US$750,000 by August 29, 2010.

Pursuant to an agreement made in March 2007, the Company acquired the right to earn an interest in certain unpatented mining claims, which forms part of the South West Tintic Claims in Juab County, Utah. To earn a 100% interest, the Company is required to make payments to the original vendors as follows:

(i) US$20,000 on March 15, 2007 (paid)
(ii) US$20,000 on or before February 15, 2008 (paid)
(iii) US$20,000 on or before February 15, 2009 (paid)

6. MINERAL PROPERTIES (Continued)

(g) Other Properties (Continued)

(6) South West Tintic and Peg Leg, United States (Continued)

(iv) US$40,000 on or before February 15, 2010 (paid by FMEC)
(v) US$50,000 on or before February 15, 2011
(vi) US$50,000 on or before February 15, 2012
(vii) US$100,000 on or before February 15, 2013
(viii) US$100,000 on or before February 15, 2014
(ix) US$100,000 on or before February 15, 2015
(x) US$250,000 on or before February 15, 2016
(xi) US$250,000 on or before February 15, 2016

Alternatively, the Company may acquire the property at any time by paying US$1,000,000 less any previously paid amounts. The property is subject to a 2% NSR, which may be reduced to 1% for US$1,000,000.

Pursuant to another agreement made in August 2007, the Company is required to make a payment of US$259,410 (paid) and advance a US$550,000 promissory note to earn an interest in further unpatented mining claims, which also form part of the South West Tintic Claims.

The US$550,000 promissory note has a term of two years, with no interest. The Company repaid US$275,000 by August 29, 2008, and the remaining US$275,000 was paid by FMEC by August 29, 2009.

On August 27, 2009, the Company signed an earn-in agreement with FMEC for the Company's Peg Leg copper project in Arizona. FMEC has the exclusive right and option to acquire a 70% interest in the Peg Leg project by spending US$3,000,000 on exploration by December 31, 2012.

(7) Wassuk Copper Project (formerly Majuba Hill), United States

Pursuant to an agreement made in December 2007, as amended December 2, 2009, the Company acquired the right to earn an interest in certain mining claims, known as the Majuba Hill in Mineral County, Nevada. To earn a 100% interest, the Company is required to make payments totaling US$2,930,000 by December 10, 2015 as follows:

(i) Initial payment of US $100,000 (paid)
(ii) US$100,000 on or before December 10, 2008 (paid)
(iii) US$30,000 on or before December 10, 2009 (paid)
(iv) US$250,000 on or before December 10, 2010
(v) US$250,000 on or before December 10, 2011
(vi) US$500,000 on or before December 10, 2012
(vii) US$500,000 on or before December 10, 2013
(viii) US$500,000 on or before December 10, 2014
(ix) US$700,000 on or before December 10, 2015

6. MINERAL PROPERTIES (Continued)

(g) Other Properties (Continued)

(7) Wassuk Copper Project (formerly Majuba Hill), United States (Continued)

The Company must also incur US$1,000,000 cumulative exploration expenditures by December 10, 2012. Should the Company incur less than US $1,000,000, the Company must pay the shortfall to the vendor by December 10, 2012.

On commencement of mining operations the property is subject to a 3% NSR, which may be reduced to 2% for US$1,000,000.

During the year ended December 31, 2009, the Company wrote off its inactive properties including Big Bar and Carbon County properties in the US, and La Reforma property in Mexico. All the other properties are in the initial stages of exploration.

(h) Realization

The Company's investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interest, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the mineral property interest is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production or proceeds from the disposition thereof.

(i) Title

Although the Company has taken steps to ensure the title to the mineral property in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(j) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

6. MINERAL PROPERTIES (Continued)

(j) Environmental (Continued)

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. CONVERTIBLE NOTES

The Company completed the third tranche of a private placement of 1,950,500 units at US$0.60 per unit on January 15, 2009 for gross proceeds of US$1,170,300 ($1,476,100) (2008 – 4,362,792 units; US$2,619,673; $3,188,326). Cash finders' fees were $65,668 for net proceeds of $1,410,432.

Each unit comprises one convertible promissory note ("Notes") and one common share purchase warrant maturing 24 months from the date of issuance or upon redemption. The Notes bear interest at a rate of 10% per annum, maturing 24 months from date of issuance or upon conversion or redemption. The Notes provide the following terms as to conversion or redemption:

Conversion by Holder

At any time after four months from the date of issue, the Notes are convertible by the holder into common shares in the ratio of US$0.60 of Note converted into one common share. Any interest payable will be converted into common shares of the Company at a rate equal the US dollar equivalent to the market price for such shares on the date of such conversion.

Redemption by Company

(a) If at any time starting four months after the issuance of the Notes and prior to the date of redemption or conversion, the Company's common shares shall have achieved or exceeded a closing price of US$0.75 for a 10-day consecutive trading period, the Notes outstanding shall automatically be deemed to have been redeemed and converted into common shares in the ratio of US$0.60 of Note redeemed to one common share. Any interest payable will be converted into common shares of the Company at market price for such shares on the date of such redemption; or

(b) The Company may at any time prior to conversion redeem the Notes by paying to the holders the principal amount of a Note together with interest at 15% to the date of such redemption.

One whole non-transferable warrant allows the holder the right to purchase one common share at a price of US$0.75. The warrants expire 24 months from date of issuance. The warrants contain a provision that in the event the Company's common shares trade at a closing price of greater than US$1.00 per share for a period of 10 consecutive days at any time after issue of the warrant, the Company may accelerate the expiry date of the warrants by providing notice to the holders thereof and in such case the warrants will expire on the thirtieth day after notice. While this provision was met during 2009, the Company did not accelerate the expiry date of these warrants as of December 31, 2009.

7. CONVERTIBLE NOTES (Continued)

During the year ended December 31, 2009, the entire notes and interest payable were converted. As a result, 6,545,795 common shares were issued.

The net value assigned to the liability component on issuance was calculated as the present value of the principal and interest payments using an effective interest rate of 15% is as follows:

	December 31, 2009	December 31, 2008
Liability component of convertible notes - beginning of year	$ 2,953,370	$ -
Present value of convertible notes on issue	1,356,114	2,404,894
Interest	518,520	24,209
Conversion of convertible notes	(4,583,310)	-
Foreign exchange revaluation	(244,694)	524,267
Liability component of convertible notes - end of year	$ -	$ 2,953,370
Equity component of convertible notes - beginning of year	$ 259,164	$ -
Equity component of convertible notes on issue	119,986	259,164
Conversion of equity component of convertible notes	(379,150)	-
Equity component of convertible notes - end of year	$ -	$ 259,164

Of the $65,668 finders' fees paid for the issuance of the convertible notes, $60,423 was included in the initial carrying value of the liability component and $5,245 was included in the equity component of the convertible notes.

8. SHARE CAPITAL

(a) Common stock

Authorized - unlimited common shares without par value.

During the year ended December 31, 2009, the Company completed two private placements by issuing 15,227,410 units at $0.60 per unit for gross proceeds of $9,136,446. Each unit consists of one common share and one non-transferable share warrant at an exercise price of $0.75 for a period of two years. Related to these private placements, 114,000 units and cash of $141,222 were paid as finders' fees, and a $45,150 expense was recorded to contributed surplus for the value of the warrants portion using the Black-Scholes option pricing model with the following weighted average assumptions: volatility of 98.1%, risk-free interest rate of 1.37%, expected life 2.0 years and expected dividend yield 0%.

Other share issuance costs related to the private placements amounted to $154,141.

During the year ended December 31, 2009, 178,483 common shares (2008 – 64,978) were issued for financial advisory services of $90,000 (2008 - $90,000). The value of the shares were at market price on date payment was due, with an agreed upon discount as allowed by the TSX Venture Exchange.

8. SHARE CAPITAL (Continued)

(a) Common stock: authorized - unlimited common shares without par value (Continued)

On April 16, 2008 the Company completed a non-brokered private placement of 3,482,500 units at US$3.20 per unit for total proceeds of US$11,144,000. US$546,000 was paid as a finder's fee. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at US$0.60 (modified) per warrant share until October 17, 2009. In the event the Company's shares trade at a closing price of greater than US$0.75 (modified) per share for a period of 15 consecutive days at any time after six months from April 16, 2008, the Company may accelerate the expiry date of the warrants by providing notice to the shareholders thereof, and in such case the warrants will expire on the thirtieth day after the date on which such notice is given.

(b) Share Purchase Warrants

The following summarizes information about the warrants outstanding:

	December 31, 2009		December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of the year*	6,104,041	$ 0.85	-	$ -
Issued:				
Private placements	15,341,410	$ 0.75	1,741,250	$ 4.13
Convertible notes	1,950,500	$ 0.94	4,362,791	$ 0.91
Expired	(141,250)	$ 0.68	-	$ -
Exercised	(1,670,000)	$ 0.66	-	$ -
Outstanding, end of the year	21,584,701	$ 0.80	6,104,041	$ 1.83

* Exercise price of 1,741,250 warrants was modified in 2009

On June 15, 2009, the Company amended the exercise price of 1,741,250 warrants issued in April 2008 from US$4.20 to US$0.60. Of these warrants, 1,600,000 were exercised for proceeds of US$960,000 ($1,100,905) and the balance expired. As a result of the re-pricing, $95,252 expense was recorded with a corresponding credit to contributed surplus using the Black-Scholes option pricing model with the following weighted average assumptions: volatility 60.4%, risk-free interest rate 1.05%, expected life 0.33 years and expected dividend yield 0%.

The following summarizes information about the warrants outstanding at December 31, 2009:

Expiry Date	Exercise Price	December 31, 2009	December 31, 2008
October 17, 2009	$ 0.60 US	-	1,741,250
November 27, 2010	$ 0.75 US	1,921,458	1,921,458
December 19, 2010	$ 0.75 US	2,441,333	2,441,333
January 15, 2011	$ 0.75 US	1,880,500	-
September 29, 2011	$ 0.75	9,666,206	-
October 28, 2011	$ 0.75	5,675,204	-
		21,584,701	**6,104,041**

8. SHARE CAPITAL (Continued)

(b) Share Purchase Warrants (Continued)

The aggregate intrinsic value of warrants is calculated as the difference between the exercise price of the warrant and the fair value of the underlying shares.

At December 31, 2009, the aggregate intrinsic value of the outstanding warrants with US dollar exercise prices is $7,242,218 (2008 - $Nil) and the aggregate intrinsic value of the outstanding warrants with Canadian dollar exercise prices is $19,176,763 (2008 - $Nil).

(c) Stock Options

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance. Stock options are exercisable once they have vested under the terms of the grant. The following summarizes information about the Company's options outstanding:

	December 31, 2009		December 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	7,200,500	$ 2.56	5,559,500	$ 1.99
Granted	4,880,000	$ 1.00	2,390,000	$ 3.31
Cancelled (due to modification)	(2,575,000)	$ 3.24	-	$ -
Expired	(50,000)	$ 0.62	-	$ -
Forfeited	(158,300)	$ 3.10	-	$ -
Exercised	(60,200)	$ 0.55	(749,000)	$ 0.74
Outstanding, end of the year	9,237,000	$ 1.56	7,200,500	$ 2.56

The weighted average remaining contractual life of options outstanding at December 31, 2009 was 3.55 years (2008 – 3.40 years; 2007 – 3.65 years).

The weighted average grant date fair value of options outstanding at December 31, 2009 was $0.93 (2008 - $1.57; 2007 - $1.30).

At December 31, 2009, the aggregate intrinsic value of the outstanding and exercisable stock options is $6,672,850 (2008 - $116,152).

8. SHARE CAPITAL (Continued)

(c) Stock Options (Continued)

The allocation of stock-based compensation included in the statements of operations was as follows:

	December 31, 2009		December 31, 2008		December 31, 2007	
	Number of Options Issued	Stock-based Compensation	Number of Options Issued	Stock-based Compensation	Number of Options Issued	Stock-based Compensation
Consultants	2,520,000	$ 1,661,209	975,000	$ 933,628	1,155,000	$ 2,260,416
Directors and officers	1,900,000	1,367,326	1,095,000	1,606,898	855,000	1,745,631
Employees	460,000	391,240	320,000	418,312	251,000	496,116
Total	4,880,000	$ 3,419,775	2,390,000	$ 2,958,838	2,261,000	$ 4,502,163

The Company used the following weighted average assumptions to fair value the options granted using the Black-Scholes option pricing model.

	December 31, 2009	December 31, 2008	December 31, 2007
Risk-free interest rate	1.89%	3.84%	4.57%
Expected share price volatility	81.56%	85.79%	89.42%
Expected option life in years	3.0	3.0	3.0
Forfeiture rate	0%	0%	0%
Expected dividend yield	0%	0%	0%

During the year ended December 31, 2009, the Company modified the existing stock options with an exercise price of over $1.55 for its employees and consultants. As a result, 2,575,000 options were granted at an exercise price of $0.98 for five years. The incremental stock-based compensation expense relating to the modification of $1,844,466 was expensed in the statement of operations and is included in the total stock-based compensation of $3,419,775 in 2009.

8. SHARE CAPITAL (Continued)

(c) Stock Option (Continued)

The following summarizes information about the stock options outstanding and exercisable at December 31, 2009:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance December 31, 2009	Balance December 31, 2008
$ 0.62	$ 0.43	March 25, 2009	-	95,000
$ 0.35	$ 0.20	August 9, 2010	270,000	285,200
$ 0.40	$ 0.30	January 9, 2011	200,000	200,000
$ 1.04	$ 0.81	March 27, 2011	125,000	125,000
$ 1.00	$ 1.24	May 19, 2011	75,000	75,000
$ 1.12	$ 1.16	June 12, 2011	100,000	100,000
$ 1.55	$ 1.17	July 28, 2011	1,431,000	1,439,300
$ 1.55	$ 1.17	August 23, 2011	100,000	100,000
$ 1.50	$ 1.00	September 25, 2011	100,000	100,000
$ 2.05	$ 1.67	December 18, 2011	-	100,000
$ 2.65	$ 1.71	January 11, 2012	-	75,000
$ 2.70	$ 1.71	February 21, 2012	-	25,000
$ 3.33	$ 1.98	July 20, 2012	836,000	2,011,000
$ 3.33	$ 1.83	August 7, 2012	-	80,000
$ 3.45	$ 2.05	March 31, 2013	150,000	200,000
$ 3.30	$ 1.87	June 19, 2013	970,000	2,190,000
$ 0.98	$ 0.52	November 9, 2014	2,575,000	
$ 1.02	$ 0.51	November 9, 2014	2,305,000	
			9,237,000	**7,200,500**

The aggregate intrinsic value of stock options exercised during the year ended December 31, 2009 was $12,532 (2008 - $1,903,797).

9. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the years ended December 31:

(a) $479,014 (2008 - $573,833, 2007 - $321,358) was charged by a company of which a director and officer is the principal for administration, professional fees, office and general, and investor relations and communications. As of December 31, 2009, $31,578 (2008 - $47,218) was still owing in due to related parties (Note 10(b)).

(b) $45,865 of consulting fees (2008 - $69,958, 2007 - $39,000) were paid to a company of which an officer is the principal.

9. RELATED PARTY TRANSACTIONS (Continued)

(c) $10,475 of professional fees (2008 - $18,802, 2007 - $11,202) were charged by a law firm of which a director is the principal. As of December 31, 2009, $1,344 (2008 - $1,960) was still owing in due to related parties.

(d) On March 17, 2009, the Company borrowed US$200,000 from the CEO at an annual interest rate of 4.5% due within one year and unsecured. As of December 31, 2009, the principal and interest owing was US$207,151 ($217,715, 2008 - $Nil).

The above transactions are conducted in the normal course of business and were measured at the amount of consideration established and agreed by the parties.

10. COMMITMENTS

The Company has the following annual commitments in respect to mineral option payments, office leases and service agreements:

	Mineral Property (cash payment) [a]	Office Lease [b]	Total
2010	1,721,738	150,000	1,871,738
2011	3,170,867	150,000	3,320,867
2012	1,334,770	75,000	1,409,770
2013	1,550,225	-	1,550,225
2014	1,833,995	-	1,833,995
2015	888,095	-	888,095
2016	152,395	-	152,395
2017	152,395	-	152,395
2018	162,905	-	162,905
	$ 10,967,385	$ 375,000	$ 11,342,385

(a) The Company is required to make option payments and other expenditure commitments to maintain the properties and continue to earn its interest. In addition to the cash payment, the Company is required to issue 150,000 common shares for the MacArthur property, due January 15, 2010.

(b) During 2007, the Company entered into a service agreement with Manex Resource Group (“Manex”) for its Vancouver office space, administration and corporate secretarial services at a monthly rate of $12,500. The agreement can be cancelled at anytime upon one year’s notice. The current expiry date is June 30, 2012 (Note 9(a)). The Company also has one office lease in Kanab, Utah, and Yerington, Nevada, United States.

(c) In January 2007, the Company engaged Roman Friedrich & Company Ltd. to provide financial and advisory services to the Company. The retainer fee was $15,000 per month of which 50% was paid in cash and 50% was payable in common shares of the Company. The agreement was amended to $7,500 per month commencing September 1, 2009 until terminated, payable solely in shares of the Company. As of December 31, 2009, $15,000 was due in shares of the Company.

11. CAPITAL MANAGEMENT

The Company considers its capital under management to consist of shareholders' equity and convertible notes. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to ensure the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's capital under management includes:

	December 31, 2009	December 31, 2008
Convertible notes	$ -	$ 2,953,370
Shareholders' equity		
Share capital	$ 63,168,843	$ 48,318,994
Equity component of convertible notes	$ -	$ 259,164

There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to external restrictions on its capital.

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of risks arising from financial instruments. These risks and management's objectives, policies and procedures for managing these risks are disclosed as follows.

Fair Value

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investment	$ 26,000	$ -	$ -	$ 26,000

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The following provides a comparison of carrying and fair values of each classification of financial instruments as at December 31, 2009 and 2008, respectively.

December 31, 2009	Loans and Receivables	Available-for-Sale	Held-for-Trading	Held-to-Maturity	Other Financial Liabilities	Total Fair Value	Total Carrying Value
Financial assets							
Cash and cash equivalents			$ 4,795,220			$ 4,795,220	$ 4,795,220
Investment		$ 26,000				$ 26,000	$ 26,000
Other receivables	$ 1,659					$ 1,659	$ 1,659
Amount due from Joint Venture Partner	251,904					$ 251,904	$ 251,904
Financial liabilities							
Accounts payable and accrued liabilities					$ 628,750	$ 628,750	$ 628,750
	$ 253,563	$ 26,000	$ 4,795,220	$ -	$ 628,750		

December 31, 2008	Loans and Receivables	Available-for-Sale	Held-for-Trading	Held-to-Maturity	Other Financial Liabilities	Total Fair Value	Total Carrying Value
Financial assets							
Cash and cash equivalents			$ 524,590			$ 524,590	$ 524,590
Restricted cash			56,028			$ 56,028	$ 56,028
Other receivables	$ 784					$ 784	$ 784
Amount due from Joint Venture Partner	88,110					$ 88,110	$ 88,110
Financial liabilities							
Accounts payable and accrued liabilities					$ 1,106,783	$ 1,106,783	$ 1,106,783
Promissory note				334,950		$ 334,950	$ 334,950
Convertible notes				2,953,370		$ 2,953,370	$ 2,953,370
	$ 88,894		$ 580,618	$ 3,288,320	$ 1,106,783		

The recorded amounts for cash and cash equivalents, other receivables, amount due from Joint Venture Partner, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The fair value of the investment is based on active market prices at the year-end date.

The fair value amount due to related party has not been disclosed as the fair value cannot be reliably measured since there is no active market for such instruments.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Currency Risk

The Company operates internationally and is exposed to foreign exchange risk from fluctuations in exchange rates between the Canadian dollar and various currencies, primarily US dollars and Mexican pesos. The Company has not hedged its exposure to foreign currency fluctuations.

The Company is exposed to currency risk as follows:

	December 31, 2009		December 31, 2008	
	US$	Pesos	US$	Pesos
Cash	$ 1,593,545	$ 61,683	$ 308,664	$ 1,207,389
Other receivable and restricted cash	-	638,668	46,249	1,158,753
Joint Venture due	239,680	-	72,340	-
Reclamation Bond	291,789	-	260,841	-
Accounts payable and accrued liabilities	(452,444)	-	(749,517)	-
Due to related party	(207,151)	-	-	-
Promissory note	-	-	(275,000)	-
Convertible notes	-	-	(2,410,347)	-
Net foreign exposure	$ 1,465,419	$ 700,351	$ (2,746,770)	$ 2,366,142

Based on the above net foreign currency exposures as at December 31, 2009, and assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against a) the US dollar would result in an increase/decrease of $161,870 (2008 - $407,490) in the Company's loss; and b) the Mexican peso would have no material impact in the Company's loss for the year.

Interest Rate Risk

The Company's cash and cash equivalents are held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair value as of December 31, 2009. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate risk. The Company's investment is carried at market value, and is therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 15% change in market prices would change the value of the investment by $4,000.

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company manages credit risk, in respect of cash and cash equivalents by purchasing highly liquid, short-term investment-grade securities held through large Canadian financial institutions. Included in cash equivalents is $3,051,000 in guaranteed investment certificates earning interest at $0.60% cashable at any time. The amount due from Joint Venture Partner is not exposed to significant credit risk as the Company has a strong and continuing working relationship with the joint venturer.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. Accounts payable and accrued liabilities of $628,750 (2008 - $1,106,783) are due in the first quarter of fiscal 2010.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2009	December 31, 2008	December 31, 2007
Cash Items			
Interest paid	$ 2,071	$ -	$ -
Income tax paid	$ -	$ -	$ -
Share issue costs	$ 300,607	$ 555,319	$ 6,316
Non-Cash Items			
Mineral property expenditures included in accounts payable	$ 411,842	$ 864,514	$ 900,613
Non-cash share issue costs	$ 113,550	$ -	$ -
Promissory note paid on behalf of Company for mineral properties	$ 301,813	$ -	$ -
Shares issued for convertible notes	$ 4,588,555	$ -	$ -
Shares received for mineral properties (Note 4)	$ 38,866	$ -	$ -
Shares issued for mineral properties	$ 137,000	$ -	$ 1,281,000
Cash and cash equivalents comprises			
Cash	$ 1,744,220	$ 524,590	$ 2,411,052
Term deposits and bankers acceptance	3,051,000	-	978,848
	$ 4,795,220	$ 524,590	$ 3,389,900

14. INCOME TAXES

As at December 31, 2009, the Company has non-capital losses of approximately $8,800,000 that may be applied against future income for Canadian income tax purposes. The potential future tax benefits of these losses have not been recorded in these financial statements. The losses expire as follows:

	Canada	US	Mexico
2010	$ 228,000		
2014	284,000		
2015	360,000		$ 1,700,000
2016			976,000
2017			2,149,000
2018			2,210,000
2019			1,193,000
2021		$ 53,000	
2022		810,000	
2023		104,000	
2025		16,000	
2026	700,000	84,000	
2027	1,985,000	112,000	
2028	3,017,000	487,000	
2029	2,228,000	362,000	
	$ 8,802,000	$ 2,028,000	$ 8,228,000

The future benefits of these losses and deductions have not been recorded in the accounts as their realization is not more likely than not. A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2009	2008	2007
Loss for the year	$ (6,988,414)	$ (6,834,181)	$ (7,303,204)
Statutory income tax rate	30%	31%	34.12%
Income tax benefit computed at statutory rates	$ 2,096,524	$ 2,118,596	$ 2,491,853
Foreign tax rates different from statutory rate	(6,244)	13,351	(5,780)
Temporary differences	128,048	629,532	17,903
Stock-based compensation	(1,054,508)	(917,240)	(1,536,138)
Change in timing differences	(274,475)	(1,299,356)	171,021
Rate difference between current and future taxes	(420,418)	(237,603)	-
Change in valuation allowance	(468,927)	(307,280)	(1,138,859)
	$ -	$ -	$ -

14. INCOME TAXES (Continued)

Significant components of the Company's future income tax assets and liabilities, after applying substantively enacted corporate income tax rates, are as follows:

	2009	2008
Future income tax assets (liabilities)		
Tax losses carried forward	$ 5,211,599	$ 4,750,565
Book value over tax value of mineral properties	(1,057,385)	(1,057,787)
Tax value over book value of equipment	34,510	11,168
Tax value over book value of investment	1,576	-
Share issuance costs	171,220	188,647
Future income tax assets, net	4,361,520	3,892,593
Valuation allowance	(4,361,520)	(3,892,593)
Future income taxes, net	$ -	$ -

15. SEGMENTED INFORMATION

The Company has one business segment, the exploration of mineral properties. The Company's major non-current assets are distributed by geographic locations as follows:

	December 31, 2009		
	Equipment	Mineral Properties	Total Assets
Canada	$ 11,896	$ -	$ 4,648,633
Mexico	60,909	7,748,400	8,178,767
U.S.A.	90,289	28,343,283	29,045,097
Total	$ 163,094	$ 36,091,683	$ 41,872,497

	December 31, 2008		
	Equipment	Mineral Properties	Total Assets
Canada	$ 9,563	$ -	$ 293,696
Mexico	59,875	6,873,055	7,341,231
U.S.A.	138,584	26,012,016	26,762,362
Total	$ 208,022	$ 32,885,071	$ 34,397,289

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 25, 2010 and provides disclosure as follows:

(a) The Company has entered into a binding option agreement with GoldCorp Inc. ("GoldCorp"). According to the terms of the agreement, GoldCorp will provide US$10 million through a private placement to fund a two-year generative exploration program in Mexico. The first US$4.0 million private placement was closed in February 2010 and the Company issued 3,001,418 units at a price of US$1.41 per unit. Each unit consists of one common share and one-half of one share purchase warrant, each whole warrant is exercisable at US$1.76 expiring two years from the date of issuance. The second unit placement of US$6.0 million is due on January 29, 2011. Each unit consists of one common share and one-half of one share purchase warrant. If Goldcorp executes both placements and exercises all associated warrants, the generative exploration program will be extended by one year.

(b) The Company has entered into an option agreement with La Cuesta International, Inc. ("LCI") to acquire a 100% interest in the Santo Domingo prospect located in Durango, Mexico. The consideration consists of an aggregate of US$7.5 million cash payments in accordance with the agreement ($10,000 paid), 100,000 common shares of the Company (issued) and $50,000 in work expenditures by December 31, 2010. This prospect is included in the Goldcorp Accord.

(c) 1,041,833 warrants were exercised for total proceeds of $781,375.

(d) 25,000 options were exercised for total proceeds of $25,000.

(e) The Company granted 170,000 options at an exercise price of $2.00 per share to consultants and 106,000 options were cancelled at a weighted average price of $2.48 per share.

(f) The Company issued 19,565 common shares at a fair value of $22,500 for financial advisory services received from November 2009 to January 2010 (Note 10(c)).

17. RECONCILIATION OF CANADIAN AND U.S.GAAP

Canadian GAAP varies in certain significant respects from the principles and practices generally accepted in the United States ("U.S. GAAP"). The effect of the principal measurement differences on the Company's consolidated financial statements is quantified below and described in the accompanying notes.

(a) Exploration Expenditures

Under U.S. GAAP, exploration costs incurred in locating areas of potential mineralization are expensed as incurred. Commercial feasibility is established in compliance with SEC Industry Guide 7, which consists of identifying that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. After an area of interest has been assessed as commercially feasible, expenditures specific to the area of interest for further development are capitalized. In deciding when an area of interest is likely to be commercially feasible, management may consider, among other factors, the results of pre-feasibility studies, detailed analysis of drilling results, the supply and cost of required labour and equipment, and whether necessary mining and environmental permit s can be obtained. To date no exploration expenses have been capitalized under U.S. GAAP.

17. RECONCILIATION OF CANADIAN AND U.S.GAAP (Continued)

(b) Convertible Notes

Under U.S. GAAP, convertible debt instruments are classified as debt until converted to equity, whereas under Canadian GAAP, the proceeds of the convertible debt instrument have been allocated to both debt and equity components. In addition, under U.S. GAAP, debt instruments issued with detachable warrants would be allocated to debt and equity components based on the relative fair value of each component, whereas under Canadian GAAP the residual method has been adopted. Any resulting debt component is accreted over time to its face value with the interest and accretion expense charged to the statements of operations.

Under U.S. GAAP, a value is assigned to the conversion feature only if the effective conversion rate is less than the market price of the common stock at the commitment date. Under U.S. GAAP no value has been assigned to the conversion feature of the convertible note although a value has been assigned to the detachable warrants and thus, there is a difference in values assigned to the debt and equity components between Canadian and U.S. GAAP of the units issued.

Accordingly, an additional $52,083 was recorded as interest expense (2008 - $4,962).

(c) Uncertain Tax Positions

On January 1, 2008, the Company adopted the U.S. GAAP standards regarding uncertain tax positions. The adoption did not result in any adjustment to opening retained earnings. These standards require uncertain tax positions to be classified as non-current income tax liabilities unless expected to be paid within one year. Upon adoption, there was no recognition of tax liabilities for uncertain tax positions and no reclassification of income tax liabilities from current to non-current on the Company's balance sheet.

There were no unrecognized tax benefits as at December 31, 2009 and 2008.

The Company recognizes interest and penalties related to uncertain tax positions, if any, as interest and penalties expenses. As of December 31, 2009, there were no balances of accrued interest and penalties related to uncertain tax positions.

The Company is subject to taxes in Canada and the United States. The Company is not currently under audit by any taxing jurisdiction. The tax years that remain subject to examination as of December 31, 2009 are as follows:

Canada	2004 to 2009
United States	1994 to 2009

(d) Development stage company

Pursuant to U.S. GAAP, the Company would be subject to the disclosure requirements applicable to a development stage enterprise as the Company is devoting its efforts to establishing commercially viable mineral properties. However, the identification of the Company as such for accounting purposes does not impact the measurement principles applied to these consolidated financial statements.

17. RECONCILIATION OF CANADIAN AND U.S. GAAP (Continued)

(e) Derivative liability

On January 1, 2009, the Company adopted the provisions of Emerging Issues Task Force ("EITF") 07-5 (now known as ASC 815-40), *Determining whether an instrument (or embedded feature) is indexed to an entity's own stock*, resulting in the share purchase warrants issued with the convertible notes (Note 7) being classified as a derivative liability, as they were not indexed to the Company's common shares.

The Company's functional currency is the Canadian dollar and it has issued and outstanding warrants that have an exercise price that is denominated in U.S. dollars and has determined that these warrants cannot be classified as equity based on the evaluation of the warrant's settlement provisions. As a result, these warrants are treated as derivative liabilities carried at fair value as determined by the Black-Scholes option pricing model, for U.S. GAAP purposes with changes in fair values recorded as gains or losses in the statement of operations.

Accordingly, for U.S. GAAP purposes the Company reclassified the carrying value of warrants from equity to liability in the amount of $1,408,190 and recorded a cumulative adjustment of $468,910 to deficit on January 1, 2009 to record the incremental fair value of the derivative liability using the Black-Scholes option pricing model with the following weighted average assumptions: Volatility of 89.5%, risk-free interest rate of 1.44%, expected life 1.6 years and expected dividend yield 0%.

During the year-ended December 31, 2009, the fair value of the warrants increased to $8,477,944 using the Black-Scholes option pricing model with the following weighted average assumptions: Volatility of 108.4%, risk-free interest rate of 1.46%, expected life 1.0 year and expected dividend yield 0%. As a result, the Company recorded a fair value charge of $7,538,644 in the statements of operations.

The adjustments to components of the consolidated balance sheets would be as follows:

	As at December 31	
	2009	**2008**
Total assets - Canadian GAAP	$ 41,872,497	$ 34,397,289
Expensed expenditures on mineral properties	(27,954,375)	(25,509,673)
Total assets - U.S. GAAP	**$ 13,918,122**	**$ 8,887,616**
Total liabilities - Canadian GAAP	$ 879,386	$ 4,444,281
Derivative liability - warrants	8,477,944	-
Liability component of convertible notes	-	(176,961)
Total liabilities - U.S. GAAP	9,357,330	4,267,320
Total shareholders' equity - Canadian GAAP	40,993,111	29,953,008
Equity component of convertible notes	-	176,961
Expenditures on mineral properties	(27,954,375)	(25,509,673)
Derivative liability - adjustment to warrants	(8,477,944)	-
Total shareholders' equity under U.S. GAAP	4,560,792	4,620,296
Total Liabilities and Shareholders' Equity per U.S. GAAP	**$ 13,918,122**	**$ 8,887,616**

17. RECONCILIATION OF CANADIAN AND U.S. GAAP (Continued)

The adjustments to the statements of operations would be as follows:

	Years ended December 31,		
	2009	2008	2007
Loss for the year - Canadian GAAP	$ (6,988,414)	$ (6,834,181)	$ (7,303,204)
Expenditures on mineral properties	(2,444,702)	(12,398,924)	(7,914,384)
Interest expense on convertible notes	(52,083)	(4,962)	-
Unrealized loss on derivative liability	(7,538,664)	-	-
Net loss and comprehensive loss for the year - U.S. GAAP	(17,023,863)	(19,238,067)	(15,217,588)
Deficit, beginning of year - U.S. GAAP	(54,142,118)	(34,904,051)	(19,686,463)
Adjustment on adoption of EITF 07-5	468,910	-	-
Deficit, beginning of year, as restated - U.S. GAAP	(53,673,208)	(34,904,051)	(19,686,463)
Deficit, end of year - U.S. GAAP	$ (70,697,071)	$ (54,142,118)	$ (34,904,051)
Loss per common share - Canadian GAAP	$ (0.08)	$ (0.08)	$ (0.09)
Loss per common share - U.S. GAAP	$ (0.18)	$ (0.22)	$ (0.19)
Weighted average number of shares outstanding	92,443,572	86,304,153	79,971,435

The adjustments to the consolidated statements of cash flows would be as follows:

	Years ended December 31,		
	2009	2008	2007
Operating activities - Canadian GAAP	$ (2,154,933)	$ (4,108,832)	$ (2,014,535)
Adjustments for mineral expenditures	(2,444,702)	(12,398,924)	(7,914,384)
Cash used in operating activities - U.S. GAAP	(4,599,635)	(16,507,756)	(9,928,919)
Investing activities - Canadian GAAP	(4,754,981)	(13,213,283)	(9,832,158)
Reclassification of expenditures on mineral properties	2,444,702	12,398,924	7,914,384
Cash used in investing activities - U.S. GAAP	(2,310,279)	(814,359)	(1,917,774)
Cash provided by financing activities - Canadian and U.S. GAAP	11,385,639	13,890,522	6,881,465
Effect of foreign exchange on cash	(205,095)	566,283	(757,604)
(Decrease) increase in cash during the year	4,270,630	(2,865,310)	(5,722,832)
Cash, beginning of year	524,590	3,389,900	9,112,732
Cash, end of year - U.S. GAAP	$ 4,795,220	$ 524,590	$ 3,389,900

17. RECONCILIATION OF CANADIAN AND UNITED STATES GAAP (Continued)

The Company's financial assets measured at fair value by level within the fair value hierarchy would be as follows:

	Level 1	Level 2	Level 3	Total
Investment	$ 26,000	$ -	$ -	$ 26,000
Derivative liability - warrants	$ -	$ 8,477,944	$ -	$ 8,477,944

The derivative liability – warrants (Note 17(e)) would be classified as held-for-trading.

Changes in Accounting Policies

(a) Hierarchy of General Accepted Accounting Principles

In June 2009, the Financial Accounting Standards Board ("FASB") issued new standards for *The Hierarchy of Generally Accepted Accounting Principles*. These standards, ASC 105, culminated a multi-year project to replace the previous GAAP hierarchy and established *Accounting Standard Codification* (the "Codification"). The Codification does not change U.S. GAAP, but combines all authoritative standards into a comprehensive, topically organized online database. After the launch of the Codification on July 1, 2009, only one level of authoritative U.S. GAAP for non-governmental entities exists, other than guidance issued by the SEC. This statement was adopted effec tive as of September 30, 2009. The adoption of this new standard only had the effect of amending references to authoritative accounting guidance in the Company's consolidated financial statements.

(b) Business Combinations

In December 2007, the FASB revised its accounting standards for *Business Combinations*. The standard, ASC 805, requires the acquiring entity to recognize and measure in its financial statements all the assets acquired, the liabilities assumed, any non-controlling interest in the acquired entity and the goodwill acquired and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed. Furthermore, acquisition-related and other costs will now be expensed rather than treated as cost components of the acquisition. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination.

The revision to this guidance applies prospectively to business combinations for which the acquisition date occurs on or after January 1, 2009. The adoption of this new standard had no impact on the Company's consolidated financial statements.

17. RECONCILIATION OF CANADIAN AND UNITED STATES GAAP (Continued)

Changes in Accounting Policies (Continued)

(c) Fair Value Measurement and Disclosures

In October 2008, FASB amended accounting standards for *Fair Value Measurements and Disclosures*. The amended standard, ASC 820, clarifies the application of fair value measurements in a market that is not active. The amendment is intended to address the following application issues: (a) how the reporting entity's own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist; (b) how available observable inputs in a market that is not active should be considered when measuring fair value; and (c) how the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be consider ed when assessing the relevance of observable and unobservable inputs available to measure fair value. The changes were effective on issuance, including prior periods. The adoption of this new standard had no impact on the Company's consolidated financial statements.

(d) Investments – Other

In January 2009, FASB amended accounting standards for *Investments – Other*. The amended standard, ASC 325, addresses certain practices or issues related to the recognition of interest income and impairment on purchased beneficial interests and beneficial interests that continue to be held by a transferor in securitized financial assets, by making its other-than-temporary impairment ("OTTI") assessment guidance consistent with the accounting standards for *Investments – Debt and Equity Securities*. The amendment removes the reference to the consideration of a market participant's estimates of cash flows and instead requires an assessment of whether it is probable, based on c urrent information and events, that the holder of the security will be unable to collect all amounts due according to the contractual terms. If it is probable that there has been an adverse change in estimated cash flows, an OTTI is deemed to exist, and a corresponding loss shall be recognized in earnings equal to the entire difference between the investment's carrying value and its fair value at the balance sheet date of the reporting period for which the assessment is made. This amendment became effective for interim and annual reporting periods ending after December 15, 2008, and is to be applied prospectively. The adoption of this new standard had no impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

(a) Subsequent Events

In May 2009, FASB amended the accounting standard for *Subsequent Events*. The updated standard, ASC 855, established general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The revisions should not result in significant changes in the subsequent events that an entity reports, either through recognition or disclosure in its financial statements. It does require disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has n ot evaluated subsequent events after that date in the set of financial statements being presented. As a result of the adoption of this new standard, the Company evaluated subsequent events to March 25, 2010, the date these consolidated financial statements were available to be issued.

17. RECONCILIATION OF CANADIAN AND UNITED STATES GAAP (Continued)

(b) Measuring Liabilities at Fair Value

In August 2009, FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value* . This update amends ASC 820, *Fair Value Measurements and Disclosure,* in regards to the fair value measurement of liabilities. FASB ASC 820 clarifies that in circumstances in which a quoted price for an identical liability in an active market is not available, a reporting entity shall utilize one or more of the following techniques: (i) the quoted price of the identical liability when traded as an asset; (ii) the quoted price for a similar liability or for a similar liability when traded as an asset; or (iii) another valuation technique that is consistent with the principles of ASC 820. In all instances a reporting entity shall utilize the appr oach that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Also, when measuring the fair value of a liability, a reporting entity shall not include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update is effective for the Company in the first quarter of the 2010 fiscal year. The adoption of this update is not expected to have any impact on the Company's consolidated financial statements.

18. COMPARATIVE FIGURES

Certain of the 2008 and 2007 comparative figures have been reclassified to conform to the current year's presentation.



Management's Discussion and Analysis

For the Year Ended December 31, 2009

Dated: March 25, 2010

Introduction

This Management's Discussion and Analysis ("MD&A") of Quaterra Resources Inc. ("Quaterra" or the "Company") has been prepared by management in accordance with the requirements under National Instrument 51-102 as of March 25, 2010, and provides comparative analysis of Quaterra's financial results for the years ended December 31, 2009 and 2008.

The following information should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2009 and 2008 and the related notes thereto. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts contained herein are in Canadian dollars.

Quaterra is a Canadian-based, junior exploration company focused on making significant mineral discoveries in North America. It is currently exploring for copper, precious metals, molybdenum, and uranium in the United States and Mexico. The Company's preference is to acquire a 100% interest in properties on reasonable terms and maintain this interest through initial evaluation.

The Company's shares are listed on the TSX Venture Exchange under the symbol "QTA" and NYSE AMEX "QMM". Additional information related to Quaterra is available on the Company's website at www.quaterra.com, on SEDAR at www.sedar.com or the United States Securities and Exchange Commission www.sec.gov.

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events.

Dr. Thomas C. Patton, P. Geo., the President and Chief Executive Officer, and Mr. Eugene Spiering, Vice President Exploration of the Company are the qualified persons responsible for the preparation of the technical information included in this MD&A.

Overall Performance

Corporate Development

The Company completed two private placements in September and October 2009 for total gross proceeds of $9,136,446. 15,341,410 common shares were issued including 114,000 shares of finders' fees in relation to these private placements. Directors and Officers of the Company subscribed for a total of 1,019,450 units (6.6%) in the private placement. Proceeds of these private placements will be used to fund the Company's exploration programs at Nieves and Americas-Mirasol silver and gold projects in Mexico and at the MacArthur and Yerington copper projects in Nevada, as well as general and administration expenses.

The NYSE Amex staff has also informed the Company that it has resolved certain of the NYSE Amex listing deficiencies reported via news release on May 21, 2009. However, the Company will need to demonstrate compliance with continued listing standards for two consecutive quarters before November 18, 2010.

Corporate Development - Property

On January 29, 2010, the Company entered into an agreement with Goldcorp Inc. ("Goldcorp") of Vancouver, B.C. that provides Goldcorp with an opportunity to acquire an interest in certain mining properties held by the Company in central Mexico, in return for funding generative exploration over two years by Quaterra through a private placement of US$10 million in the Company.

Goldcorp has an option to acquire up to 65% in any property in the central Mexico interest, with the exception of Nieves, by spending $2 million over a two-year period on advanced exploration and by completing a bankable feasibility.

On September 29, 2009, the Company signed an option agreement with Copper Ridge Exploration Inc. ("Copper Ridge") for the Company's Duke Island copper-nickel-platinum-palladium property in southeast Alaska. The agreement provides that Copper Ridge can earn up to a 51% interest by issuing one million pre-consolidation shares to the Company and spending $3 million on exploration by December 31, 2012. A $750,000 amount of the $3 million is a firm commitment to be spent by December 31, 2010. Copper Ridge may increase its interest in the property to 65% by spending an additional $ 2 million on exploration by December 31, 2013.

On August 27, 2009, the Company signed an earn-in agreement with Freeport-McMoran Exploration Corporation of Phoenix, Arizona ("FMEC"), for the Company's Peg Leg copper project in Arizona. FMEC has the exclusive right and option to acquire a 70% interest in the Peg Leg project by spending US$3 million on exploration by December 31, 2012.

On May 22, 2009, the Company signed an earn-in agreement with FMEC for the Company's Southwest Tintic copper project in Utah. In the terms of the agreement, FMEC has the option to acquire a 70% interest in the Southwest Tintic property by making a US$275,000 property payment and by spending US$4.725 million on exploration over four years. Upon earning a 70% interest in the property, FMEC will either fund the Company's share of costs until the delivery of a feasibility study or convert its interest to a 1% net smelter return royalty if it determines not to deliver such a feasibility study.

Exploration

On March 19, 2009, the Company announced the discovery of a new silver vein at the Las Americas project in Durango, Mexico. Hole AMD-3 intersected 12 meters averaging 59 g/t silver, including 2.5 meters averaging 222 g/t silver. Rock chip sampling also delineated a gold target on the adjacent Mirasol prospect.

On March 2, 2009 the Company and 50% joint venture partner Blackberry Ventures 1, LLC announced that Caracle Creek International Consulting Inc. of Toronto had completed a NI43-101 compliant independent resource estimate for its Nieves silver property in northern Zacatecas, Mexico. The Nieves' initial indicated resource confirmed 2.89 million tonnes averaging 110.2 g/t silver, containing 10.26 million ounces of silver and an inferred resource of 2.25 million tonnes averaging 96.6 g/t silver containing an additional 7.0 million ounces of silver. These figures are based on a cutoff grade of 60 g/t silver.

On January 26, 2009 the Company announced that Tetra Tech, Inc. of Golden, Colorado had completed an initial NI43-101 compliant independent resource estimate for the MacArthur Copper Project in Lyon County, Nevada. MacArthur's initial measured and indicated oxide/chalcocite resource verified 57.36 million tons averaging 0.239% total copper (TCu) containing 273.6 million pounds of copper and an inferred oxide/chalcocite resource of 75.83 million tons averaging 0.283% TCu containing 429.3 million pounds of copper. It also confirmed an inferred primary sulfide resource of 6.39 million tons averaging 0.539% TCu containing 68.9 million pounds of copper. All tonnage and grade figures for the oxide and chalcocite material were calculated using a cutoff grade 0.18% TCu. A cut-off of 0.30% TCu was used for primary su lfide material.

Update on Mineral Properties

MacArthur Property – Nevada

Tetra Tech of Denver, Colorado completed a NI43-101 compliant independent technical report and resource estimate on the MacArthur project in January 2009. Using a cutoff grade of 0.18% total copper (TCu), MacArthur's measured and indicated oxide/chalcocite resource totals 57.36 million tons averaging 0.239% total copper (TCu) containing 273.6 million pounds of copper. The inferred oxide/chalcocite resource totals 75.83 million tons averaging 0.283% TCu containing 429.3 million pounds of copper. An inferred primary sulfide resource of 6.40 million tons averaging 0.539% TCu contains 68.9 million pounds of copper.

A summary of Tetra Techs resource estimate is shown below:

MacArthur Copper Project
Oxide and Chalcocite Material

Cutoff Grade (%TCu)	Tons (x1000)	Average Grade (%TCu)	Contained Copper (lbs x 1000)
Measured and Indicated Copper Resources			
0.18	57,365	0.24	273,653
0.20	39,078	0.26	204,463
0.25	14,617	0.33	96,964
Inferred Copper Resources			
0.18	75,832	0.28	429,336
0.20	57,484	0.31	359,766
0.25	29,287	0.40	234,917

Tetra Tech's report confirmed that significant potential exists for developing additional mineral resources within and adjacent to the current drill hole pattern. The ultimate size of the MacArthur deposit remains unknown.

Although limited to a maximum disturbance of 5 acres under a Notice of Intent permit, the drilling program successfully targeted a deeper chalcocite zone in step-out holes from the pit, expanded the known oxide mineralization, and encountered a large, underlying tabular blanket of mixed oxide-chalcocite mineralization that remains open for extension by additional drilling. The 50-150 foot thick zone of secondary copper has been defined over an area of approximately 1.5 square miles. The chalcocite blanket is associated with and overlies primary chalcopyrite mineralization verified by Quaterra's deeper drillholes in the western and northern margins of the drilled area. The primary copper mineralization in the northern area is a target for a possible porphyry center.

The results of the MacArthur drilling program have been supported by an interpretation of a helicopter-borne aeromagnetic survey coupled with an inversion of historical IP data. The interpretation is both indicative of mineralization presently identified on the project and encouraging for future growth of the deposit though additional drilling.

On October 28th the Company received the approval of the MacArthur Plan of Operations (POO) and the BLM Record of Decision with a Finding of No Significant Impact (FONSI). The POO environmental assessment anticipates a total surface disturbance of 200 acres as a result of drilling activities throughout much of the project area. The first phase of exploration includes 25.5 acres of surface disturbance related to 274 approved drill sites and includes access roads, overland travel and trenching for bulk samples.

A 20,000 foot reverse circulation drilling program was initiated in early December. The program is planned to test the northern extension to higher grade acid soluble copper mineralization on 500 foot centers northwest of the pit (where QM60 intercepted 260 ft. averaging 0.38% Cu at a depth of 140 ft.) and filling in an undrilled area west of the pit (where QM67 intercepted 50 ft. averaging 0.42% Cu at a depth of 175 ft.). An additional 4,000 feet of drilling in 2 to 3 deep holes are scheduled in early 2010 to test the North Porphyry target. An induced polarization geophysical survey has been completed at MacArthur to target the deep drilling. The Company plans to update the MacArthur NI43-101 resource estimate with completion of the drilling program.

Acquisition costs incurred to December 31, 2009 were $1,069,819 and exploration expenditures were $8,299,960 for a total of $9,369,779. Acquisition costs incurred to December 31, 2008 were $812,380 and exploration expenditures were $7,452,228 for a total of $8,264,608. A payment of US$350,000 for the purchase of the PIT claims will be deducted from the final payment due to North Exploration LLC for the McArthur properties.

Yerington – Nevada

The Arimetco assets in the Yerington Mining District have been under review since Quaterra received approval of the U.S. court to acquire the property in May 2007. The original 180 day review year has been extended until June 14, 2010. A series of environmental, legal and technical due diligence studies have been completed.

The Chambers Group Inc. and Golder Associates Inc. completed a Phase 1 Environmental Site Assessment Report (ESA) in April 2008 to identify conditions indicative of releases or threatened releases of hazardous substances. The report identifies some environmental concerns related to the project, but nothing extraordinary for operations of similar size and vintage. The study allows the Company to establish liability protection as a bona fide prospective purchaser and must be updated prior to closing the transaction. SRK Consulting (U.S.), Inc. completed this update on January 11, 2010.

Legal due diligence has addressed most of the issues related to the Arimetco assets with a few items pending near term completion. A legal description of the property has been completed including a chain of title report. Water rights for the mine have been extended and assigned to the property. Further extensions will require the Company to show that substantial work has been accomplished toward the goal of putting the water rights to full beneficial use. The most important remaining issues are completing agreements with the EPA, Nevada state agencies and the Atlantic Richfield Company ("ARC") that will define, limit and protect the Company from existing liabilities on the property.

Technical due diligence has concentrated on reviewing and compiling a wealth of historical data in the Anaconda Library in Laramie, Wyoming. To assist in the review, numerous reports, maps and historical drilling data have been scanned and entered into an internal data base. An initial review has been completed of both past production and remaining mineralization in and around the Yerington pit. The area contains significant under-explored potential for copper mineralization.

Although the process has been slow, the Arimetco assets merit the efforts required for acquisition. The Yerington mine is the center of a prolific copper district and can provide Quaterra not only with additional exploration targets but increased flexibility when considering production alternatives. Subject to successful completion of due diligence, Quaterra plans to explore the property as part of its ongoing exploration program at MacArthur. Significant tonnages of copper oxide and sulfide mineralization remain below and peripheral to the Yerington pit and much of the area between the pit and the MacArthur deposit remains under-explored, including the large and only partially delineated Bear deposit.

Acquisition costs incurred to December 31, 2009 were $1,659,336 and exploration expenditures were $739,824 for a total of $2,399,160. Acquisition costs incurred to December 31, 2008 were $1,338,894 and exploration expenditures were $689,125 for a total of $2,028,019.

Alaska Properties

Duke Island – Alaska

On September 29, 2009, the Company signed an option agreement with Copper Ridge Exploration Inc. ("Copper Ridge") for the Company's Duke Island copper-nickel-platinum-palladium property in southeast Alaska.

The Agreement provides that Copper Ridge can earn up to a 51% interest in the Duke Island Property by issuing one million pre-consolidation shares to the Company and spending $3 million on exploration by December 31, 2012. The amount of $750,000 of the $3 million is a firm commitment to be spent by December 31, 2010. The firm commitment of $600,000 will be allocated to drilling expenses to target the intrusive to a depth of up to 2,000 feet. Copper Ridge may increase its interest in the Duke Island Property to 65% by spending an additional $2 million on exploration by December 31, 2013. The Agreement is subject to regulatory approval.

Copper Ridge has completed geologic mapping, and detailed geochemical sampling over the core of the main Marquis prospect. A 1,500 meter drill test of the highest priority drill targets is planned to be carried out during the 2010 field season.

Herbert Glacier Gold Project – Alaska

The U.S. Forest Service has approved the Company's Plan of Operations drilling permit for the Herbert Glacier Project. The permit approves drilling from six sites to explore for gold mineralization hosted in a mesothermal quartz vein system. Quaterra is actively seeking a joint venture to further exploration on the project.

Total acquisition costs incurred to December 31, 2009 for both Duke Island and Herbert Glacier properties were $275,707 and exploration expenditures were $2,410,713 for a total of $2,686,420. Acquisition costs incurred to December 31, 2008 were $254,772 and exploration expenditures were $2,357,173 for a total of $2,611,945.

Uranium Project – Arizona, Utah and Wyoming

The Company's Arizona Strip drilling program has proven the validity of the geophysical targets and added significantly to the prospective value of more than 200 untested VTEM anomalies on Quaterra's properties. Future drilling programs to explore these targets will necessarily be subject to funding and the status of public lands in the district. Past operations have an exemplary record of prudent mining and reclamation.

Although the Arizona Strip represents one of the few areas in the U.S. that has been officially set aside for mining and public use by an act of Congress, anti-mining interests are currently pursuing the removal of the district from mineral entry. On July 20, 2009, the Department of the Interior ("DOI") announced a decision to segregate 1 million acres of federal lands in the Arizona Strip for two years to allow an evaluation as to whether the DOI should withdraw the lands from new mining claims for a year of 20 years. The release states that the segregation would prohibit new mining claims in the designated areas but "would not prohibit ongoing or future mining or extraction operations on valid pre-existing claims."

It is the Company's view, based on advise from Counsel, that mining companies holding valid claims within the almost one million acres of land segregated from mining may exercise notice operations to confirm or corroborate previous work on existing claims. However, the Company will not commit significant expenditures on additional Arizona Strip exploration projects until the legal status of exploration and mining operations in the area is clarified. Unpatented claims currently held by the Company in the area of segregation have been reviewed and prioritized to establish a land position consisting of 1,004 claims and one state lease that covers approximately 21,000 acres. The optimized land position controls 195 VTEM anomalies that include Quaterra's best breccia pipe targets with a maintenance cost that can be su pported throughout the two year segregation period.

Quaterra is changing the focus of its breccia pipe exploration program to the state owned properties in the Arizona Strip where a number of geophysical anomalies have been identified by the Company's airborne VTEM survey. Arizona State Mineral Exploration Permits (MEPs) for 5 square miles totaling approximately 3,200 acres have been acquired through an option agreement with Eagle Hill Exploration, Eagle Hill Arizona Uranium LLC, and Snowden Resources Corp. The restrictions on uranium exploration as a result of the segregation of Federal lands do not affect exploration activity or access to conduct exploration on Arizona State lands. These lands lie within the heart of the uranium district and are vital to Arizona to provide funds for Arizona school districts. In contrast to the segregated area, exploration i n state mineral properties is encouraged and permitting is relatively easy.

The Company's Arizona Strip assets now include 3 mineralized breccia pipes; one which could be among the larger identified in the district, 3 probable pipe structures that remain untested in the favorable horizon for uranium mineralization, and 5 possible pipe structures that have been defined by shallow drilling or have pipe structures clearly visible at the surface. Future drilling programs to explore these targets will necessarily be subject to the status of public lands in the district, access to funding and commodity prices. The uranium of this prolific district represents an enormous domestic supply of clean energy at a time when it is critical to the needs of the US.

Acquisition costs incurred to December 31, 2009 were $3,951,141 and exploration expenditures were $7,391,365 for a total of $11,342,506. Acquisition costs incurred to December 31, 2008 were $3,534,618 and exploration expenditures were $6,982,347 for a total of $10,516,965.

Nieves Property – Mexico

The Company and its 50% joint venture partner Blackberry Ventures 1, LLC completed a 24 core hole drilling program totaling 6,173 meters from May to August 2008 which was successful in defining both high-grade vein and potential bulk-mineable silver mineralization along a portion of the Concordia vein system. These holes, in combination with previous holes completed by the joint venture, provided approximately 50-meter drill coverage both along strike and down dip on a 400 meter section of the vein, which was adequate to calculate an initial resource estimate. The NI43-101 compliant independent resource estimate was prepared by Caracle Creek International Consulting Inc. of Toronto, Canada:

Estimated mineral resources[1]
Concordia vein system, Nieves Property

Category	Tonnes	Ag (g/t)	Au (g/t)	Ag (oz[2])	Au (oz[2])
Indicated	2,897,571	110.231	0.126	10,269,203	11,701
Inferred	2,256,596	96.562	0.115	7,005,797	8,373

1) Prepared by Michelle Stone, P. Geo., Caracle Creek International Consulting Inc., an independent Qualified Person within the meaning of NI43-101, using a reporting cut-off grade of 60 g/t Ag.
2) 1 troy ounce = 31.103 grams.

The Caracle Creek report concludes that the resource displays strong continuity along strike and down dip and that mineralization continues beyond the extent of current drilling. The report recommends additional drilling to the west and east along the Concordia vein at a drill spacing of 100 meters or less to expand the mineralization. The resource estimate was subjected to significant capping of high grade values due to drill hole spacing. Closer spaced drilling on 10-20 meter centers to define the extent of high grade mineralization (+500 g/t silver) may increase the population of high grade silver samples which would increase grades.

The Company is confident that closer-spaced drilling within the currently defined resource will demonstrate continuity of high-grade zones that were difficult to constrain in the current model. Moreover, the chances of significantly expanding the resource are excellent, considering that the current resource estimate covers only one-third of the Concordia vein and several other veins with high grade mineralization occur on the property. The Company signed a core drilling contract with BDW Drilling Mexico and began a 5,000 meter program on November 7, 2009.

Since inception to December 31, 2009, the Company had incurred $1,413,183 for acquisition costs and $2,017,463 for exploration expenditures giving a total of $3,430,646 for its 50% interest in Nieves. The Company's joint venture partner, Blackberry had spent, including the Company's administration fee, US$3,528,686 for its 50% interest in Nieves.

Mirasol – Las Americas – Mexico

The Americas-Mirasol-Tecolotes projects, located in eastern Durango in the central part of the Mexico Silver Belt, are a group of contiguous concessions covering an area of 94,107 hectares (363 square miles). Six widely spaced reconnaissance core holes totaling 2,515 meters were completed at Americas in the fourth quarter of 2008 to evaluate a series of northwesterly striking epithermal quartz veins.

One of the holes contained significant silver mineralization. Hole AMD-3 intersected 12 meters of 59 g/t silver in the Marimar vein beginning at a depth of 84 meters, including 2.5 meters averaging 222 g/t silver (8.2 feet averaging 6.5 oz/ton). The Marimar vein is 300 meters east of the other known veins and surrounded by post-mineral alluvium.

Continued mapping and sampling in the adjacent Mirasol concession has identified a new gold prospect at Loma Aguila. A low-lying zone of silicified limestone outcrop and rubblecrop covering an area of about 100 meters by 150 meters in the midst of a flat alluvial plain contains anomalous to ore-grade gold mineralization, with 31 of 139 rock chip samples (22%) containing gold values greater than 0.1 ppm gold. Six samples contain greater than 1 g/t gold including a high value of 2.78 g/t. The showing is interpreted to be part of a hydrothermal feeder vent at a deeper erosional level than other mineralized showings in adjacent areas.

Geophysical surveys began in fourth quarter of 2009 and will continue into first quarter of 2010. Drilling at the Americas and Aguila prospects is tentatively scheduled to begin in the first quarter of 2010.

The Americas-Mirasol-Tecolotes project area is located in the Municipality of Simon Bolivar, Durango, Mexico, about half way between the cities of Durango and Torreon. The Americas and Mirasol concessions are 100% owned by Quaterra through its Mexican subsidiary Aqua Tierra SA de SV. The Tecolotes concession is a joint venture between Quaterra and EXMIN SA de CV, a subsidiary of EXMIN Resources Inc. Under the terms of the agreement, Quaterra may earn a 75% interest in the concession by spending US$500,000 in exploration and making annual payments to EXMIN totaling US$100,000 over four years.

Acquisition costs incurred to December 31, 2009 were $381,710 and exploration expenditures were $1,885,230 for a total of $2,266,940. Acquisition costs incurred to December 31, 2008 were $349,961 and exploration expenditures were $1,679,426 for a total of $2,029,387.

Los Crestones Project – Mexico

The Company has conducted only claim maintenance work at Crestones during the year.

Acquisition costs incurred to December 31, 2009 were $89,109 and exploration expenditures were $1,393,538 for a total of $1,482,647. Acquisition costs incurred to December 31, 2008 were $84,334 and exploration expenditures were $1,392,870 for a total of $1,477,204.

Reconnaissance- Mexico

The Company has staked land in central Mexico covering more than 900 square miles. All of the properties with the exception of those described above are early stage prospects that will require mapping, sampling and geophysics.

Other Properties

Wassuk Project - Nevada

Zonge Geophysics completed an induced polarization (IP)/resistivity survey during the fourth quarter of 2009. The survey included four widely spaced lines; each approximately 3 miles in length to achieve a preliminary geophysical reconnaissance of most of the Wassuk property. No obvious drill targets were identified.

See Note 6 in the consolidated financial statements for the year ended December 31, 2009 for discussion on other properties being explored by the Company.

Future plans

Nieves, Mexico: Drilling completed in 2008 at the Nieves Silver Project was successful in defining a large proportion of the resource as an indicated mineral resource category. This drilling shows that the mineral resource displays strong continuity along strike and down dip and that mineralization continues outside of the current drilling extents. The Company and Blackberry Ventures LLC began an in-fill drilling program on November 7, 2009, and on February 17, 2010 the Company announced that results from the first 13 core holes have confirmed the continuity of both high-grade and bulk mineable mineralization at the La Quinta deposit.

All holes were drilled within the La Quinta stockwork veinlet deposit located in the hanging wall of the Concordia-Gregorio Vein. The drill program was planned to in-fill the core area of the known deposit for 150 meters along strike and up to 200 vertical meters below surface. Holes were drilled on 25-meter centers between holes previously drilled on 50-meter centers. The La Quinta stockwork deposit remains open along strike and at depth. Highlights include:

- **QTA-84:** 32 meters averaging 212 g/t silver (6.2 oz/ton) starting at a down hole depth of 72 meters, including a two-meter interval averaging 0.98 g/t gold and 2254 g/t silver (65.8 oz/ton). This mineralization is shallow, starting about 60 vertical meters below surface.
- **QTA-89:** 23 meters averaging 272 g/t silver (7.9 oz/ton) starting at a down hole depth of 141 meters, including 10.5 meters averaging 437 g/t silver (12.8 oz/ton). This intercept, together with hole QTA-87, suggests additional potential to the east and at depth.
- **QTA-94:** 42 meters averaging 127 g/t silver (3.7 oz/ton) starting at a down hole depth of 106 meters, including 2.1 meters averaging 548 g/t silver (16.0 oz/ton).

A 400-meter section of the Concordia-Gregorio Vein drilled on 50-meter centers during 2008 resulted in the delineation of an indicated and inferred silver resource completed by independent consultant Caracle Creek International Consulting Inc.

The current program, with an increased drill density of approximately 25 meters between holes, aims to overcome difficulties constraining the initial resource model. Thirteen core holes, totaling 2902.70 meters, were completed in November and December 2009. Additional in-fill drilling to complete the 5,000-meter program is in progress with completion expected during March 2010. After receipt of all assays, a new resource model and resource estimate will be completed before undertaking additional work programs.

Santo Domingo, Mexico: The Company announced on January 13, 2010 that it has, subject to acceptance of appropriate filings with the TSX Venture Exchange and the NYSE Amex Exchange, finalized an option agreement with La Cuesta International, Inc. ("LCI") to acquire a 100% interest in the Santo Domingo prospect located in Durango, Mexico about 120 kilometers west-northwest of Torreon.

The property covers an intrusive-related copper-gold mineral system with bulk tonnage potential. Quaterra's near-term plans include geologic mapping and geophysical surveys to define drill targets.

Quaterra has the right to earn a 100% interest in the property by paying LCI a total consideration of US$7.5 million, which includes semi-annual lease/pre-production payments and a 1% Net Smelter Return royalty payment. Quaterra also issued 100,000 common shares to LCI.

Goldcorp Investment Framework Agreement: On February 10, 2010 the Company announced the finalization of a binding Investment Framework Agreement (IFA) with Goldcorp Inc. The IFA formalizes the terms of a previously announced Letter of Intent that provides Goldcorp with an option to acquire an interest in certain mining properties held by or acquired by Quaterra in central Mexico in return for funding a two-year generative exploration program by the Company through a private placement investment of US$10 million in the Company.

The first US$4 million portion of the private placement, which has closed, consists of units at C$1.41 comprised of 3,001,418 common shares of the Company and 1,500,709 two-year share purchase warrants exercisable at C$1.76 per share to purchase up to 1,500,709 common shares of the Company. Under applicable securities laws, the hold periods will expire on June 5, 2010. The second tranche of US$6 million is due to be funded January 29, 2011 and will be priced at that time. Each unit will consist of one share and ½ warrants. If GoldCorp funds both tranches and exercises all related warrant, the IFA and its generative exploration will be extended for one additional year.

Under the IFA, Goldcorp has an option to acquire up to 65% in any property held by Quaterra in central Mexico, with the exception of Nieves, by spending an additional US$2 million over a two-year period on advanced exploration on that property and by completing a feasibility study. Thereafter, Goldcorp will solely fund operations at the property until a production decision is made, at which point Quaterra will be responsible for contributing its proportionate share of expenditures.

The IFA currently includes 12 properties covering over 950 square miles. Exploration will focus on discovering large Peñasquito-style gold-silver deposits. Several of the early-stage Quaterra properties, most notably Sabino and Onix, have Peñasquito-type potential. Ground geophysics are currently in progress, with drilling planned for the second quarter 2010.

Mineral Property Expenditure

During the year ended December 31, 2009, the Company incurred $3,973,892 before write-offs on mineral property expenditures. The total mineral properties expenditure was allocated as follows; 27.81% on MacArthur, 20.77% on Uranium properties, 9.34% on Yerington, 5.98% on Mirasol and Americas, 8.56% on Nieves, 1.87% on the Alaska properties, 25.53% on other properties, and 0.14% on Los Crestones.

Information on all mineral property expenses by property can be found in Note 6 of the audited consolidated financial statements dated December 31, 2009.

The deferred mineral property costs as at December 31, 2009 were as follows:

All Mineral Properties	Balance December 31, 2008	Additions Q1	Additions Q2	Additions Q3	Additions Q4	Change during the Year	Balance December 31, 2009
Summary by Expenditures							
Total acquisitions	$ 9,557,859	$ 541,728	$ 290,092	$ 346,337	$ 600,914	$ 1,779,071	$ 11,336,930
Total exploration	23,327,212	613,569	222,494	244,166	347,312	1,427,541	24,754,753
Total	$ 32,885,071	$ 1,155,297	$ 512,586	$ 590,503	$ 948,226	$ 3,206,612	$ 36,091,683
Summary by Property							
Nieves, net of cost recovery	$ 3,090,616	$ 47,449	$ 26,211	$ 36,036	$ 230,334	$ 340,030	$ 3,430,646
Mirasol-Americas	2,029,387	85,369	10,660	19,434	122,090	237,553	2,266,940
Los Crestones	1,477,204	668	2,809	-	1,966	5,443	1,482,647
MacArthur copper	8,264,608	451,550	109,765	213,521	330,335	1,105,171	9,369,779
Yerington copper	2,028,019	97,412	115,307	94,656	63,766	371,141	2,399,160
Alaskan properties	2,611,945	30,329	1,250	67,285	(24,389)	74,475	2,686,420
Uranium properties	10,516,965	185,387	73,850	246,680	319,624	825,541	11,342,506
Other properties	2,866,327	257,133	172,734	(87,109)	(95,500)	247,258	3,113,585
Total	**$ 32,885,071**	**$ 1,155,297**	**$ 512,586**	**$ 590,503**	**$ 948,226**	**$ 3,206,612**	**$ 36,091,683**

Review of Financial Results

For the year ended December 31, 2009 ("2009"), the Company reported a net loss of $6,988,414 compared to a net loss of $6,834,181 in the previous year ("2008"). The increase of $154,233 in loss in 2009 was mainly attributable to the increase in mineral property write-offs, stock-based compensation expense for the incremental value when the exercise price of previously granted options were lowered, and interest costs for the convertible notes in 2009. The increase was partially offset by an overall reduction in general administrative expenses and a decrease in general exploration costs. A comparison of general administration expenses for the years ended December 31, 2009 and 2008 is provided in the table below:

General Administrative Expenses

General administrative expenses include overheads associated with administering and financing the Company's exploration activities.

	Years Ended December 31, 2009	2008	Increase (decrease)
General administrative expenses			
Administration and office expenses	586,571	762,279	(175,708)
Consulting	366,384	740,365	(373,981)
Directors and officers fees	166,318	153,749	12,569
Investor relations and communications	171,989	422,467	(250,478)
Professional fees	415,495	800,086	(384,591)
Salaries and benefits	378,588	467,309	(88,721)
Transfer agent and regulatory	114,089	214,354	(100,265)
Travel & promotion	54,871	139,617	(84,746)
	2,254,305	3,700,226	(1,445,921)
Other expenses (income) and non-cash items:			
General exploration	423,681	633,741	(210,060)
Interest income	(3,250)	(55,555)	(52,305)
Foreign exchange loss (gain)	(601,384)	(446,118)	155,266
Joint venture administration fee	(34,003)	(68,726)	(34,723)
Interest and financing costs	593,824	33,752	560,072
Share purchase warrants modified	95,252	-	95,252
Stock-based compensation	3,419,775	2,958,838	460,937
Amortization	72,934	78,023	(5,089)
Write-off of mineral properties	767,280	-	767,280
	4,734,109	3,133,955	1,736,630
Total	**$ 6,988,414**	**$ 6,834,181**	**$ (154,233)**

General administrative expenses were reduced by $1,445,921, or 39%, (excluding non-cash items), reflecting the Company's lower activities in 2009 to preserve cash.

A summary of the changes is outlined below:

a) Administration and office general expenses decreased by $175,708 from $762,279 in 2008 to $586,571 in 2009 due to the decrease in the cost of insurance charges and overall less exploration work being performed, thus less related administrative and ancillary charges in 2009.
b) Consulting fees decreased by $373,981 from $740,365 in 2008 to $366,384 in 2009 primarily due to lower cost incurred in the 2 nd year of complying Sarbanes-Oxley; 2008 costs were higher as it involved identifying, developing and documenting internal control processes.

c) Investor relations and communications decreased by $250,478 from $422,467 in 2008 to $171,989 in 2009 resulting from reduced promotional activities and conferences.
d) Professional fees decreased by $384,591 from $800,086 in 2008 to $415,495 in 2009 resulting primarily from lower legal compliance costs associated with being a US public company in the year following our initial March 4, 2008 listing on the Amex.
e) Salaries and benefits decreased by $88,721 from $467,309 in 2008 to $378,588 in 2009 resulting from the voluntarily salary reduction from the CEO and VP Exploration of the Company.
f) Directors and officers fees increased by $12,569 from $153,749 in 2008 to $166,318 in 2009 resulting from increased compensation package to the Board members effective July 2008. All directors accepted Company shares in lieu of cash.

Other and Non-Cash Expenses (Income)

a) General exploration costs: These costs represent expenditures to undertake and support exploration activities on the Company's properties. If the expenditures are deemed not to be recoverable, they are expensed as incurred. Exploration costs decreased by $210,060 due to a slowdown in overall exploration activities carried out in the United States and Mexico.
b) Foreign exchange: The Company recognized a foreign exchange gain of $601,384 in 2009 compared to $446,118 in 2008 due to the strengthening Canadian dollar. Volatility in the foreign exchange rate could continue to result in foreign exchange gains or losses. The Company does not actively hedge its exposure to changes in the value of the Canadian dollar.
c) Stock-based compensation increased by $460,937 from $2,958,838 in 2008 to $3,419,775 in 2009. The current stock-based compensation primarily represents the fair value amounts for the stock options granted in November 2009 and the incremental value arising from the lowering of the exercise price of options granted in prior years. The values of stock-based compensation were determined by Black-Scholes option pricing model.
d) Mineral properties write-off: during the year ended, the Company wrote off the Big Bar property in Alaska and other small projects in Mexico as the Company's ongoing exploration plans no longer included those properties.
e) Higher interest and financing costs in 2009 are the result of the effective interest cost and finders' fees on the convertible notes. A US$52,200 finders' fee was paid in January 2009.
f) The Company charges 10% administration fee on its Nieves joint venture partner's shared exploration costs.

Selected Annual Information

The following table sets forth a comparison of financial data for the previous three most recently completed fiscal years:

	December 31, 2009	2008	2007
Total revenue	$ 37,253	$ 124,281	$ 296,543
Net loss for the year	(6,988,414)	(6,834,181)	(7,303,204)
Basic and diluted loss per share	(0.08)	(0.08)	(0.09)
Total assets	41,872,497	34,397,289	24,198,211
Long-term financial liability	-	2,953,370	-
Cash dividends declared	-	-	-

Quarterly Info and Trend

The following quarterly information is derived from the Company's consolidated financial statements:

	December 31, 2009	**September 30, 2009**	**June 30, 2009**	**March 31, 2009**
General administrative expenses	$ (427,667)	(627,501)	$ (540,287)	$ (731,784)
Interest earned	2,375	522	71	282
Joint venture admin	23,033	3,604	2,621	4,745
Foreign exchange	(86,918)	505,089	409,851	(226,638)
General exploration	(95,890)	(165,668)	(38,899)	(123,224)
Loss	$ (585,067)	(283,954)	(166,643)	(1,076,619)
Financing costs	(108,636)	(150,128)	(163,173)	(171,887)
Stock-based compensation	(2,437,134)	(192,378)	(382,776)	(407,487)
Share purcahse warrants modified	(11,137)	-	(84,115)	-
Write-offs of mineral property	(767,280)	-	-	-
Net (Loss) gain	(3,909,254)	(626,460)	(796,707)	(1,655,993)
Unrealized loss on investment	(12,866)	-	-	-
Basic (loss) per share	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.02)

	December 31, 2008	**September 30, 2008**	**June 30, 2008**	**March 31, 2008**
General administrative expenses	$ (1,045,336)	$ (847,581)	$ (1,063,668)	$ (821,664)
Interest earned	2,386	17,572	24,949	10,648
Joint venture admin	9,755	33,570	22,245	3,156
Foreign exchange	13,600	432,199	(164,454)	164,773
General exploration	(178,467)	(267,439)	(119,846)	(67,989)
Loss	(1,198,062)	(631,679)	(1,300,774)	(711,076)
Financing costs	(33,752)	-	-	-
Stock-based compensation	(530,283)	(305,942)	(1,713,095)	(409,518)
Net (Loss) gain	(1,762,097)	(937,621)	(3,013,869)	(1,120,594)
Basic (loss) per share	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.01)

The Company has had no revenue from mining operations since its inception. Major variations in costs are summarized below:

- Mineral property expenditures can vary widely from quarter to quarter depending on the timing of option payments and the stages and priorities of the exploration program.
- The company receives a management fee on the Blackberry joint venture, the amount of which varies dependent on the level of project expenditures.
- Foreign exchange gains and losses arise because the Company conducts certain of its activities and holds financial assets in the US and Mexico in US dollars, but reports in Canadian dollars.
- Stock based compensation amounts can vary widely from quarter to quarter based on the timing, amount and tenure of stock option awards.
- Interest earned and financing costs vary based on the timing, type and amount of debt and equity placements and resultant fluctuations in cash.

Related Party Information

Manex Resource Group ("Manex"), a private company controlled by a director of the Company provided comprehensive management, administration, equipped office space, investor relations and corporate secretarial services to the Company. These services were provided in the normal course of operations for consideration established and accepted by the Company and Manex, which management believes was reasonable and cost-effective under the circumstances. Please see consolidated financial statements Note 9 for more detailed information.

The Company is party to an agreement dated March 27, 2006 with Atherton Enterprises Ltd. ("Atherton"), which was amended in July 2008 and December 2008, to retain the services of Scott Hean as Chief Financial Officer.

On March 17, 2009, the President and CEO of the Company lent US$200,000 (the "Loan") to the Company for operating expenditures. The Loan has a one year term at an annual interest rate of 4.5%, and is unsecured.

Financial Conditions, Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. As at December 31, 2009, the Company has cash and cash equivalents of $4,795,220. The Company's excess cash is invested in short-term bankers' acceptances.

The Company will need to rely on the sale of equity and/or the optioning of its mineral property interests via joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

At December 31, 2009, the Company had a working capital of $4,431,663 compared to a working capital deficiency of $504,419 as at December 31, 2008. During the year ended December 31, 2009, the Company received gross proceeds of $9,136,446 from private placement, $1,100,905 from exercise of warrants, gross proceeds of $1476,100 from convertible notes, $33,220 from the exercise of stock options, and $163,794 from Blackberry Joint Venture Partner.

In year ended December 31, 2009, the Company spent $2,115,385 (2008 - $4,108,832) in operations and $4,630,243 (2008 - $13,366,464) in mineral property expenditures.

As the Company is in the exploration stage, its operations have been and may continue to be funded by the sale of equity to investors. Although the Company has been successful in raising funds in the past through issuing common shares and convertible notes, there is no guarantee this approach will be successful in the future. Management is considering bringing partners into some of its exploration projects and restructuring payment terms for some property acquisitions.

Commitments and Contingencies

As at March 25, 2010, the Company has the following contractual and optional obligations:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Mineral properties [(a)]	$ 10,536,475	$ 1,290,828	$ 6,055,862	$ 2,722,090	$ 467,695
Office Lease [(b)]	337,500	112,500	225,000	-	-
Total	$ 10,873,975	$ 1,403,328	$ 6,280,862	$ 2,722,090	$ 467,695

a) The Company is required to make option payments and other expenditure commitments to maintain the properties and earn its interest. In addition to the cash payment, the Company is required to issue 150,000 common shares for the MacArthur property in 2010.

b) During 2007, the Company entered into a service agreement with Manex Resource Group ("Manex") for its Vancouver office space, administration, and corporate development. The agreement can be cancelled at anytime upon one year notice. The current expiry date is June 30, 2012. The Company also had two office leases in Kanab, Utah and Yerington, Nevada United States.

In September 2008, three anti mining groups filed a lawsuit against the U.S. Secretary of Interior, the U.S. Department of Interior and U.S. Bureau of Land Management for authorizing uranium exploration on one million acres of public land near Grand Canyon. If successful, this legal action could affect the Company's Arizona uranium project. The lawsuit was dismissed on February 22, 2010 and resulted in no negative implications for the Company.

Outstanding Shares, Stock Options and Share Purchase Warrants

As at March 25, 2010, 115,647,187 common shares were issued and outstanding, 22,043,577 warrants were outstanding at a weighted average exercise price of $0.75 and 9,276,000 stock options were outstanding and exercisable at a weighted average exercise price of $1.56.

Off Balance Sheet Arrangements

None

Disclosure Controls and Internal Control over Financial Reporting

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded based on our evaluation that they are effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above and based on this evaluation, the CEO and CFO have concluded that internal control over financial report was effective as of December 31, 2009 and there have been no significant changes to internal control over financial reporting in the year ended December 31, 2009.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future years are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Company has reviewed this MD&A, and the consolidated financial statements for the year ended December 31, 2009, and the Board of Directors approved these documents prior to their release.

Changes in Accounting Policies and Recent Accounting Pronouncements

The Company's significant accounting policies are subject to estimates and, key judgments about future events, many of which are beyond management's control. A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2009.

Accounting Policies Changes

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Canadian Institute of Chartered Accounts ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section had no effect on the Company's consolidated financial statements.

Recent Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred.

Section 1601,"Consolidated Financial Statements", replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011.

Section 1602, "Non-Controlling Interests", establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to International Financial Reporting Standards ("IFRS") on consolidated and separate financial statements. This standard is effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections in the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company's transition date is January 1, 2011 and will require the restatement for comparative purposes of amounts reported beginning on January 1, 2010. The Company has developed a conversion implementation plan in the first quarter of 2009 and commenced the transition process from Canadian GAAP to IFRS. The process includes three phases:

1. Scoping and diagnostic – this phase included completion of a high-level impact assessment to identify key areas that may be affected by the conversion. Based on the results of this assessment, a detailed implementation plan was developed. The Company completed this phase in the first quarter of 2009.

2. Detailed Evaluation – in this phase, further evaluation of the financial statement areas impacted by IFRS is conducted. The evaluation includes detailed analysis of the IFRS–Canadian GAAP differences, and the selection of accounting policy choices under IFRS. This phase also includes a review of the impact on information technology and data systems, internal control over financial reporting, disclosure controls and procedures, financial reporting expertise and training requirements, and business activities (including compensation program and other contractul arrangements). Based on the analysis performed to date, the Company is not expecting its information technology and data system or its business activities to be significantly impacted. Phase 2 began in the second quarter of 2009 and is expected to continue through the first quarter of 2010.

3. Implementation and Review – this phase includes implementation of the required changes necessary for IFRS compliance. The various accounting policy choices available are being assessed and those determined to be most appropriate for the Company will be implemented. IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions to facilitate the preparation of the opening balance sheet. The Company will monitor changes in IFRS leading up to the January 1, 2011 adoption date, and update its conversion efforts as required. Phase 3 began in the fourth quarter of 2009 and continues through 2010.

Based on the review undertaken under Phase 1 and the work completed to date under Phase 2, the relevant IFRS-GAAP differences and possible impact that management expects IFRS will have on the Company's financial position are summarized in the following table. IFRS will also have more extensive disclosure and analysis of balances and transactions in the notes to the financial statements.

Key areas	Canadian GAAP	IFRS	Preliminary analysis
Capital assets	Capital assets are recorded at cost. Each capital asset's residual value is depreciated over its estimated useful life	As permitted under IFRS 1, capital assts can be recorded at historical cost or at fair value, which requires an annual assessment or when events or circumstances occur which that impair the asset's carrying value. Depreciation is based on the estimated useful life of each major component of each asset.	The Company will continue to record the capital assets at cost due to the complexity and the resources required to fair value the capital assets.
Mineral properties and deferred exploration costs	Exploration, evaluation and development costs can be either capitalized or expensed when incurred.	IFRS has only limited guidance on this topic and currently allows the Company to carry its current treatment.	The existing capitalization policy will be maintained.
Impairment of long-lived assets	Mineral properties, capital assets and deferred exploration costs are tested for impairment on an annual basis or when there are indicators of impairments. Impairment test is a two-step process whereby asset's carrying value is compared against its undiscounted future cash flows. If the latter is less than the carrying value, the asset is written down to its discounted future cash flows.	Same as Canadian GAAP. Impairment test is a one-step process whereby the asset's carrying value is compared to its discounted future cash flows. The asset is written down to its future estimated discounted cash flows. Unlike Canadian GAAP, write downs to net realizable values can be reserved if indicators of impairment cease to exist.	The use of discounted future cash flows as an indicator of impairment may likely lead to write downs in the future and may result in increased volatility of the Company's stock price. The use of a discounted cash flow analysis model for the Company, a junior mining exploration company with no revenue generating properties at the present time is deemed inadequate to determine impairment. Management will continue to consider alternative impairment tests to employ.
Foreign currencies	the Company has determined its functional currency to be the Canadian dollar. Functional currency is determined with the reference to the following: · Currency used in day-to-day operations; and · Currency used for labor, materials and other costs of the product or service.	IFRS provides more guidance in determining the functional currency. The functional currency is defined as the currency of the primary economic environment in which the entity operates. IFRS provides additional factors to consider in determining functional currency including: · The currency in which funds from financing activities are generated; and · The currency in which receipts from operating activities are usually retained.	The Company is in the process of analyzing the functional currency under IFRS.
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows the option to use straight-line method or accelerated method to account for graded vesting features.	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment is to be treated as a separate share option grant because each installment has a different vesting period, and hence the fair value of each installment will differ.	The recognition of the value of stock-based compensation will be higher at the early vesting stage and will decrease as options are near the final vesting stage..

Financial and other Instruments

The Company's activities expose it to a variety of risks arising from financial instruments. Please refer to Note 12 in the audited consolidated financial statements December 31, 2009 for detailed discussions.

The Company's investment as at December 31, 2009 was carried at fair value. In the twelve months of 2009, the Company reported an unrecognized loss of $12,866 from mark-to-market adjustments on the investment.

Risks and Uncertainties

The principal business of the Company is the exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered.

The Company does not generate any revenues from production. The Company's success will depend largely upon its ability to discover and develop commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that our exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, the quality of land available for exploration as well as various other factors.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to obtain required permits and construct mining and processing facilities. Because of these uncertainties, no assurance can be given that the exploration programs will result in the establishment or expansion of resources or reserves or the ultimate development of mining operations.

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favorable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

The ability to attract capital to the Company is dependent on commodity prices. Commodity prices fluctuate on a daily basis and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

Licenses and Permits

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

For ease of reference, the following information is provided:

Canadian Dollars per U.S. Dollar

	December 31, 2009	December 31, 2008
Rate at end of period	1.0510	1.2180
Average rate for period	1.1420	1.0660
High for period	1.2991	1.2935
Low for period	1.0259	0.9765

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Conversion Table

Imperial			Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Metres
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Precious metal units and conversion factors

ppb	- Part per billion	1	ppb	=	0.0010	ppm	=	0.000030 oz/t
ppm	- Part per million	100	ppb	=	0.1000	ppm	=	0.002920 oz/t
oz	- Ounce (troy)	10,000	ppb	=	10.0000	ppm	=	0.291670 oz/t
oz/t	- Ounce per ton (avdp.)	1	ppm	=	1.0000	ug/g	=	1.000000 g/tonne
g	- Gram							
g/tonne	- gram per metric ton	1	oz/t	=	34.2857	ppm		
mg	- milligram	1	Carat	=	41.6660	mg/g		
kg	- kilogram	1	ton (avdp.)	=	907.1848	kg		
ug	- microgram	1	oz (troy)	=	31.1035	g		

Glossary of Abbreviations

Ag:	Silver
Ag gm/t:	Silver grade measured in grams per metric tonne Converts to ounces per ton by dividing by 34.286
AMR:	Advance minimum royalty payments
Au:	Gold
Au gm/t:	Gold grade measured in grams per metric tonne Converts to ounces per ton by dividing by 34.286
Ba:	Barium
CAD:	Canadian dollars
Co:	Cobalt
CSAMT:	Controlled source audio-frequency magneto telluric geophysical survey
Cu:	Copper
EIS:	Environmental Impact Statement
Fe:	Iron
43-101:	Canadian National Instrument 43-101
gpm:	gallons per minute
gpt:	grams per tonne
g/t:	grams per tonne
IP:	Induced Polarization geophysical survey
m.y:	Million years
Ni:	Nickel
NSR:	Net smelter return royalty
Oz:	Troy ounce
oz/t or opt:	Ounces per ton.
Pb:	Lead
Pd:	Palladium
PGE:	Platinum Group Element
PGM:	Platinum group minerals
PPB:	Parts per billion
PPM:	Parts per million
Pt:	Platinum
S:	Sulphur
TD:	Total depth of a drill hole.
tpd:	Tonnes per day
TSX-V	Toronto Stock Exchange - Venture Exchange
US$:	U.S. dollars
U3O8:	Uranium oxide known as "yellow cake".
VLF:	Very low frequency electromagnetic geophysical survey
VMS:	Volcanogenic massive sulphide

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas C. Patton, certify that:

1. I have reviewed this annual report on Form 40-F of Quaterra Resources Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2010

/s/ Thomas Patton
Thomas C. Patton
Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott B. Hean, certify that:

1. I have reviewed this annual report on Form 40-F of Quaterra Resources Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2010

/s/ Scott Hean
Scott B. Hean
Chief Financial Officer

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the annual report of Quaterra Resources Inc. (the "Company") on Form 40-F for the period ended December 31, 2009 (the "Report"), I, Thomas C. Patton, Chief Executive Officer of the Company, certify solely for the purposes of 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2010

/s/ Thomas Patton
Thomas C. Patton
Chief Executive Officer

This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Act of 1934 (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the annual report of Quaterra Resources Inc. (the "Company") on Form 40-F for the period ended December 31, 2009 (the "Report"), I, Scott B. Hean, Chief Financial Officer of the Company, certify solely for the purposes of 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2010

/s/ Scott Hean
Scott B. Hean
Chief Financial Officer

This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Act of 1934 (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors,
Quaterra Resources Inc.

We hereby consent to inclusion in the annual report on Form 40-F for the fiscal year ended December 31, 2009 of Quaterra Resources Inc. (an exploration stage company) (the "Company") our report dated March 25, 2010, relating to the Company's consolidated balance sheets as at December 31, 2009 and 2008 and the consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, Canada
March 25, 2010

CONSENT OF GEOLOGIST

[Letterhead of CARACLE CREEK INTERNATIONAL CONSULTING INC.]

I, Michelle Stone, do hereby consent to references to my name in connection with the following report, which is incorporated by reference into the annual report on Form 40-F for the fiscal year ended December 31, 2009 of Quaterra Resources Inc. filed with the United States Securities and Exchange Commission.

The technical report dated March 8, 2009 titled “Independent Technical Report The Nieves Silver Project Zacatecas State, Mexico” prepared by Michelle Stone, P. Geo. of Caracle Creek International Consulting, Inc.

Dated this 24th day of March 2010

/s/ Michelle Stone

Michelle Stone, Ph.D., P.Geo,
Caracle Creek International Consulting Inc.

CONSENT OF GEOLOGIST

[Letterhead of TETRA TECH]

I, John W. Rozelle, do hereby consent to references to my name in connection with the following report, which is incorporated by reference into the annual report on Form 40-F for the fiscal year ended December 31, 2009 of Quaterra Resources Inc. filed with the United States Securities and Exchange Commission.

The technical report dated March 19, 2009 titled “MacArthur Copper Project NI 43-101 Technical Report Lyon County, Nevada, USA” prepared by John W. Rozelle, P. Geo. for Tetra Tech.

Dated this 24th day of March 2010

/s/ John W. Rozelle

John W. Rozelle, P.G.