No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell these securities.

The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and may not be offered or sold in the United States, or to or for the account or benefit of, a person in the United States or a "U.S. person" (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act ("Regulation S")) ("U.S. Person"), except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. By taking delivery of the Offered Shares (as hereinafter defined) persons acquiring securities hereunder that are outside the United States and that are not U.S. Persons will be deemed to certify and represent that they are not in the United States or U.S. Persons, nor acquiring the securities for any such persons, and agree that they will not engage in hedging transactions except in compliance with the U.S. Securities Act and that they will resell the securities only outside the United States in accordance with Regulation S under the U.S. Securities Act, pursuant to an effective registration statement under the U.S. Securities Act or an exemption from registration therefrom. To the extent, if any, that the securities offered hereby are offered and sold to or for the account or benefit of persons in the United States or to U.S. Persons, the securities will only be offered and sold pursuant to an applicable exemption from registration under the U.S. Securities Act. See "Plan of Distribution" and "United States Securities Law Matters and Restrictions on Trading Shares".

PROSPECTUS

<u>*Initial Public Offering*</u> November 8, 2010

Xtra-Gold Resources Corp.

Minimum Offering: 3,703,704 Common Shares for $5,000,000
Maximum Offering: 7,037,037 Common Shares for $9,500,000

$1.35 per Common Shares

This prospectus qualifies the distribution (the "**Offering**") of a minimum of 3,703,704 shares of common stock (each an "**Offered Share**", and collectively, the "**Offered Shares**") of Xtra-Gold Resources Corp. ("**Xtra-Gold**" or the "**Company**") at a price of $1.35 per Offered Share (the "**Issue Price**") for minimum gross proceeds of $5,000,000 (the "**Minimum Offering**") and a maximum of 7,037,037 Offered Shares for maximum gross proceeds of $9,500,000 (the "**Maximum Offering**"), assuming no exercise of the Agents' Option (as defined herein). The Offered Shares will be issued pursuant to an agency agreement dated November 8, 2010 (the "**Agency Agreement**") between the Company and Haywood Securities Inc. (the "**Lead Agent**") and GMP Securities L.P. and Raymond James Ltd. (collectively, with the Lead Agent, the "**Agents**"). The Issue Price was determined by negotiation between the Company and the Lead Agent. See "Plan of Distribution".

	Price to the Public	Agents' Commission [(3)]	Net Proceeds to the Company
Per Offered Share	$1.35	$0.08	$1.27[(4)]
Minimum Offering [(1)]	$5,000,000	$325,000	$4,325,000[(5)]
Maximum Offering [(2)]	$9,500,000	$617,500	$8,532,500[(5)]

Notes:

(1) Assumes that the minimum number of Offered Shares are issued and sold pursuant to the Offering (referred to in this prospectus as the "**Minimum Offering**"), but not including any Additional Shares (as defined herein) issued and sold pursuant to the exercise of the Agents' Option (as defined herein).

(2) Assumes that the maximum number of Offered Shares are issued and sold pursuant to the Offering (referred to in this prospectus as the "**Maximum Offering**"), but not including any Additional Shares (as defined herein) issued and sold pursuant to the exercise of the Agents' Option.

(3) In consideration of the services rendered by the Agents in connection with the Offering, the Company has agreed to pay the Agents a cash commission (the "**Agents' Commission**") equal to 6.5% of the gross proceeds from the Offering (including any proceeds received pursuant to the exercise of the Agents' Option). In addition, the Agents will also receive non-transferable broker warrants (the "**Broker Warrants**") entitling the Agents to purchase that number of Common Shares (as defined herein) (the "**Broker Shares**") that is equal to 7.0% of the number of Offered Shares issued and sold under the Offering, including any Additional Shares issued and sold pursuant to the exercise of the Agents' Option. Each Broker Warrant entitles the holder thereof to purchase one Broker Share at a price equal to the Issue Price until the date that is 24 months after the Closing Date (as defined herein). The issuance of the Broker Warrants is qualified by this prospectus. See "Plan of Distribution".

(4) After deducting the Agents' Commission. The expenses of the Offering have not been deducted.

(5) After deducting the Agents' Commission and expenses of the Offering (including the preparation and filing of this prospectus which are estimated to be $350,000 and which will be paid by the Company from the proceeds of the Offering).

The Company has granted to the Agents an option (the "**Agents' Option**"), exercisable in whole or in part at any time up to the Closing Date, to arrange for the purchase and sale of up to $1,425,000 of additional Common Shares (the "**Additional Shares**") on the same terms as set forth herein. References to Offered Shares in this prospectus include the Additional Shares, unless otherwise noted or the context precludes such inclusion. If the Agents' Option is exercised in full (and assuming completion of the Maximum Offering), the total price to the public for the Offered Shares will be $10,925,000, the Agents' Commission will be $710,125 and the net proceeds to the Company (after deducting the expenses of the Offering, estimated to be $350,000) will be $9,864,875. The grant of the Agents' Option and the distribution of the Additional Shares issuable on the exercise of the Agents' Option are qualified for distribution under this prospectus. See "Plan of Distribution".

The following table sets out the number of securities that may be issued by the Company to the Agents:

Agents' Position	Minimum Number of Securities Available	Maximum Number of Securities Available[(1)]	Exercise Period	Exercise price
Agents' Option	N/A	1,055,556 Common Shares	Up to the Closing Date	N/A
Broker Warrants	259,259 Common Shares	492,592 Common Shares	Up to 24 months from the Closing Date	Issue Price
Total	259,259 Common Shares	1,548,148 Common Shares		

Note:

(1) Assuming completion of the Maximum Offering and full exercise of the Agents' Option.

The Agents have agreed to conditionally offer the Offered Shares to the public in the Provinces of British Columbia, Alberta and Ontario (the "**Offering Jurisdictions**") on a commercially reasonable efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution", subject to the approval of all legal matters on behalf of the Company by Peterson Law Professional Corporation and on the behalf of the Agents by Fraser Milner Casgrain LLP. Subscriptions for Offered Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice.

The issued and outstanding shares of common stock of the Company (the "**Common Shares**") trade in the United States on the OTC Bulletin Board (the "**OTCBB**") under the trading symbol "XTGR". The OTCBB is an unorganized, inter-dealer, over-the-counter market that provides significantly less liquidity than the United States national securities exchanges such as, the New York Stock Exchange, the NYSE Amex and the NASDAQ Global Marketplace. The closing price of the Common Shares on November 5, 2010 on the OTCBB was US$1.78.

There is currently no market in Canada through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Company's Common Shares (as defined herein, including the Offered Shares and the Additional Shares distributed under this prospectus). Listing is subject to the Company fulfilling all of the requirements of the TSX.

The securities of the Company should be regarded as highly speculative, due to the nature of the Company's business and its formative stage of development. An investment in the securities of the Company should only be made by persons who can afford a significant or total loss of their investment. The Company is engaged in the exploration of gold properties exclusively in the Republic of Ghana, West Africa. The Company has no history of earnings. The Company has no present intention to pay any dividends on its Common Shares. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. See "Risk Factors".

The Offering is not underwritten. Provided that the Minimum Offering is subscribed for, it is expected that the completion of the sale of Offered Shares pursuant to the Offering (the "**Closing**") will take place on such date or dates as the Agents and the Company may mutually agree upon. It is expected that the Closing will occur on or about November 23, 2010 or such other date or dates as may be agreed to by the Company and the Agents. The Offering will not continue for a period of more than 90 days after the date of the receipt for the (final) prospectus in respect of the Offering, unless an amendment to the (final) prospectus is filed and a receipt obtained therefor by the Company in accordance with applicable securities laws, provided that the total period of distribution under the Offering shall not exceed 180 days from the date of the receipt for the (final) prospectus. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. In the event the Minimum Offering is not sold and the necessary consents are not obtained or if the Closing of the Offering does not occur for any reason, subscription proceeds received by the Agents from prospective purchasers will be held in trust by the applicable Agent and will be returned to such prospective purchasers promptly without interest or deduction. Except as may be otherwise agreed by the Company and the Agents other than securities sold in the United States or to or for the account or benefit of U.S. Persons, which will be represented by individual certificates, it is expected that the Offered Shares to be issued to purchasers pursuant to the Offering will be issued in registered form to Depository Trust & Clearing Corporation ("**DTCC**") or its nominee, Cede & Co., and will be deposited with DTCC on the Closing Date. Purchasers of Offered Shares registered in the name of DTCC or its nominee, Cede & Co., will receive only a customer confirmation from the registered dealer through which the Offered Shares are purchased. See ''Plan of Distribution''.

The Company is neither a “connected issuer” nor a “related issuer” of the Agents as defined in National Instrument 33-105 - *Underwriting Conflicts*.

The Offered Shares may be sold only in those jurisdictions where offers and sales are permitted. This prospectus is not an offer to sell or a solicitation of an offer to buy the Offered Shares in any jurisdiction where it is unlawful. The information contained in this prospectus is accurate only as of the date hereof, regardless of the time of delivery of this prospectus or of any sale of the Offered Shares. Readers should rely only on the information contained or incorporated by reference in this prospectus. The Company has not authorized any person to provide any different information.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities law. The Offered Shares will be deemed “restricted securities” as defined in Rule 144 of the U.S. Securities Act and will be subject to a six month distribution compliance period during which the Offered Shares may not be offered or sold to any person in the United States or any U.S. Person or person acquiring for the account or benefit of any U.S. Person or person in the United States. Hedging transactions may not be conducted except in compliance with the U.S. Securities Act. In addition, in the event the Offered Shares are listed on a recognized stock exchange in Canada, the Offered Shares will be traded on such stock exchange with a “.S” suffix attached to the trading symbol to indicate that the Offered Shares are subject to trading restrictions under Regulation S. See “United States Securities Law Matters and Restrictions on Trading Shares”.

International Issuer

The Company is incorporated under the laws of a foreign jurisdiction. Although the Company has appointed Peterson Law Professional Corporation as its agent for service of process in the Province of Ontario, it may not be possible for investors to enforce judgments obtained in Canada against the Company.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains ‘‘forward-looking information’’ within the meaning of applicable Canadian securities laws and which is prospective in nature. Forward-looking information by its nature requires the Company to make assumptions and is subject to inherent risks and uncertainties. Generally, but not always, forward-looking information is identifiable by use of the words ‘‘continue’’, ‘‘expect’’, ‘‘anticipate’’, ‘‘estimate’’, ‘‘forecast’’, ‘‘believe’’, ‘‘intend’’, ‘‘schedule’’, ‘‘budget’’, ‘‘plan’’ or ‘‘project’’, or the negative or other variations of these words or comparable terminology, or states that certain actions, events or results ‘‘may’’, ‘‘could’’, ‘‘should’’, ‘‘would’’, ‘‘might’’ or ‘‘will’’ be taken, occur or be achieved. In this prospectus, forward-looking information includes, but is not limited to, statements about future financial and operating performance, strategic plans, future operations, cost estimates, realization of mineral resources, results of exploration, future work programs, capital expenditures and objectives, evolution and economic performance of development projects, timing of exploration and development projects, costs, timing and location of future drilling, timing exploration budgets and targets, continuity of a favourable gold market, contractual commitments, environmental and reclamation expenses, continuous availability of required manpower, continuous access to capital markets, the anticipated amount of net proceeds of the Offering to the Company and the anticipated use thereof by management of the Company, and the expected date of Closing. In connection with such forward-looking information, the Company has made certain assumptions about the Company’s business, the economy and the mineral exploration industry in general and has also assumed that contracted parties provide goods and services on agreed timeframes, plant and equipment work as anticipated, required regulatory approvals, are received, no unusual geological or technical problems occur, no material adverse change in the price of gold occurs and no significant events occur outside of the Company’s normal course of business.

Readers are cautioned not to place undue reliance on the forward-looking information in this prospectus, because a number of factors, known and unknown, could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information. There can be no assurance that forward-looking information will prove to be accurate. The following, among other things, are material factors that could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this prospectus: the inability of the Company to maintain its interest in its mineral projects or to obtain or comply with all required permits and licenses, risks normally incidental to exploration and development of mineral properties, uncertainties in the interpretation of drill results, the possibility that future exploration, development or mining results will not be consistent with expectations, changes in governmental regulation adverse to the Company, risks normally associated with operating in foreign jurisdictions, lack of adequate infrastructure at the Company’s mineral projects, environmental risks, economic uncertainties, the inability of the Company to obtain additional financing when and as needed, dependence on a small number of key personnel, competition from other mining businesses, the future price of gold and other metals and commodities, fluctuation in currency exchange rates, title defects and other related matters. Although the Company has attempted to identify material factors that could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information, there may be other factors that could cause results to differ from what is anticipated, estimated or intended. Those factors are described or referred to below in this prospectus under the heading ‘‘Risk Factors’’ and elsewhere herein.

All forward-looking information contained in this prospectus, is given as of the date of the document in which the forward-looking information is contained. Except as required under applicable laws, the Company undertakes no obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

ELIGIBILITY FOR INVESTMENT

In the opinion of Peterson Law Professional Corporation, counsel to the Company, and Fraser Milner Casgrain LLP, counsel to the Agents, based on the current provisions of the *Income Tax Act* (Canada) (the "Canadian Tax Act") the regulations thereunder (the "Regulations") and the proposals to amend the Canadian Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof, provided the Offered Shares are listed on a "designated stock exchange" as defined in the Canadian Tax Act, on the Closing Date, the Offered Shares will, on that date be "qualified investments" under the Canadian Tax Act and the Regulations for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**"). Notwithstanding the foregoing, if the Offered Shares are "prohibited investments" for the purposes of a TFSA, the holder of such TFSA will be subject to a penalty tax as set out in the Canadian Tax Act. Offered Shares will generally be prohibited investments if the holder of the TFSA does not deal at arm's length with the Company for the purposes of the Canadian Tax Act or if the holder of the TFSA has a "significant interest" (within the meaning of the Canadian Tax Act) in the Company or a corporation, partnership or trust with which the Company does not deal at arm's length for the purposes of the Canadian Tax Act. Holders of a TFSA who wish to hold their Offered Shares in a TFSA should consult their own tax advisors in this regard.

Unless otherwise indicated, all defined terms used in this section have the meanings set forth in the Glossary.

Investors should read this entire prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

All defined terms in this "Prospectus Summary" shall have the meanings set forth in the Glossary.

Unless otherwise indicated, all references to "$" or to "dollars" in this "Prospectus Summary" refer to Canadian dollars.

The Company

Xtra-Gold was incorporated under the laws of the State of Nevada on September 1, 1998 under the name Silverwing Systems Corporation pursuant to the provisions of the Nevada Revised Statutes. In 2003, the Company became a resource exploration company. The Company is engaged in the exploration of gold properties exclusively in Ghana, West Africa. Exploration means that the Company is engaged in the search for mineral deposits or reserves which could be economically and legally extracted or produced and typically includes the review of existing data, grid establishment, geological mapping, geophysical surveying, trenching and pitting to test the areas of anomalous soil samples and reverse circulation and/or diamond core drilling to test targets followed by infill drilling, if successful, to define a resource and, perhaps ultimately, a reserve. The Company's activities are focused on the Kibi Project. See "The Company", "Description of the Business" and "Material Property of the Company - Kibi Project".

Directors and Officers

Paul N. Zyla -	President, Chief Executive Officer and Director
John C. Ross -	Chief Financial Officer
Peter C. Minuk -	Corporate Secretary, Treasurer and Director
Yves Clement -	Vice President of Exploration
Victor Nkansa -	Vice President of Ghana Operations
Richard W. Grayston -	Chairman of the Board and Director
Robert H. Montgomery -	Director
Robert J. Casaceli -	Director

See "Directors and Executive Officers".

The Kibi Project

The Company's interests in its Projects are held by the Company's Ghanaian subsidiaries (as further discussed herein), through Prospecting Licenses and Mining Leases granted by the Government of Ghana for licensed or leased areas respectively located within and upon concessions in Ghana.

The Company's principal asset and only material project is its interest in the Kibi Project, which is owned by Xtra-Gold through its Ghanaian subsidiary, XG Mining (as further discussed herein) pursuant to the registration of a Mining Lease on the Apapam Concession. The interest of the Company in the Apapam Concession forms the material portion of the Kibi Project and is secured by way of the Apapam ML granted to XG Mining by the Government of Ghana and registered as No. LVB 5191/09.

The registered holder of the Apapam ML is XG Mining, a Ghanaian corporation in which Xtra-Gold owns and controls a 90% interest. The remaining 10% interest is held by the Government of Ghana. Pursuant to the Mining Act (Ghana), the Government of Ghana acquires a 10% free carried interest in all Mining Leases by way of 10% share ownership in all Ghanaian corporations who hold Mining Leases. The term of the Apapam ML is seven years and expires on December 17, 2015. The Apapam ML can be renewed for a further 30 year term in accordance with the Mining Act (Ghana) by XG Mining making application not less than six months prior to December 17, 2015. See "Material Property of the Company - Kibi Project".

Aside from the Kibi Project, the Company also has an interest in the following Projects, all of which are in the exploration stage: the Banso and Muoso Project, the Kwabeng Project, the Pameng Project, and the Edum Banso Project. See “Description of the Business”.

The Offering

The Minimum Offering consists of 3,703,704 Offered Shares at a price of $1.35 per Offered Share for gross proceeds of $5,000,000. The Maximum Offering consists of 7,037,037 Offered Shares at a price of $1.35 per Offered Share for gross proceeds of $9,500,000. The Offering will be offered by the Agents to the public in the Provinces of British Columbia, Alberta and Ontario on a commercially reasonable efforts basis in accordance with the terms of the Agency Agreement. See “Plan of Distribution”.

Agents’ Option

The Company has granted to the Agents the Agents’ Option, exercisable in whole or in part at any time up to the Closing Date to offer for sale up to $1,425,000 of Additional Shares on the same terms as set forth above. This prospectus also qualifies the grant of the Agents’ Option and the distribution of the Additional Shares issued on the exercise thereof. See “Plan of Distribution”.

Agents’ Commission

The Agents will be paid the Agents’ Commission, being 6.5% of the gross proceeds raised pursuant to the Offering, including pusuant to the exercise of the Agents’ Option. In addition, the Agents will receive Broker Warrants entitling the Agents to purchase that number of Broker Shares that is equal to 7.0% of the number of Offered Shares distributed under the Offering, including pursuant to the exercise of the Agents’ Option. Each Broker Warrant entitles its holder to purchase one Broker Share at a price per Broker Share equal to the Issue Price for a term of 24 months following the Closing Date. This prospectus also qualifies the issuance of the Broker Warrants. See “Plan of Distribution”.

Risk Factors

An investment in the securities offered under this prospectus should be considered highly speculative in nature and investors may incur a loss of some or all of their investment. Prospective investors should carefully review and consider the risk factors set forth below under the heading “Risk Factors”. The Company has no history of earnings and is in the exploration stage. The chance of ever reaching the production stage with the limited number of Projects the Company depends upon is uncertain. The Company will continue to incur operating losses without guarantee that it will achieve operating profits. Substantial additional capital is required to continue exploration at the Kibi Project, without which the Company’s plan of operations may be adversely affected. There is also no guarantee of the Company’s ability to obtain from the government authorities, the necessary grant of ground application to extend the concession area to cover certain drill intercepts at the Kibi Project. The Company’s activities may require permits or licenses which may be delayed or may not be granted to the Company and is subject to factors beyond its control which may impact the title in its Projects. There is no assurance that additional funding will be available to the Company. The Company competes with other companies with greater financial resources and technical facilities. The Government of Ghana may increase its ownership interest of 10% in a Ghanaian subsidiary which could impact the Company’s future operations. Applicable environmental laws and regulations may increase the Company’s costs of doing business and may restrict its operations. There may be instances where certain events occur that the Company is not insured against. The Company may allocate the proceeds of the Offering to areas not otherwise forecast in this prospectus. The Company’s Common Share price will likely be highly volatile and its Common Shares may become diluted as more Common Shares are issued. The Company is subject to fluctuations in currency exchange rates, the potential of legal claims and the associated costs of defense and settlement, high inflation rates, instability in global financial systems, external industry factors affecting the marketability of its minerals and changes in political stability in West Africa, which could all materially adversely affect the Company’s financial position. See “Risk Factors”.

Use of Proceeds

Upon completion of the Offering (assuming completion of the Minimum Offering), the proceeds to the Company, after deducting the Agents' Commission ($325,000) and expenses of the Offering (including the preparation and filing of this prospectus which are estimated to be $350,000 and which will be paid by the Company from the proceeds of the Offering) are estimated to be $4,325,000. Assuming completion of the Maximum Offering (but no exercise of the Agents' Option), the proceeds to the Company, after deducting the Agents' Commission ($617,500) and expenses of the Offering ($350,000) are estimated to be $8,532,500.

The Company intends to use the net proceeds available to it on the completion of the Offering in the approximate amounts as follows:

Use of Proceeds	Minimum Offering(1)	Maximum Offering (2)
Royalties to Government of Ghana (1)	Nil	Nil
Annual Environmental Permits (2)	$1,111(4) (US$1,110)	$1,111(4) (US$1,110)
Prospecting License Commitments (3)	$20,030 (4) (US$20,000)	$20,030(4) (US$20,000)
Kibi Project 43-101 Phase 1 Recommended Work Program	$1,001,500 (4) (US$1,000,000)	$1,001,500 (4) (US$1,000,000)
Kibi Project 43-101 Phase 2 Recommended Work Program	$2,503,750 (4) (US$2,500,000)	$2,704,050 (4) (US$2,700,000)
Kibi Project 43-101 Phase 3 Recommended Work Program	N/A	$2,503,750 (4) (US$2,500,000)
Other Projects (Kwabeng and Pameng concessions) – Exploration Work	$370,555 (4) (US$370,000)	$370,555 (4) (US$370,000)
General & Administrative Budget (estimate for 12 months)	$600,900 (4) (US$600,000)	$600,900 (4) (US$600,000)
General Working Capital	$172,846	$1,330,604
Total	$4,325,000	$8,532,500

Notes:

(1) Assuming the Minimum Offering, less Agents' Commission and expenses of the Offering (estimated to be $350,000).

(2) Assuming the Maximum Offering, but no exercise of the Agents' Option, less Agents' Commission and expenses of the Offering (estimated to be $350,000).

(3) Based on the noon spot rate of US$1.00 = $1.0015 as reported by the Bank of Canada on November 5, 2010.

See "Use of Proceeds".

Closing Date

It is expected that the closing of the Offering will take place on November 23, 2010, or such other date as mutually agreed upon by the Agents and the Company. See "Plan of Distribution".

Selected Financial Information

The Company has a financial year end of December 31.

Financial statements of the Company are prepared in accordance with US GAAP. The following selected financial information is derived from and is subject to the detailed information contained in the audited financial statements audited by the Company's auditors for the years ended December 31, 2009, 2008 and 2007 and the unaudited financial statements for the six month periods, ended June 30, 2010 and June 30, 2009 and should be read in conjunction with those statements and notes thereto.

The following is expressed in U.S. Dollars.

	Six Months Ended June 30		**Year Ended December 31,**	**Year Ended December 31,**	**Year Ended December 31,**
	2010 (Unaudited) (US$)	**2009 (Unaudited) (US$)**	**2009 (Audited) (US$)**	**2008 (Audited) (US$)**	**2007 (Audited) (US$)**
Total Revenues	Nil	Nil	Nil	Nil	Nil
Current Assets	$2,295,791	$2,142,700	$2,602,232	$1,834,897	$2,556,515
Total Assets	$4,641,258	$4,126,069	$4,550,587	$3,853,611	$4,465,234
Current Liabilities	$169,079	$226,644	$483,073	$535,272	$795,231
Total Liabilities	$244,581	$545,281	$554,979	$850,641	$1,723,630
Loss for the Period	$998,565	$101,652	$961,495	$3,231,403	$1,874,757
Deficit Accumulated during the Exploration Stage	$ (10,303,017)	$ (8,444,609)	$(9,304,452)	$(8,342,957)	$(5,111,554)
Net Loss per share (basic and fully diluted)	$0.03	$0.00	$0.03	$0.11	$0.07

See "Management's Discussion & Analysis".

GLOSSARY

In this prospectus, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**1986 Mining Law (Ghana)**" means the Ghana *Minerals and Mining Law*, 1986;

"**2005 Stock Option Plan**" means the Company's incentive stock option plan adopted in 2005;

"**43-101 Phase 1 Scope of Work**" means the phase 1 scope of work recommended by the Technical Report;

"**43-101 Phase 2 Scope of Work**" means the phase 2 scope of work recommended by the Technical Report;

"**43-101 Phase 3 Scope of Work**" means the phase 3 scope of work recommended by the Technical Report;

"**Additional Shares**" means the Common Shares issuable pursuant to the Agents' Option;

"**Agency Agreement**" means the agency agreement dated November 8, 2010 between the Company and the Agents with respect to the Offering, as more particularly described under the heading "Plan of Distribution";

"**Agents**" means, collectively, Haywood Securities Inc., GMP Securities L.P. and Raymond James;

"**Agents' Commission**" means the cash commission payable to the Agents in connection with the Offering, equal to 6.5% of the gross proceeds of the Offering (including any proceeds received pursuant to the exercise of the Agents' Option);

"**Agents' Option**" means the option granted to the Agents by the Company, exercisable in whole or in part at any time up to the Closing Date, to arrange for the purchase and sale up to $1,425,000 of Additional Shares on the same terms as the Offered Shares;

"**Apapam Concession**" means the area of land comprised of 33.65 sq km or 3,365 hectares located in the East Akim District, in the Eastern Region of Ghana (see Figure 3) extending to a maximum of approximately 8.6 km in a northeast direction by 8.2 km in a northwest direction;

"**Apapam ML**" means the Mining Lease granted to the Company by the Government of Ghana on December 18, 2008 and stamped as No. LVB 5191/09 relating to the Company's interest in the Apapam Concession;

"**ASL**" means above sea level;

"**Board**" means the board of directors of the Company;

"**Broker Shares**" means the Common Shares issuable upon exercise of the Broker Warrants;

"**Broker Warrants**" means the Common Share purchase warrants of the Company to be issued to the Agents in connection with the Offering, with such Common Share purchase warrants entitling the Agents to purchase up to that number of Broker Shares that is equal to 7.0% of the total number of Offered Shares issued and sold under the Offering, including pursuant to the exercise of the Agents' Option. Each Broker Warrant entitles the holder thereof to purchase one Broker Share at a price equal to the Issue Price until the date that is 24 months after the Closing Date;

"**Canadian Tax Act**" means the *Income Tax Act* (Canada);

"**Closing Date**" means November 23, 2010 or such other date or dates as mutually agreed upon by the Agents and the Company;

"**Common Shares**" means the shares of common stock of the Company;

"**Company**" means Xtra-Gold Resources Corp., a corporation exisiting under the laws of the State of Nevada;

"**Escrow Agent**" means Olympia Transfer Services Inc. in its capacity as escrow agent under the Escrow Agreement;

"**Escrow Agreement**" means the agreement between certain principals of the Company, the Escrow Agent and the Company with respect to the securities being deposited into escrow in connection with the Offering;

"**Field Camp**" means the Company's technical and administrative office located in Kwabeng, Ghana;

"**Ghana**" means the Republic of Ghana, West Africa;

"**Ghana EPA**" means the Ghana Environmental Protection Agency;

"**ha**" means hectare;

"**Issue Price**" means $1.35 per Offered Share, the price at which Offered Shares are being offered for sale under this prospectus;

"**Kibi District**" means the surrounding areas of the town of Kibi, the capital of the East Akim District which is located in southeastern Ghana on the eastern slopes of the Atewa Range and is also referred to by the local inhabitants as the "Kibi Gold District";

"**Kibi Gold Belt**" (also known as the "Kibi Greenstone Belt") means a greenstone belt, as defined in all the geological publications in Ghana, and is one of the four main greenstone belts located in Ghana;

"**Kibi Project**" means, collectively, (i) the Apapam Concession; and (ii) two land staking applications, both of which are still being processed by the Government of Ghana, including (a) a reconnaissance license covering a 7.0 square kilometres (700 hectare) parcel of land contiguous to the southwest extremity of the Apapam Concession (i.e. Akim Apapam concession), and (b) an approximately 1.42 square kilometres (142 hectare) ground extension along the northwest boundary of the Apapam Concession (i.e. Apapam Mining Lease Extension);

"**Lead Agent**" means Haywood Securities Inc.;

"**Listing Date**" means the date on which the Common Shares are listed for trading on a recognized stock exchange in Canada;

"**Maximum Offering**" means 7,037,037 Offered Shares at the Issue Price for maximum gross proceeds of $9,500,000;

"**Mincom**" means the Ghana Minerals Commission;

"**Minimum Offering**" means 3,703,704 Offered Shares at the Issue Price for minimum gross proceeds of $5,000,000;

"**Mining Act (Ghana)**" means the Ghana *Minerals and Mining Act, 2006* (Act 703), as amended by the *Minerals and Mining Act, 2010* (Act 794);

“**Mining Lease**” means a legal contract for the right to work, develop, extract and produce gold lying and being within and under the surface of a leased area located in Ghana, or other valuable deposits from it, under prescribed conditions of time, price, rental, or royalties;

“**Minister**” means the Minister of Lands and Natural Resources in Ghana;

“**ML Holder**” means the holder of a Mining Lease;

“**Nevada Revised Statutes**” means Nevada Revised Statutes, Chapter 78;

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“**NP 46-201**” means National Policy 46-201 – *Escrow for Initial Public Offerings*;

“**NP 58-201**” means National Policy 58-201 – *Corporate Governance Guidelines*;

“**Offered Shares**” means, collectively, the Common Shares offered pursuant to the Offering and, as the context allows, the Additional Shares;

“**Offering**” means the initial public offering of the Offered Shares pursuant to this prospectus or any amendment hereto;

“**Offering Jurisdictions**” means the jurisdictions in which the Offering will be made to the public, being the Provinces of, specifically, Ontario, Alberta and British Columbia;

“**OTCBB**” means the OTC Bulletin Board;

“**Other Projects**” means the Banso and Muoso Project, the Kwabeng Project, the Pameng Project and the Edum Banso Project;

“**PL Holder**” means the holder of a Prospecting License;

“**Projects**” means, collectively, the Company’s five projects: Kibi, Banso and Muoso, Kwabeng, Pameng and Edum Banso, and “**Project**” shall mean any of the Projects, as the context requires;

“**Prospecting License**” means a legal contract under the laws of Ghana for the right and license to prospect for and prove gold, including the right to conduct geological and geophysical investigations in a licensed area in Ghana to determine an adequate quantity of geologically proven and mineable reserve of gold;

“**Regulation S**” means Regulation S as adopted by the United States Securities and Exchange Commission as in effect on the date hereof and as such may be amended hereafter;

“**RTZ Consultants**” means RTZ Consultants Limited;

“**Seed Common Shares**” means the Common Shares issued and outstanding prior to completion of the Offering;

“**SEC**” means the United States Securities and Exchange Commission;

“**SEMS**” means SEMS Exploration Services Ltd.;

"**sq km**" means square kilometre;

"**Technical Report**" means the NI 43-101 Technical Report entitled "*Kibi Project, Eastern Region, Ghana*", prepared by Simon Meadows Smith and Joe Amanor of SEMS and dated July 12, 2010;

"**Transfer Agent**" means Olympia Transfer Services Inc. in its capacity as registrar and transfer agent of the Common Shares;

"**TSX**" means the Toronto Stock Exchange;

"**TSXV**" means TSX Venture Exchange;

"**US GAAP**" means generally accepted accounting principles in the United States of America that the United States Securities and Exchange Commission has identified as having substantial authoritative support, as supplemented by Regulations S-X and Regulation S-K under the United States Securities Exchange Act of 1934, as amended;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended;

"**XGEL**" means Xtra-Gold Exploration Limited, a corporation existing under the laws of Ghana and a subsidiary of Xtra-Gold;

"**XG Mining**" means Xtra-Gold Mining Limited, corporation existing under the laws of Ghana and a subsidiary of Xtra-Gold; and

"**Xtra-Gold**" means Xtra-Gold Resources Corp., being the Company.

CURRENCY PRESENTATION AND FINANCIAL INFORMATION

Unless otherwise indicated, all references to "$" or "dollars" in this prospectus refer to Canadian dollars. The Issue Price is in Canadian dollars. References to "US$" are to United States dollars.

The financial statements of the Company accompanying this prospectus are reported in United States dollars and are prepared in accordance with US GAAP.

United States Dollar Expressed in Canadian Dollars

The following table sets forth, for each of the years indicated and the six month period ended June 30, 2010, the high, low, average and closing noon spot rates for one United States dollar expressed in Canadian dollars, as reported by the Bank of Canada:

	2010 (Jan 1- June 30)	2009	2008	2007
	$	$	$	$
High	1.0778	1.3000	1.2969	1.1853
Low	0.9961	1.0292	0.9719	0.9170
Closing	1.0606	1.0466	1.2246	0.9881
Average (1)	1.0338	1.1420	1.0660	1.0748

Notes:
(1) Calculated as an average of the daily noon rates for each period.

As at November 5, 2010, the noon spot rate as reported by the Bank of Canada was US$1.00 = $0.9985 or $1.00 = US$1.0015.

Ghanaian Cedi Expressed in Canadian Dollars

The following table sets forth, for each of the years indicated, the high, low, average and closing noon spot rates for one Ghanaian cedi expressed in Canadian dollars, as reported by the Bank of Canada:

	2010 (Jan 1- June 30)	2009	2008	2007(1)
	$	$	$	$
High	0.7537	0.9808	1.1044	1.1540
Low	0.7030	0.7078	0.8814	0.9444
Closing	0.7353	0.7310	0.9622	1.0026
Average (2)	0.7258	0.7999	0.9865	1.0689

Notes:
(1) Effective July 1, 2007, the Ghana cedi was re-denominated and one new cedi is now worth 10,000 old cedis. Therefore, as of July 3, 2007, the noon rates calculated for this currency, and published by the Bank of Canada, will refer to the new cedi, quoted to four decimal places.
(2) Calculated as an average of the daily noon rates for each period.

As at November 5, 2010 the noon spot rate as reported by the Bank of Canada was 1.0 Ghanaian cedi = $0.70 or $1.00 = 1.43 Ghanaian cedi.

THE COMPANY

Name and Incorporation

The Company was incorporated under the laws of the State of Nevada on September 1, 1998 under the name Silverwing Systems Corporation pursuant to the provisions of the Nevada Revised Statutes. In 2003, the Company became a resource exploration company. On October 31, 2003, the Company acquired 100% of the issued and outstanding common shares of Xtra-Gold Resources, Inc. ("**XGRI**"). XGRI was incorporated in Florida on October 24, 2003. On December 19, 2003, the Company changed its name to Xtra-Gold Resources Corp. At the time the Company changed its name, it also amended its articles of incorporation to increase the number of Common Shares that the Company was authorized to issue from 100,000,000 Common Shares, par value $.001 per share, to 250,000,000 Common Shares, par value $.001 per share.

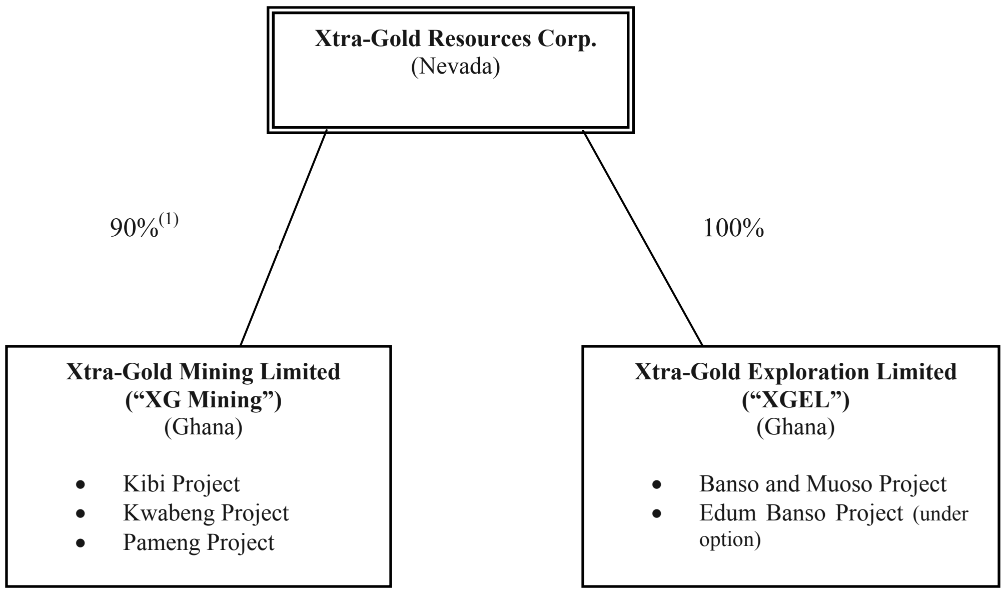
The Company's head office is located at 2 Masalakye Street, in the town of Kwabeng, Ghana, which the Company also refers to as its field camp (the "**Field Camp**"). Mail delivery is to P.O. Box CT5239 in Cantonments, Accra, Ghana. The Company's registered office is located at 8883 West Flamingo Road, Suite 102, c/o Nevada Corporate Services, Las Vegas, NV 89147. The Company also maintains a corporate office at 360 Bay Street, Suite 301, Toronto, Ontario, Canada, M5H 2V6. References in this prospectus to the "Company" are to Xtra-Gold Resources Corp. and include its subsidiaries, as discussed below, unless the context requires otherwise.

Intercorporate Relationships

The Company has two material subsidiaries, Xtra-Gold Exploration Limited ("**XGEL**") and Xtra-Gold Mining Limited ("**XG Mining**"). XGEL is a wholly owned subsidiary of Xtra-Gold and XG Mining is 90% owned by Xtra-Gold, with the remaining 10% being held by the Government of Ghana. Pursuant to the Mining Act (Ghana), the Government of Ghana acquires a 10% free carried interest in all Mining Leases by way of 10% share ownership in all Ghanaian corporations that hold Mining Leases. The Company's 90% interest in the Kibi Project is owned through XG Mining pursuant to the registration of a Mining Lease on the Apapam Concession.

XGEL is a corporation incorporated under the laws of Ghana on April 7, 1998. XG Mining is corporation incorporated under the laws of Ghana on June 7, 1989. The registered office of both XGEL and XG Mining is located at the Field Camp, 2 Masalakye Street, in the town of Kwabeng, Ghana.

The following sets out the corporate structure of the Company with respect to its material subsidiaries and Company's principal exploration projects:



Notes:
(1) The remaining 10% is held by the Government of Ghana as further discussed below.

DESCRIPTION OF THE BUSINESS

General

Business Objectives and Operations

The Company is engaged in the exploration of gold properties exclusively in Ghana, West Africa.

The Company's interests in its Projects, are held through its Ghanaian subsidiaries, pursuant to Prospecting Licenses and Mining Leases granted by the Government of Ghana for licensed or leased areas respectively located within and upon concessions in Ghana. Under Ghana law, a concession is a grant of a tract of land made by a government or other controlling authority in exchange for an agreement that the land will be used for a specific purpose. The Company has an interest in the following five Projects in Ghana, all of which are in the exploration stage:

- **Kibi Project.** The Company holds a 90% interest in the Kibi Project, through a Mining Lease on the Apapam Concession, with the remaining 10% being held by the Government of Ghana in accordance with the Mining Act (Ghana).

- **Banso and Muoso Project.** The Company holds a 100% interest in the Banso and Muoso Project pursuant to a Prospecting License on the Banso and Muoso concessions.

- **Kwabeng Project.** The Company holds a 90% interest in the Kwabeng Project pursuant to a Mining Lease, with the remaining 10% being held by the Government of Ghana in accordance with the Mining Act (Ghana).

- **Pameng Project.** The Company holds a 90% interest in the Pameng Project pursuant to a Mining Lease with the remaining 10% being held by the Government of Ghana in accordance with the Mining Act (Ghana).

- **Edum Banso Project.** The Company has an option to acquire a 100% interest in a Prospecting License on the Edum Banso Project.

The Kibi Project is the only material project of the Company.

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production of mineral properties. As a mineral exploration company, the Company may compete with a number of entities in the mineral exploration business in various aspects of the business including: (a) seeking out and acquiring mineral exploration properties; (b) obtaining the resources necessary to identify and evaluate mineral properties and to conduct exploration and development activities on such properties; and (c) raising the capital necessary to fund its operations.

The mining industry is competitive in all its phases, and the Company may compete with other companies that have greater financial resources and/or more advanced properties. The ability of Xtra-Gold to acquire properties depends, to a large part, on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Xtra-Gold may compete with other exploration and mining companies for procurement of equipment and for the availability of skilled labour. Factors beyond the control of the Company may affect the marketability of minerals, if any, mined or discovered by the Company. See "Risk Factors".

Foreign Operations

The Company's Kibi Project and Other Projects (as defined herein) are located in Ghana and as such, Xtra-Gold's operations are exposed to various levels of regulatory, economic, political and other risks and uncertainties associated with operations in a foreign jurisdiction. See "Risk Factors"

Environmental Regulation

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 materials and other matters. See "Risk Factors". 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 Projects that may result in material liability to the Company. The Company maintains, and anticipates continuing to maintain, a policy of operating its business in compliance with all environmental laws and regulations.

Employees

As at the date of this prospectus, the Company has no employees. The Company is managed and operated by its directors and officers, none of whom are considered by the Company to be an employee of the Company. See "Risk Factors".

Three Year History

General

The following three-year history covers the development of the Company's business since August 2007. Throughout this time period, the Company has been involved in the business of mineral exploration with a principal focus on the exploration of its Kibi Project located on the Apapam Concession.

As part of a phase I exploration program, a reconnaissance geology/prospecting program covering the west-central portion of the Apapam Concession was intermittently implemented by Xtra-Gold's exploration staff from November 2006 to February 2007. The program was initiated to follow-up on the anomalous gold-in-silt sample results returned by the 2006 concession-wide stream sediment sampling program.

As part of a phase II exploration program, a reconnaissance trenching program was intermittently implemented by the Company's exploration staff from February 2007 to December 2007 on the Apapam Concession. The trenching was carried out to test the geochemical signature at depth of the gold-in-soil anomalies detected within the north-western portion of the concession during the phase I exploration program and to obtain additional geological/structural information in order to optimize the design of detailed trenching and drilling targets.

Exploration work on the Apapam Concession during the 2008 reporting period was aimed at advancing the lode gold targets identified within the Kibi Gold Trend. An extensive soil geochemistry survey was implemented in early 2008 to further define the extensive Kibi gold-in-soil trend.

The phase I drill program was implemented from August 30, 2008 to October 28, 2008 and encompassed 18 diamond drill holes.

The phase II drill program, encompassing 50 reverse circulation drill holes, was implemented from July 14, 2009 to September 26, 2009. The program was designed to build upon the 2008 phase I diamond drill results and to continue to test whether the widespread, classical granitoid-hosted gold mineralization developed along the Kibi Gold Trend offers potential for shallow oxide mineralization amendable to bulk mining and heap leaching, as well as large primary gold systems at depth.

From January 1, 2007 through to June 30, 2010, the Company has spent an aggregate of approximately US$2,168,685 (unaudited) on exploration activities at the Kibi Project. While the Kibi Project remains the Company's flagship property, the Company continues exploration activities on its other four Projects. Additional details on the work completed to date on each of the other exploration Projects are contained below under "Other Projects".

The Company has not completed any acquisitions or dispositions during its three most recently completed financial years and the subsequent period to the date of this prospectus.

Financings

The Company has historically relied on equity and debt financing in order to finance its ongoing operations.

Since January 2007, the Company has issued the following Common Shares:

Date	Common Shares Issued	Issue Price Per Share (US$)	Gross Proceeds (US$)
October 10, 2007	275,000	1.35	371,250
October 30, 2007	393,202	1.35	530,823
February 26, 2008	1,062,000	1.50	1,593,000
April 1, 2009	350,000	0.70	245,000
April 16, 2009	360,000	0.70	252,000
May 15, 2009	308,000	0.70	215,600
August 15, 2009	376,875	0.80	301,500
December 16, 2009	706,000	1.00	706,000
February 15, 2010	250,000	1.00	250,000
April 19, 2010	838,000	1.00	838,000
June 11, 2010	250,000	1.00	250,000
August 26, 2010	360,000	1.00	360,000
Total	**5,529,077**		**5,913,173**

The Company has not completed any debt financings since January 1, 2007.

REPUBLIC OF GHANA – MINING REGIME

Ghana, formerly known as the Gold Coast, is located in West Africa on the Gulf of Guinea (Figure 1) and shares borders with Côte d'Ivoire to the west, Togo to the east and Burkina Faso (Burkina, formerly Upper Volta) to the north. To the south are the Gulf of Guinea and the Atlantic Ocean. Ghana has a total land area of approximately 239,540 square kilometres ("**sq km**") or approximately 23,954,000 hectares ("**ha**"). Ghana's capital city, Accra, is located along the south-eastern coast.

In March 1957, Ghana was the first country in sub-Saharan Africa to gain independence from the United Kingdom. Following a national referendum in July 1960, Ghana became a republic. Ghana has a population of approximately 24 million people, most of whom are English-speaking.

Ghana is comprised of 10 regions as depicted in Figure 2. The regions are subdivided into 138 districts.

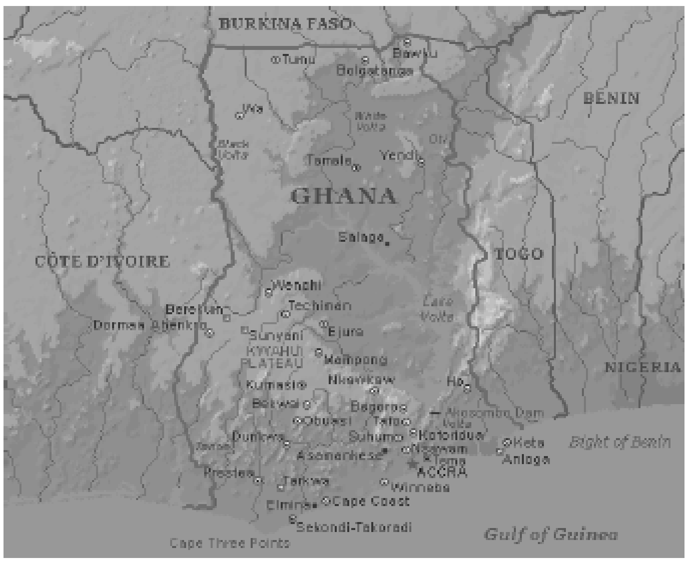


Figure 1: Location of the Republic of Ghana

Figure 2: Regions of Ghana

Mineral Rights and Mining in Ghana

The rights to explore for minerals and to develop a mine are regulated by the Minister of Lands and Natural Resources (the "**Minister**") through the Ghana Minerals Commission ("**Mincom**"), a governmental organization designed to regulate and manage the development of Ghana's minerals in accordance with the Ghana Constitution and the Mining Act (Ghana).

The Mining Act (Ghana) provides that concessions granted under the predecessor legislation, the Minerals and Mining Law, 1986, (the "**1986 Mining Law (Ghana)**") would continue to be governed by that statute for a period of five years following passage of the Mining Act (Ghana).

In Ghana, all minerals occurring in the natural state are the property of the Government of Ghana. Obtaining a Mining Lease does not transfer ownership of the mineral estate, but creates a temporary right to explore and benefit from minerals in exchange for royalty payments so long as the mining title remains in good standing.

Under the laws of Ghana, mining may only be carried out by bodies corporate or partnerships registered or established under the laws of Ghana. There are three types of mineral rights in Ghana that are granted and registered by the Government of Ghana, namely: (i) reconnaissance licenses; (ii) Prospecting Licenses, to carry out exploration work; and (iii) Mining Leases (the most advanced license). These rights are acquired by making an application to the Minister through Mincom. Under the Mining Act (Ghana), the grant of these rights is discretionary; however, in practice applications are generally considered on a first-come-first-serve basis.

The holder of a reconnaissance license has the exclusive right to carry out reconnaissance for the minerals specified in the license and to conduct other ancillary or incidental activity within the area covered by the license. The holder of a reconnaissance license also has the right to install camps and temporary buildings, but is not permitted to engage in drilling or excavation.

A Prospecting License grants the exclusive right to explore for a particular mineral in a selected area for an initial period not exceeding three years. A Prospecting License may be renewed for a further period of up to three years at a time, subject to the requirement of 50% shed-off or surrender of the licensed area at the time of each renewal/extension until such time as a minimum of 125 blocks (26 sq km) remains. There is no statutory limit on the number of times a Prospecting License may be renewed/extended.

The holder of a Prospecting License ("**PL Holder**") has the right to make boreholes and excavations, install camps and conduct other incidental activities. The license holder also has the right to conduct such geographic and geophysic investigations in the licensed area as it considers necessary to confirm the existence of an adequate quantity of geologically proven and mineable reserve of precious metals. The holder of a Prospecting License is required to commence prospecting activities within three months of issue of the license. The terms and conditions of a Prospecting License include: marking out the prospecting area in a prescribed manner; advising Mincom of any discovery within 30 days of the date of discovery; expending the amount specified in the license and submitting reports as and when specified; repairing any damage caused by its activities (including filling boreholes and removing camps); and employing and training Ghanaian personnel.

The rights granted by a Prospecting License are subject to certain restrictions imposed by land owner rights including cattle grazing and land cultivation. The PL Holder must not hinder or prevent members of the local population from exercising customary rights and privileges in or over a licensed area (including hunting, gathering firewood and collecting snails). The PL Holder may however make arrangements with the local landowners for a waiver of these rights, which may include compensation. The compensation may be for deprivation for the use of the land, loss or damage to immoveable properties and loss of expected income (if the land is cultivated), but may not include compensation for access to the land, the value of any mineral derived therefrom or loss or damage that is not capable of being assessed according to applicable legal principles.

The PL Holder must obtain the prior consent of the Minister prior to conducting any operations (i) within 20 metres of any building, installation, reservoir, dam, public road, railway or any area appropriated for a railway, and (ii) in any area occupied by a market, burial ground, cemetery or within a town or village or an area set aside for, used, appropriated or dedicated to a public purpose.

The PL Holder must surrender, upon renewal, not less than 50% of the area covered by the license, provided that any such surrender would not leave the PL Holder with less than 125 blocks (with one block representing 21 ha of land). However, a PL Holder may apply to the Minister for relief from the obligation to surrender land and the Minister may exempt that holder from the requirements of the applicable section of the Mining Act (Ghana) for a maximum period up to twelve months only.

Prospecting Licenses may be converted into Mining Leases upon application and the applicant is required to provide evidence that a mineral exists in commercial quantities. The area covered by a Mining Lease shall not be less than 21 ha representing one block and not more than 300 contiguous blocks.

A Mining Lease confers upon its holder ("**ML Holder**") the right to mine for the specified mineral and undertake any operations that are directly or indirectly necessary or incidental thereto. A Mining Lease is granted for an initial term of up to 30 years and may be renewed for a further period of 30 years. Upon ministerial approval, the ML Holder may suspend operations for a period not exceeding 12 months.

The Company's interest in the Apapam Concession forms the material portion of the Kibi Project and is secured by way of the Apapam ML, a Mining Lease granted to XG Mining by the Government of Ghana on December 18, 2008, stamped by the Registrar of Lands, High Court, Accra, as No. LVB 5191/09 and registered at the Deeds Registry as No. 24/2009.

The ML Holder is not required to meet minimum exploration expenditures but is required to implement an approved mining plan and submit quarterly, semi-annual and annual reports of the results of its activities and pay ground rent. The Apapam Concession is current with these requirements. The Minister may enter into a stability agreement with the ML Holder to ensure that, for a period of 15 years, the ML Holder will not be adversely affected by any new enactment, regulation or order (including those relating to the payment of customs duties, royalties and taxes). The Company is currently in the process of completing the necessary documents to obtain a stability agreement, which will not be necessary until a mine is in production.

A mineral right may be cancelled if the holder fails to make payments when due, becomes insolvent or bankrupt, makes a false statement or becomes ineligible to apply for a mineral right.

Government Free Carried Interest

The Government of Ghana is granted a 10% free carried interest in all Mining Leases in Ghana, with no capital contribution. This interest is granted when a Prospecting License is converted to a Mining Lease upon completion of an application to Mincom.

Royalty Requirements

The Apapam ML is subject to the Mining Act (Ghana). Under the Mining Act (Ghana), the ML Holder is required to pay, quarterly, a flat royalty of 5% on the total mining revenues.

Environmental Regulations

All environmental matters in Ghana, including those related to mining, are regulated by the *Environmental Protection Agency Act*, *1994* and the *Environmental Assessment Regulations, 1999* LI 16 which are administered by the Ghana Environmental Protection Agency (the "**Ghana EPA**") and govern environmental impact statements, mine operations and mine closures and reclamation.

Persons proposing to undertake the mining and processing of minerals are required to register their activities with the Ghana EPA and obtain an environmental permit prior to commencing such activities. Additionally, no person may commence activities in respect of an undertaking, which in the opinion of the Ghana EPA, has, or is likely to have an adverse effect on the environment or public health unless, prior to the commencement thereof, the undertaking has been registered with the Ghana EPA and an environmental permit has been issued by the Ghana EPA in respect of the undertaking. The Company has obtained an environmental permit with respect to its activities on the Apapam Concession.

PROPERTIES – THE GHANA PROJECTS

The Company is engaged in the exploration of gold properties exclusively in Ghana, West Africa. The Company has the following five Projects all of which are in the exploration stage:

- Kibi Project
- Banso and Muoso Project
- Kwabeng Project
- Pameng Project
- Edum Banso Project

The Company's material property is the Kibi Project which primarily consists of the Apapam Concession (see Figure 3). The Kibi Project is comprised of 33.65 sq km or 3,365 ha and is located at the northern extremity of the Kibi Greenstone Belt (the "**Kibi Gold Belt**"), in the East Akim District, in the Eastern Region of Ghana, historically known as the "Kibi Gold District".

The Company has four other projects (collectively, the "**Other Projects**"), the Banso and Muoso Project, the Kwabeng Project, the Pameng Project and the Edum Banso Project, which are discussed under "Other Projects of the Company". Four of the projects are contiguous concessions located in the Kibi Gold Belt along the northern (Muoso Concession) and southwestern (Kwabeng, Banso and Pameng Concessions) flanks of the Atewa Range, for a total land position in the Kibi Gold Belt of approximately 226 sq km (22,600 ha), including the Kibi Project (see Figure 4 and Figure 5). In addition, the Company has an option to acquire an interest in the Edum Banso Project comprised of 20.60 sq km or 2,060 ha and located at the southern extremity of the Ashanti gold belt in the Western Region of Ghana, approximately 235 km west of Accra and 25 km northwest of Takoradi, the regional capital. No substantive exploration is planned on the Other Projects at this time.

None of the mineral exploration interests of the Company contain any defined mineral resources or mineral reserves. Mineral exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation might not be able to overcome. See "Risk Factors".

Figure 3: Location of Apapam Concession

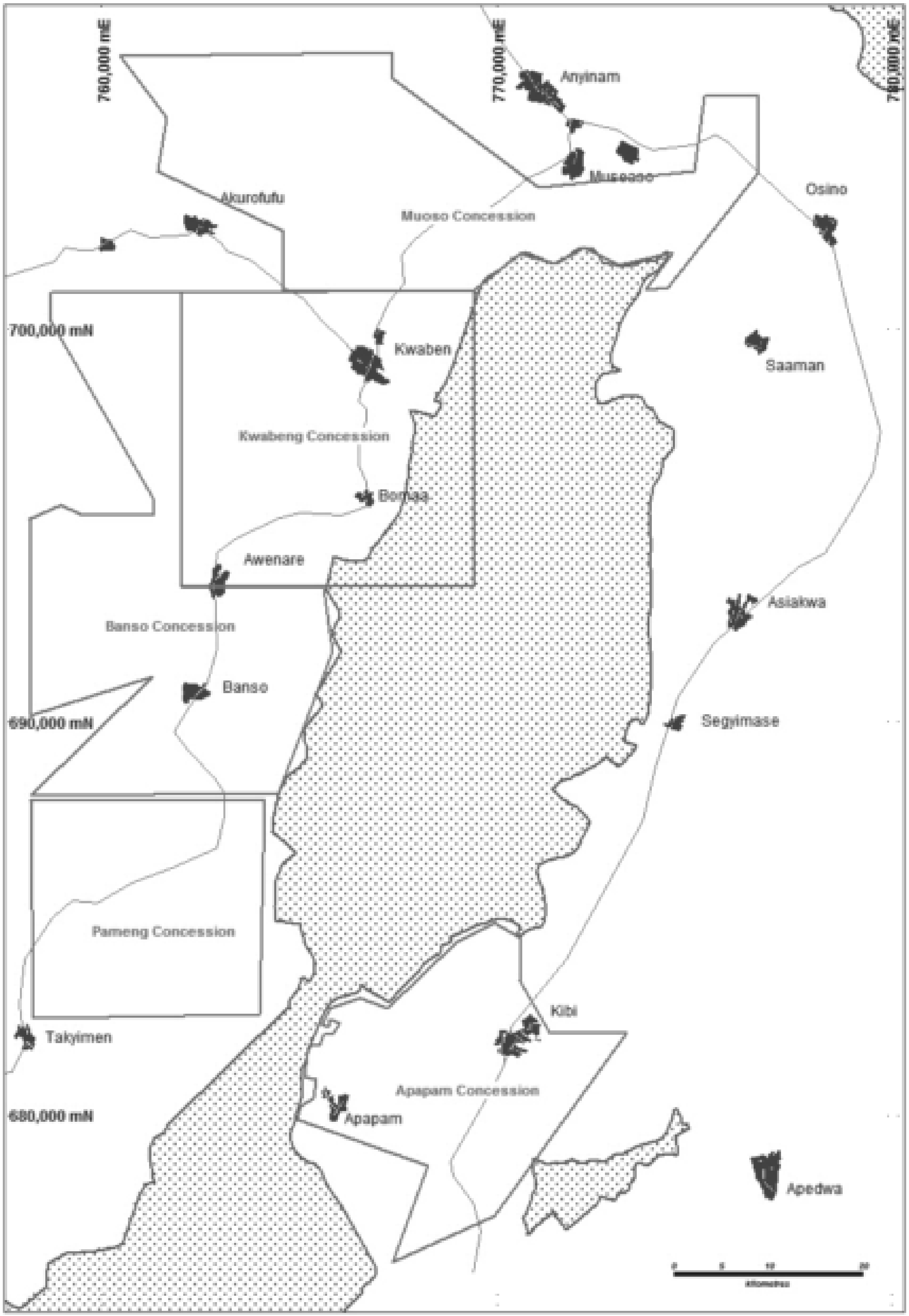


Figure 4: Xtra-Gold Concessions Located in the Kibi Gold Belt

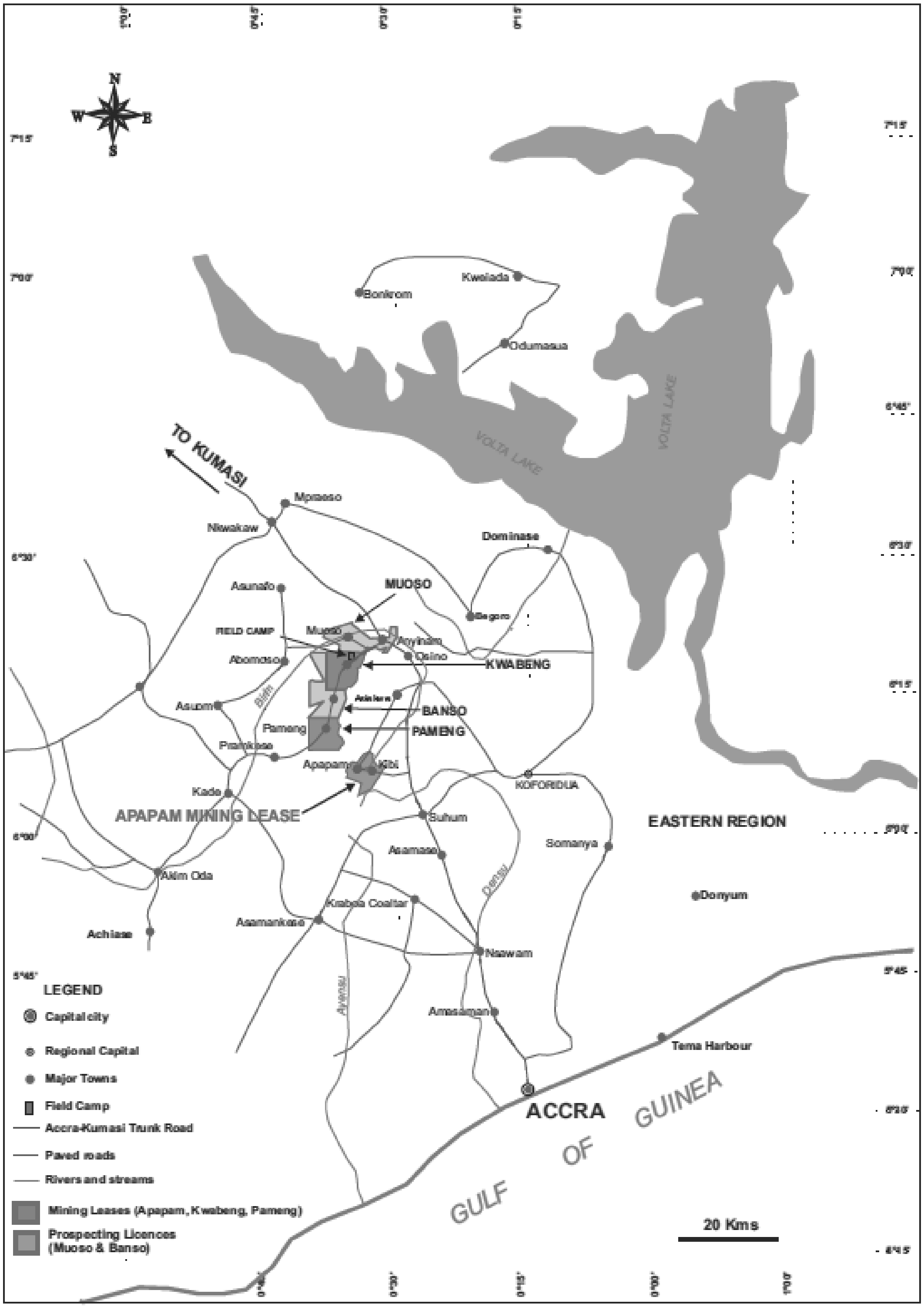


Figure 5: Location of Xtra-Gold Concessions

MATERIAL PROPERTY OF THE COMPANY – KIBI PROJECT

The following disclosure relating to the Kibi Project is derived from the independent technical report (herein referred to as, the "**Technical Report**") Technical Report entitled "*Kibi Project, Eastern Region, Ghana*", prepared by Simon Meadows Smith, Institute of Materials, Minerals and Mining, Managing Director and Joe Amanor, AUSIMM, Consulting Geologist with SEMS Exploration Services Ltd., dated July 12, 2010. Messrs. Smith and Amanor, the authors of the Technical Report, are "qualified persons" and are independent of the Company within the meaning of NI 43-101. The Technical Report is available for inspection during regular business hours at the corporate head office of the Company at Suite 301, 360 Bay Street, Toronto, Ontario M5H 2V6. The Technical Report may also be reviewed under the Company's profile on the SEDAR website at www.sedar.com. The disclosure in this prospectus derived from the Technical Report has been prepared with the consent of Messrs. Smith and Amanor and SEMS Exploration Services Ltd.

Project Description and Location

Property Location, Area and Types of Mineral Licenses

The Kibi Project lies within the Kibi Gold Belt and is located in the East Akim District, in the Eastern Region of Ghana on the eastern flank of the Atewa Range along the headwaters of the Birim River approximately 75 km NNW of Accra.

Xtra-Gold's interest in the Apapam Concession forms the material portion of the Kibi Project and is secured by way of the Apapam ML.

The Kibi Project land position also encompasses two (2) land staking applications: (i) a reconnaissance license contiguous to the southwest extremity of the Kibi Project covering an area of 7.0 sq km (700 ha) (the "**Akim Apapam Concession**"); and, (ii) a ground extension along the northwest boundary of the Kibi Project covering an area of 1.42 sq km (142 ha) (the "**Apapam Concession Extension**"). The Akim Apapam Concession was made to provide a buffer area. The Company has not conducted any exploration on the Akim Apapam Concession and there is no current knowledge of past exploration activity or lode gold on this ground. The Apapam Concession Extension was made to cover certain trench and drill gold intercepts. The applications for the Akim Apapam Concession and the Apapam Concession Extension were submitted by the Company to Mincom on January 15, 2008 and on November 19, 2009, respectively, and there is no assurance that either of them will be granted.

The Apapam Concession contains two (2) small scale mining ("**SSM**") licenses, comprising approximately 0.1012 sq km (10.12 ha) located within the northwest portion of the concession which were granted to third parties prior to the Company's application for the Apapam Concession. None of the in situ, lode gold mineralization occurrences described in the Technical Report are located within and/or proximal to these third party SSM licenses, and there is no current knowledge of any lode gold occurrences being present on these parcels. No information is available on past and/or current alluvial gold mining activity on these SSM licenses.

Title

The registered holder of the Apapam Concession is XG Mining, a Ghanaian corporation in which Xtra-Gold owns and controls a 90% interest. The remaining 10% interest is held by the Government of Ghana. Pursuant to the Mining Act (Ghana), the Government of Ghana acquires a 10% free carried interest in all Mining Leases by way of 10% share ownership in all Ghanaian corporations who hold Mining Leases. See "Republic of Ghana – Mining Regime". The term of the Apapam ML is seven years and expires on December 17, 2015. The Apapam ML can be renewed for a further 30 year term in accordance with the Mining Act (Ghana) by XG Mining making application not less than six months prior to the expiry date.

Surface Rights

Pursuant to the terms and conditions of the Apapam ML, XG Mining was granted surface and mining rights by the Government of Ghana to work, develop and produce gold in the Mining Lease area (including the processing, storing and transportation of ore and materials).

Obligations

Pursuant to the Apapam ML, XG Mining has certain work and financial obligations. XG Mining is require to continuously operate in the Apapam Concession area in accordance with good mining practices until the earlier of: (i) such time as the reserves or deposits may be exhausted or the mine can no longer be economically worked; and (ii) until the expiry of the Apapam ML. XG Mining is required to conduct all of its operations with due diligence in a proper and workmanlike manner, observing sound technical and engineering principles using appropriate modern and effective equipment, machinery, materials and methods, with particular regard to the conservation of resources, reclamation of land and environmental protection generally.

XG Mining is required to pay rent semi-annually in advance on or before the 1st day of January and July in each year of the term of the Apapam ML at the rate of GHS20.00 (US$13.76).

Concession Boundaries

The Apapam Concession boundaries have not been legally surveyed, but are described by latitude and longitude via decree (Figure 6). The concession is approximately centred on UTM coordinates 769,100 East and 680,600 North (WGS 84 Zone 30N datum) or 0 degrees 34 minutes longitude west and 6 degrees 9 minutes latitude north.

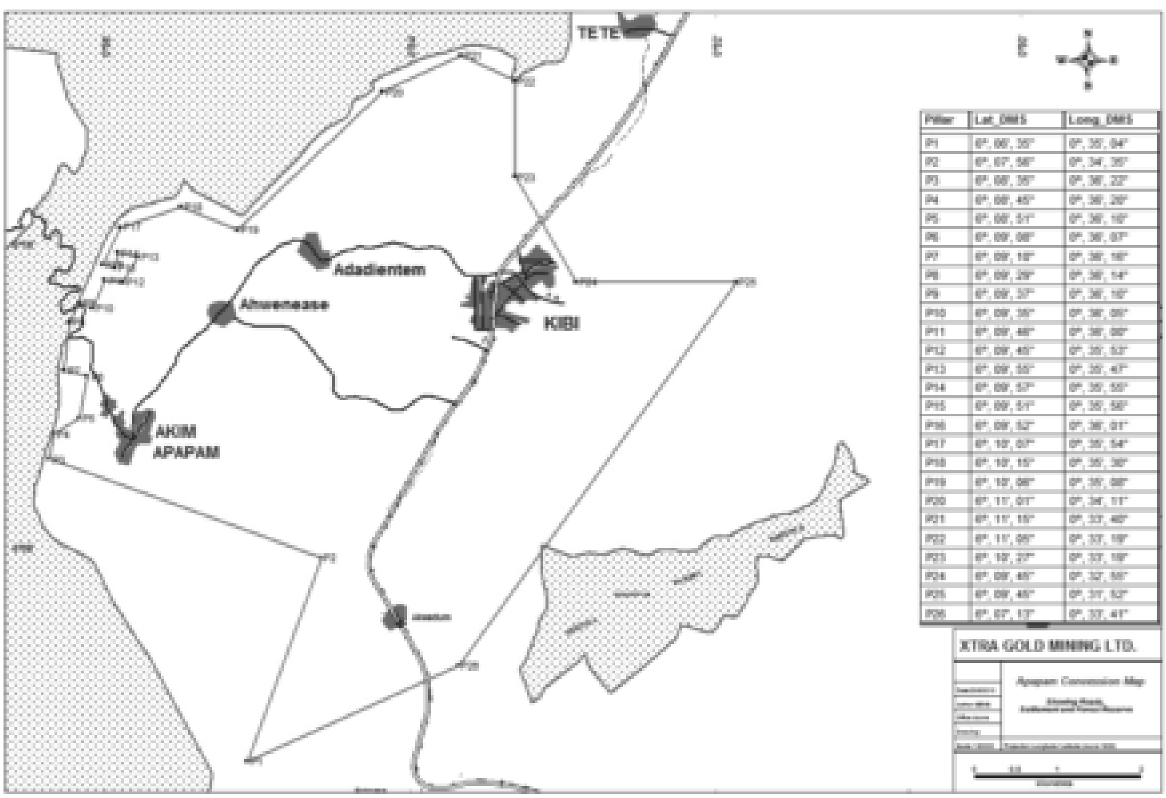


Figure 6: Apapam Concession Boundary Co-ordinates

Location of Known Mineralized Zones, Mineral Resources, Mineral Reserves, Mine Workings and Important Natural Features

Except for alluvial mining being carried out by several local Ghanaians, there are no known mineralized zones, mineral resources, mineral reserves, mine workings or important natural features that occur within the boundaries of the Apapam Concession.

Royalties, Back-in Rights, Payments, Agreements and Encumbrances

Pursuant to the Mining Act (Ghana), XG Mining is required to pay a royalty of 5% to the Government of Ghana at the time of production from the Kibi Project. A royalty will also be payable on all timber felled by the Company in accordance with existing legislation. The Kibi Project is not subject to any back-in rights, payments or other agreements and encumbrances.

Environmental Liabilities

In accordance with the rules and regulations of the Environmental Protection Agency of Ghana ("**Ghana EPA**"), the open trenches excavated by XG Mining must be backfilled after sampling. The Company has adopted a program of backfilling all excavations once sampled. Some trenches, however, have been preserved for ongoing geological purposes and have been flagged accordingly.

In addition to the trenches excavated by XG Mining, diamond and reverse circulation drilling have resulted in a minimal environmental impact or deforestation and there are no known environmental liabilities.

Permits

An annual environmental permit must be issued by the Ghana EPA in order to carry out exploration or mining activities. XG Mining has been granted an environmental permit to carry out its exploration activities.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

Two asphalted secondary highways provide access to the Kibi Project. Access to the Kibi Project is by driving northwest from Accra on the paved Accra-Kumasi Trunk Road which is the main national highway for approximately 75 km until the town of Kibi. A tarred road emanating from the Accra-Kumasi Trunk Road approximately 15 km northeast of Kibi dissects the north-central and south-eastern portions of the Kibi Project, while the tarred road servicing the town of Apapam provides access to the south-western extremity of the project. The Company has constructed a number of roads to provide access to the drill sites.

Proximity and Nature of Transport

The Kibi Project is approximately 75 km NNW of Accra, the capital city of Ghana and approximately 20 km south-southeast from the Project's Field Camp, owned and maintained by the Company. Transportation to the Kibi Project is by vehicle, however four wheel drive vehicles are required to travel the system of drill access roads due to the steep topography.

Climate and Length of Operating Season

The regional area experiences two annual raining seasons (March to July and September to November). Annual rainfall is abundant with 1,500 to 2,000 millimeters ("**mm**") for most of the area and 2,000+ mm in the summit area. Daytime temperatures peak in the range 30-35^{o} Celsius and temperatures are usually 23-28^{o} Celsius during the evening. The fieldwork operating season is all year long.

Surface Rights

Pursuant to the Apapam ML, XG Mining was granted the mineral surface rights and the rights below the surface of the Apapam Concession.

Local Resources

Cocoa is the main local resource. Most of the inhabitants of the Apapam Concession area are subsistence farmers growing plantain, cassava and cocoyam. In addition, tomatoes, peppers and garden eggs are also cultivated.

Infrastructure

Ghana has a fairly good network of paved highways and roads. Within the Apapam Concession, numerous tracks and paths are available for easy access to most areas of geological interest.

Power is available in larger towns and cities. The electrical grid follows the main secondary roads and most of the major villages in the Kibi district have electrical power. When the national power grid is not available, generators are used for backup power. Telephone communications are fairly stable and mobile cellular phones are typically used outside of centralized areas of Ghana.

The infrastructure in the Kibi district is fairly well developed. The town of Kibi is a major regional centre with a population of over 8,000. Kibi is connected to the national electricity supply network and hospital, postal and other community facilities are available. Extensive mining infrastructure is in place in all of the major gold producing areas of Ghana.

Topography, Elevation and Vegetation

Topography is characterized by steep sloping ridges and undulating mountains. The Apapam Concession is dominated by the prominent, NNE trending Atewa range that is about 50 km long and 10-15 km wide. The steep flanks feature a wide variety of high canopy tropical hardwoods typical of southern Ghana whereas the summit has a diverse flora, including extensive hanging vines. Relief in most parts of the Apapam Concession is quite modest (10-30 m) but changes abruptly at the base of the steep-sided flanks of the Atewa range.

The maximum elevation on the Range is about 780 m ASL and stands well above the surrounding lowlands, which are at approximately 180-200 m ASL. The Birim River has its headwaters in the Atewa Range and is one of the sources of water for the local villagers. Vegetation on the Apapam Concession consists of low, thick bush and open canopy, deciduous trees with occasional zones of moderately dense primary and secondary forest.

History

General History

The Kibi Gold Belt area is one of the oldest gold-producing camps in Ghana. Virtually all of the past gold mining activity has focused on alluvial (i.e. placer) gold occurrences in many river valleys throughout the Kibi area. In addition to detailing past exploration work and ownership of the concession, the following sections also summarize the alluvial gold mining and early lode gold prospecting history of the Kibi Gold Belt, and describes historic mine development work on lode gold prospects located on and around the Apapam Concession.

Alluvial Mining and Exploration History

Long before Europeans arrived, the local villagers mined the Kibi District area for generations using the traditional pitting methods to penetrate through 2 to 3 m of barren overburden into the underlying gravels. The Kibi District was very much coveted by the Ashantis in their rise to become a regional power over 200 years ago due to its known wealth in gold and it was one of their earliest conquests.

Direct European interest in the Kibi Gold Belt started mainly in the frenzied but short-lived gold rush in 1898. The most famous of these areas was known as "Pusu Pusu", a small village located at the base of the northeast flank of the Atewa Range, approximately 15 km northeast of the Apapam Concession. Junner (1935) reported that Europeans started alluvial mining operations in this area in 1903 and continued intermittently until 1930. This area was known for coarse nuggets of gold and recorded production from mining companies during the 1920s was more than 8,600 ounces ("**oz**") from about 390,000 yd^3 with a recovered grade in the range 0.6 to 0.7 g/yd^3 or about 0.8 to 0.9 g/m^3. Two dredges mined gold in the Birim River, in the Kibi District between 1904 and 1905, for total recorded production of 46.81 kg.

Numerous gold reefs (i.e. veins) were reportedly discovered during the course of this early alluvial mining with the most noteworthy of these lode gold prospects being located on and/or in close proximity to Company land positions, including the Clearing Reef (Kibi Mine) and Hill Reef (Gold Mountain) lying at the north-central extremity of the Apapam Concession; the Kwabeng Mine located in the Company's Kwabeng Concession, approximately 15 km northwest of the Apapam Concession, along the western base of the Atewa Range; and the Tumfa Mine situated along the southwest margin of the Company's Banso Concession. Although these lode gold prospects were reportedly worked or subjected to underground development by London-based mining syndicates in the early 1900s, it is unclear if they ever reached actual commercial production as there are no known gold production figures available. These historic lode gold prospects are discussed below.

The late 1980s saw an influx of foreign groups in the Kibi Gold Belt with their focus almost exclusively on alluvial gold mining. Goldenrae Mining Co. Ltd., started large scale alluvial operations in late 1990 at the Kwabeng gold deposit lying along the western base of the Atewa Range. The mining stopped at the end of 1993 after having recovered approximately 16,800 oz of alluvial gold. The Kwabeng alluvial deposit was recently operated on a trial mining basis by the Company, from January 2007 to October 2008, with just over 8,800 fine oz of gold recovered from approximately 362,000 bank cubic metres of gravel.

The general Apapam Concession area was first systematically explored in the late 1980s by WARDIG Plc ("**WARDIG**") who held a large tract of land extending from Pawtroasi in the south-west to Sajumasi in the north-east, encompassing the present Apapam Concession and the Akim Apapam reconnaissance license application areas. In 1987 to 1988, RTZ Consultants Limited ("**RTZ Consultants**"), on behalf of WARDIG, undertook preliminary exploration activities. Results were generally encouraging however no follow up work was carried out.

In the late 1980s, most of the major valleys extending to the summit of the Atewa Range were subjected to geological mapping and stream geochemistry as part of a lateritic gold reconnaissance program conducted jointly by Sikaman Gold Resources Ltd. and BHP Minerals Ghana Inc. This work was undertaken under a special permit issued by Mincom.

In 1991, EQ Resources Ltd. carried out a successful alluvial pitting program in cooperation with Goldenrae over an 18 month period. In 1993, Goldenrae completed additional test pitting.

In the mid-1990s, Ashanti Goldfields Company Limited (now AngloGold Ashanti Ltd.) held a reconnaissance license covering much of the area. They completed an airborne geophysical survey (magnetics and radiometrics) but apparently did very little follow-up work.

In the late 1990s, Ashanti Goldfields set up an alluvial processing plant on the banks of the Birim River on the Midras Mining concession located immediately north of the Apapam Concession. The alluvial gold operation reportedly produced 7,510 oz in 1998 however the production dropped to 1,066 oz in 1999, and mining operations ceased in that year.

Historic Lode Gold Prospect Development

Historical records indicate the presence of at least three lode gold prospects on the original Kyebi Land Corporation concession. Two of the prospects, known as the Clearing Reef (Kibi Mine) and the Hill Reef, which underwent underground development work in the early 1900s, are located at the north-central extremity of the Company's Apapam Concession. The Kibi Mine is located in the northern part of the town of Kibi, while the Hill Reef lies on a 150 m high hill referred today by locals as "Gold Mountain", located approximately 400 m northwest of the town. The Hill Reef structure appears to correspond to Xtra-Gold's 2008 Zone 1 drill target. The location of a third vein referred to in a 1905 report is unknown.

The Company located what appears to be the main Kibi Mine shaft collar on the northern outskirts of Kibi town, within the extreme northeast portion of the Apapam Concession. The Kibi Mine vein zone lies well within town limits, with extensive infrastructure located along the structure's trend. The possible southwest extension of the Clearing Reef (Kibi Mine) structure within the forested, less populated area to the southeast of the town constitutes a more accessible exploration target.

According to a Mincom report, the Akim Limited mining company obtained a lease on the adjoining Pano concession to cover the north-eastern extension of the Clearing Reef. A shaft located on the outskirts of the hamlet of Pano, approximately 1.5 km to the north of the Apapam Concession, on the neighbouring Midras Mining Limited concession, appears to correspond to the exploration efforts of Akim Limited on the north-eastern extension of the Clearing Reef.

(i) Kibi Mine (Clearing Reef)

The Clearing Reef structure was reportedly worked from 1925 to 1927 and 1936 to 1938, by Akim Limited and Kyebi Land Corporation Limited, but it is unclear if the Kibi Mine ever reached actual commercial production as there are no known gold production figures available. Mine plans on file at Mincom indicate the presence of 10 shafts (although some of these are believed to only be shallow test pits) and 19 trenches spread along an approximately 475 m distance along the trace of the Clearing Reef structure (the lateral extent of the vein at surface, as shown on one plan is only 274 m). The main shaft was sunk to a final depth of approximately 52 m, with drifting established on the 20 m, 36 m and 46 m levels.

The Birimian greywacke-hosted structure encompasses three ENE-trending (070°/50 SE), auriferous quartz veins (or vein systems) ranging in width from a few centimetres to approximately 2 m, known as Main Reef, Middle Reefs, and South Reef. Gold grades for the 20 m level reportedly averaged 10.85 g/t, with higher grades being reported from the lowest level. According to an Akim Limited company report, a 60 m segment of one vein, which was traced over a 305 m strike length, averaged 30 g/t gold over a 0.61 m vein width.

(ii) Hill Reef (Gold Mountain)

Development work consisting of a shallow shaft (12 m) with limited drifting (45 m) was undertaken by Kyebi Land Corporation Limited on Hill Reef, located on a 150 m high hill referred today by locals as "Gold Mountain", approximately 400 m northwest of the town. Grades are reported to range from 2 g/t to 38 g/t gold over 0.15 m to 0.90 m vein widths. The Hill Reef structure appears to correspond to Xtra-Gold's 2008 Zone 1 drill target.

In addition, several hand-driven adits of unknown vintage, attaining up to 90 m in length, are also present along the southern and western flanks of Gold Mountain. The purpose of these adits positioned at or just below the eluvium/lateritized bedrock interface is unknown however they appear to have been excavated in the search for quartz veins and/or to test the eluvial "gravels".

(iii) Kwabeng Mine and Tumfa Mines

The Kwabeng Mine, located on the Company's Kwabeng Concession, approximately 15 km northwest of the Apapam Concession, along the west flank of the Atewa Range is described as follows in Gold Deposits of Ghana.

Cogill reports "work done on a large quartz vein in the immediate vicinity of the town of Kwabeng on the north western flank of the range at the beginning of the last century. At surface, the vein is quite massive and wide (up to about 7 to 8 m) and several shafts were sunk to test continuity and grade at depth. The vein strikes approximately ENE and dips 30 to 40^{o} to the SE. The depth of the exploratory work was apparently at least 120 feet (37 m) however details are lacking; the vein is apparently quite patchy in gold values with some sections assaying at better than 1 oz/ton (34.285 g/t) but overall grades were considerably lower. There apparently were plans to develop this into a small mine in 1903-04 but these plans were never realized and development work ceased a few years later."

Historical Alluvial Gold Exploration

The general Apapam Concession area was first subjected to systematic alluvial gold exploration in the late 1980s by WARDIG, who held a large tract of land extending from Pawtroasi in the south-west to Sajumasi in the north-east, encompassing the present Apapam Concession and the Akim Apapam reconnaissance license application areas. In 1987 to 1988, RTZ Consultants, on behalf of WARDIG, undertook a reconnaissance pitting program with the aim of broadly defining the distribution and grade of auriferous gravels in the Birim and Krensen river valleys, located to the south-west and south of the town of Kibi, respectively, within the north-central portion of the Apapam Concession.

A total of 132 pits were excavated along the Birim Valley at a 400 m by 200 m grid spacing; with 110 pits intersecting gravels, including: 92 pits intersecting alluvial gravels; 17 pits intersecting eluvial/colluvial gravels; and one pit intersecting both type of gravels. In the Krensen Valley a total of 30 pits were excavated of which 20 pits intersected gravels; with nine pits intersecting alluvial gravels, and 11 pits intersecting eluvial gravels.

Gold values for total gravel thicknesses, ranging from 0.35 m to 2.85 m, from the 20 most encouraging alluvial gravel pits located between Kibi and Afiesa, ranged from 0.47 g/t to 3.07 g/t gold, with individual sample values from these pits ranging from 0.07 g/t to 4.365 g/t gold. Sampling consisted of vertical channel samples across the gravel horizon; with approximately 40 kg of material collected per sample-metre. Channel samples were collected from all four walls of the pits. This preliminary work indicated that the alluvial gravels covered a total area of approximately 5 sq km, and defined seven blocks considered to be promising targets for further evaluation.

The alluvial pitting program identified two types of "gravel" on the Apapam Concession; alluvial (or water-lain) gravels and eluvial/colluvial gravels consisting of residual material derived by in situ rock weathering or weathering plus gravitational/slump movements, and loose rock/soil material deposited by gravity at the base of a steep slope.

Eluvial/colluvial gravels were intersected in 18 pits along the Birim Valley; with five of these gravel occurrences yielding significant gold values from a bedrock source exploration viewpoint. Eluvial gravel horizons in Pits #39 and #97 returned strongly anomalous gold values of 2.25 g/t and 0.71 g/t over 1.10 m and 0.90 m thicknesses, respectively. Eluvial gravels in Pits #49, #57, and #122 yielded moderately anomalous gold values in the 0.12-0.16 g/t range.

Eleven pits intersected eluvial/colluvial gravels along the Krensen Valley; with two of these gravel occurrences yielding anomalous gold values from a soil geochemistry point of view. Four channel samples collected from a 40 cm layer of eluvial gravel intersected in Pit #29 returned an average grade of 0.32 g/t gold; including a high value of 0.49 g/t gold. A second anomalous value of 0.11 g/t gold was returned from a 50 cm layer of eluvial gravel in Pit #2.

The exact location of these auriferous eluvial/colluvial gravel occurrences are presently unknown due to the fact that although grid coordinates for the pit samples are provided in the RTZ report, no maps depicting the pits and/or the control grid relative to topography are available to the author.

Sampling of four greywacke-hosted quartz veining occurrence intersected by test pits along the Birim Valley yielded gold values in the <0.01 g/t to 0.52 g/t range. Sampling of several quartz veins during the Krensen Valley alluvial pitting program yielded detection limit and/or just above detection limit gold values in the 0.01 g/t to 0.05 g/t range.

Sample #WKBR12 collected within Pit #109 (Birim Valley) from a quartz vein exhibiting goethitic boxworks after pyrite returned the highest gold value of 0.52 g/t; with four samples from this vein averaging 0.48 g/t gold. A second vein from this pit yielded 0.16 g/t gold. Similarly the field location of this vein occurrence is presently unknown due to the fact that although grid coordinates for the pit samples are provided in the report, no maps depicting Pit #109 and/or the control grid relative to topography are available to the author. Trenching was proposed by RTZ Consultants to further evaluate this auriferous quartz veining but no information is available to substantiate if the work was ever carried out.

Initial work by the EQ Resources–Goldenrae team between 1991 and 1992 included a detail stream sediment sampling survey and a limited pitting program to further investigate significant stream sediment anomalies and to confirm the considerable gold-bearing gravels outlined by previous work along the upper section of the Birim River. The systematic stream sediment sampling program, which excluded the main Birim River channel due to its known auriferous nature, identified approximately 10 stream tributaries on the Apapam Concession exhibiting anomalous gold in the current active channels. Of particular interest was an array of good visible gold counts in the Akuasua tributary stream system, located near the hamlet of Ahwenease, along the northern side of the Birim River valley. The Akuasa tributary system drains Xtra-Gold's Zone 3 and Zone 4 gold-in-soil anomaly areas lying along the flank of the Atewa Range.

In-fill program encompassing 182 test pits was carried out on a 400 m by 50 m grid in order to define a resource. An additional 40 in-fill pits were subsequently excavated to further define the resource along the uppermost sections of the Birim River from Anum Apapam to Adadentem, and to further test areas where previous work reported high grade anomalies.

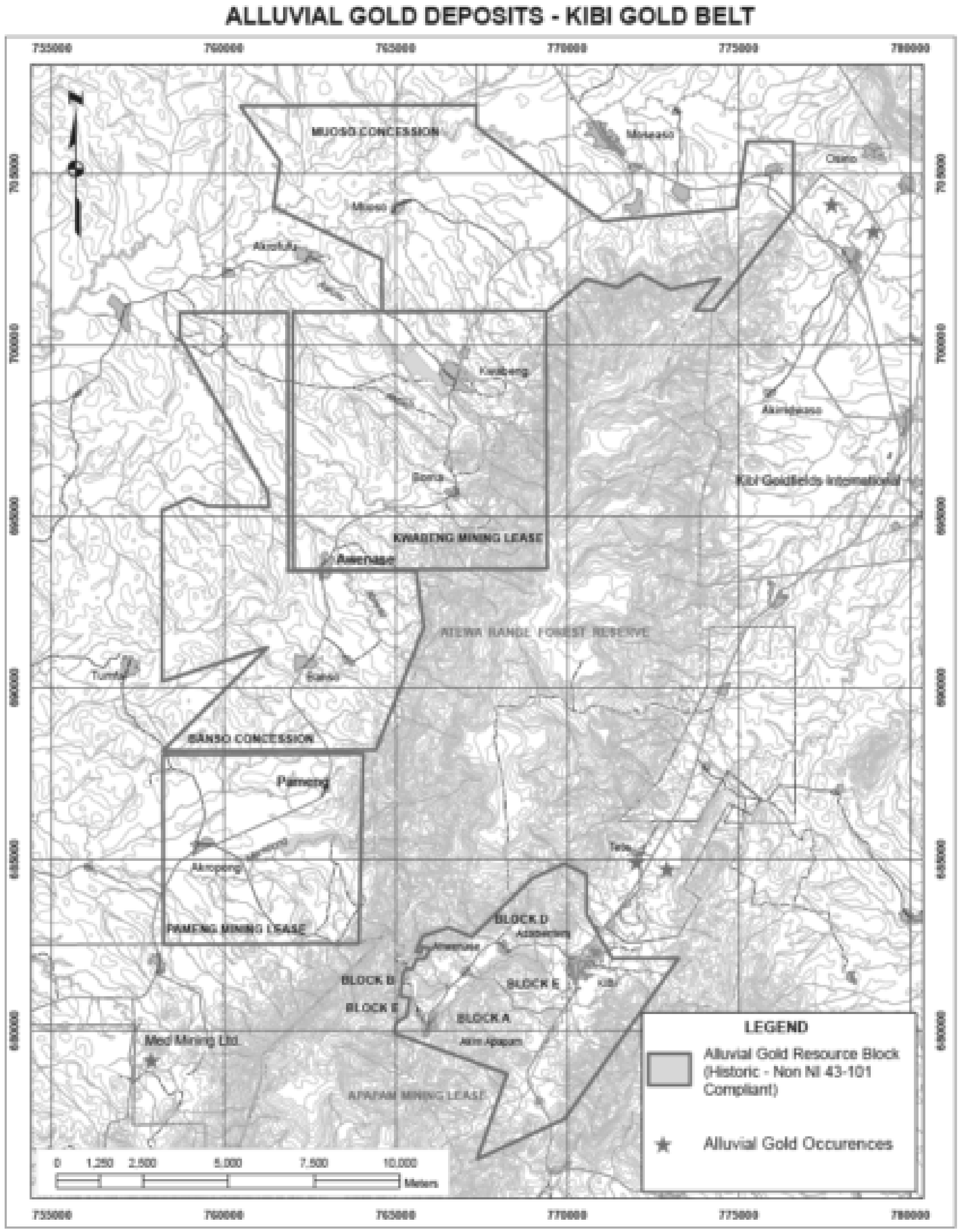


Figure 7: Alluvial Gold Deposits – Kibi Gold Belt

Production from the Kibi Project

There has been no production by Xtra-Gold from the Apapam Concession since its acquisition of the concession.

Geological Setting

Regional Geology

The regional geology of south-western Ghana is comprised of thick sequences of steeply dipping metasediments, alternating with metavolcanic units of Proterozoic age (~2.2-2.3 Ga). This sequence, which belongs to the Birimian Supergroup, extends approximately 200 km along strike, in a number of northeasterly trending belts.

The geological evolution of the Belt commenced with stabilization of the crust followed by an episode of rifting and incipient ocean floor spreading. Rifting gave rise to the formation of tectonically active basins and micro-plates. Along plate margins, volcanic island arc complexes were formed. Volcaniclastics associated with the island arc complexes, along with sediments derived from uplift and erosion of the craton margins, fed the elongated basins. Rifting was followed by compression during the Eburnean Orogeny in which the island arc and basinal assemblages were deformed. Under the compressional regime, the basinal sediments were folded and the island arc assemblages migrated along major thrust faults. Later deformation gave rise to major wrench faults, which occurred preferentially at the margins of the volcanic belts and basinal sediments.

The Eburnean Orogeny gave rise to a series of northeast trending linear volcanic belts (greenstone belts) and resulted in intense deformation of basinal sediments. These sediments and associated volcanics collectively form the Birimian Supergroup. The Orogeny was associated with several phases of tectonic activity, not all of which were compressive. Periods of extension in the Winnebago-Kibi basins were tentatively related to renewed “hot spot” activity and the formation of deep-seated faults, which were located within the basinal metasediments. These faults trend northeast-southwest and were similar in genesis and characteristics to the Asankrangwa Fault in the Kumasi Basin. The faults have a strike extent exceeding 200 km and control the location of many granitoids in the basin. The margins of the belt and basin commonly exhibit faulting on local and regional scales. These structures are of fundamental importance in the development of gold deposits in the region.

Syn- and post-tectonic granitoids intruded both the metasediments and metavolcanics of the Birimian Supergroup as a result of the Eburnean Orogeny. The granitoids can be broadly grouped into two (2) types; namely Basin and Belt types. Basin granitoids intruded the metasedimentary basin whereas Belt type intruded the volcanic and volcanosedimentary assemblages.

Uplift and erosion, prior to the final stages of deformation, resulted in the deposition of intracratonic sediments; the Tarkwaian Supergroup, which unconformably overlie the Birimian. The contact between the Tarkwaian and Birimian Supergroup is always tectonic and may represent migration of the Tarkwaian along major thrusts.

The Kibi Gold Belt is the easternmost Birimian volcano-sedimentary belt in southern Ghana. It is located south of, and parallel to, the prolific Ashanti Gold Belt, which hosts many of Ghana’s active producing gold mines. The NE-trending greenstone belt is approximately 60 km long; with its southern extremity truncated by a large granitoid batholith, and its northern extremity appearing to be overlain by younger, flat lying Voltaian sediments. The belt does not appear to have sharp margins however it is gradational into the adjacent Birim River sedimentary basin. It is generally accepted that the Kibi Gold Belt and the Winneba belt, located to the southwest in the Cape Coast area, formed one continuous volcanic belt at one point however were severed by late Eburnean granitic batholiths.

The property area is topographically dominated by the steep-sided Atewa Range exhibiting a relief of approximately 500 m with the surrounding valleys; with its flat summit attaining an elevation of approximately 780 m ASL. The Atewa Range is underlain by NE-trending Birimian units described as greenstones (altered basalts and andesites), phyllites, meta-tuffs, epi-diorite, meta-greywacke and chert. The broad valleys are underlain by thick sequences of metasediments (greywacke, argillite, phyllite). The north western extremity of the Atewa Range is the type-locality for the Birimian metasediments and metavolcanics (Lower and Upper Birimian, respectively).

Regional traverses and airborne geophysical data indicate the presence of extensive volcanoclastics with narrower bands of mafic flows and mafic sills. Numerous, small, radiometrically inferred plutons of belt-type (or Dixcove-type) intrusives appear to be emplaced within the belt; and several northeast-elongated bodies of Basin-type (or Cape Coast-type) intrusive are inferred within the metasediments along the western margin of the belt. The Belt-type granitoids of southern Ghana, which can be considered I-type granites, are most commonly of diorite to granodiorite composition, and the Basin S-type granites of granodiorite to granite composition. The Belt-type granitoids were emplaced earlier as subvolcanic plutonism late in the development of the Birimian greenstone belts, between 2179 and 2136 Ma; and the Basin granitoids were emplaced mostly during the Eburnean Orogeny, between 2116 and 2088 Ma. A large batholith is located south of the Atewa Range and is likely related to the Cape Coast batholith complex.

The belt exhibits a number of regional NE-trending structures inferred from airborne geophysical data and the topographic patterns. The topography also suggests several cross cutting features along several of the major valleys on the flanks of the Atewa Range. Some of these inferred structures correspond to valleys hosting significant alluvial gold occurrences which may be indicative of primary lode gold sources. Recent syn-depositional models for the basin and belt units suggest that the belt is an overturned antiformal structure with a major northeast-trending reverse fault (dipping northwest) along the eastern flank of the range.

Local and Property Geology

(i) <u>Property Geology: Lithology</u>

The most recent Kibi Greenstone Belt geology map (Figure 8) is based on regional geological survey traverses and airborne geophysics interpretation (aeromagnetic and radiometric). This map indicates that the concession is underlain by a series of NE-trending, early Proterozoic, Birimian units, including an extensive metavolcanic rock sequence dominating the north-western portion of the concession, within the core of the Kibi Gold Belt; a central metasedimentary and volcaniclastic rock package; and a potassium-rich sedimentary rock unit along the south-eastern margin of the concession. A regional, NE-trending structure is interpreted to dissect the central portion of the property, along the contact between the metasediment/volcaniclastic and potassium-rich sediment units. An ENE-trending, radiometrically inferred body of belt-type (or Dixcove-type) granitoid appears to be present along the north-western margin of the property. NE-trending mafic dykes and sills (diabase) of tentative late Mesozoic age also intrude the Birimian stratigraphy.

The metasedimentary rock package is characterized by two dominant lithologies: thinly bedded, medium to coarse grained greywacke with siltstone (+/- mudstone) intercalations; and phyllites (i.e. metamorphosed mudstone). These rocks are generally tight to isoclinally folded with a moderately to strongly developed NNW to NE-trending, steeply (east) dipping axial planar foliation (S_2), and exhibit variable carbonate, chlorite, and sericite alteration. Transposition of bedding is commonly present within fine-grained units. Quartz-carbonate veining in metasedimentary rocks, with the exception of proximate to granitoid body margins, is pre-dominantly restricted to strongly foliated to sheared carbonaceous (graphitic) phyllite units.

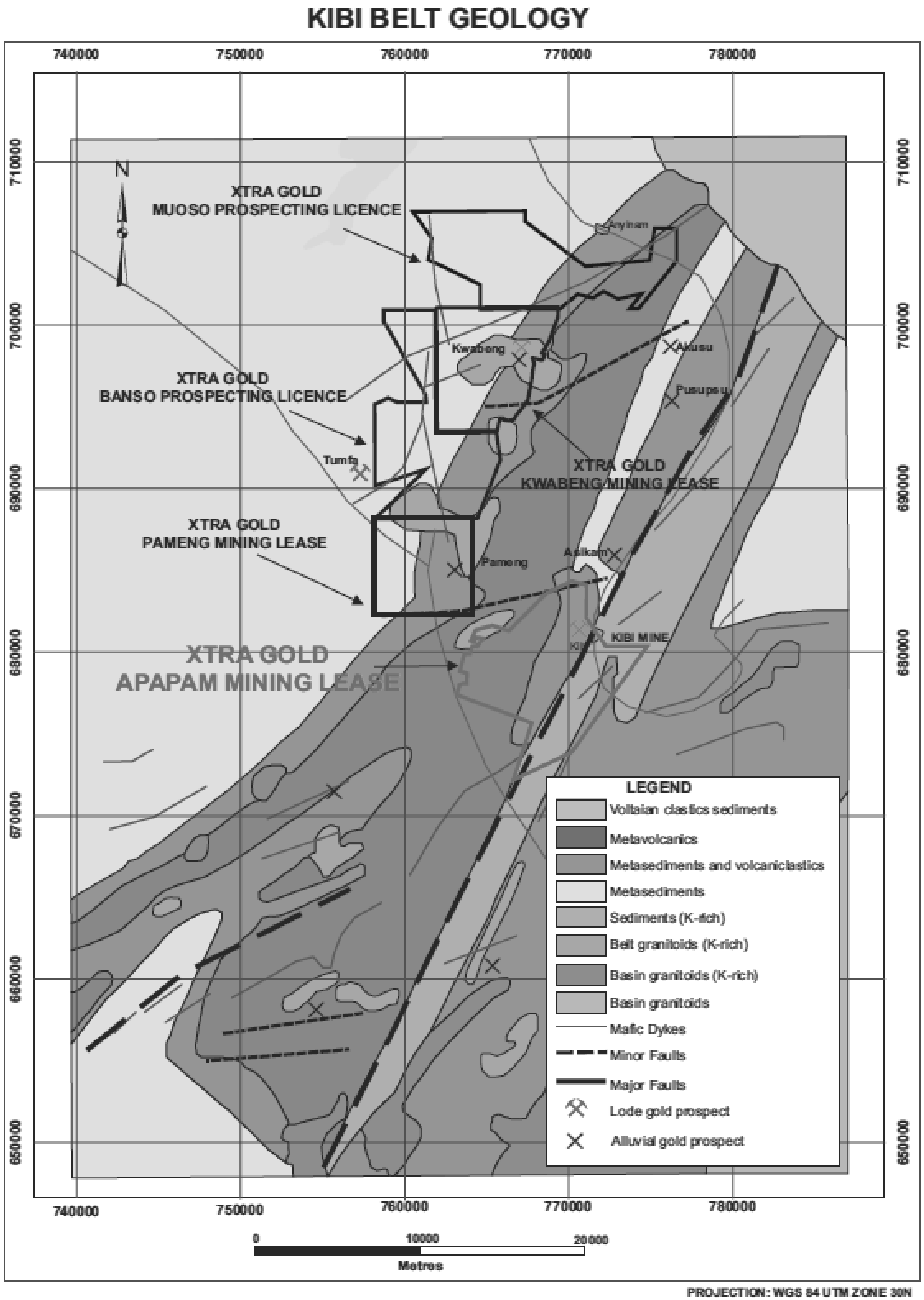


Figure 8: A Map Showing the Kibi Greenstone Belt Geology

Mafic metavolcanic flows and/or mafic sills are characterized by massive, medium grained units typically ranging from 5 m to 30 m in thickness. These rocks are generally weakly foliated with 10 to 50 cm sheared intervals defined by strong foliation, and exhibit dominantly chloritic alteration with variable carbonate and leucoxene alteration. Mafic metavolcanic rocks are predominantly characterized by non-auriferous calcite veining but rare gold-bearing quartz-ankerite (+/- sulphide) veins exhibiting ankerite alteration selvages are present proximate to granitoid body margins.

The Birimian stratigraphy along the north-eastern segment (~ 2.1 km) of the Kibi Gold Trend is intruded by widespread sills, dykes, and possibly small plutons of granodiorite, quartz diorite, and tonalite. These granitoids are dark grey, medium to coarse grained, phaneritic rocks primarily composed of plagioclase and quartz; with minor hornblende, K-feldspar and biotite recognized in thin section. Granitoid sill/dykes exhibit highly variable dip attitudes and 3D geometry so additional work is required to define their true-width; but sill/dykes generally range from 5 m to 75 m in surface expression (i.e. apparent width).

Generally narrow (<5 cm), up to 50 cm wide, N to NE-trending, steeply E to SE dipping zones of strongly developed foliation cross-cut the granitoid bodies. Contacts between granitoids and greywacke are generally sheared. Granitoids exhibit variable quartz, carbonate, chlorite, and sericite alteration. Auriferous veining in the granitoid bodies, which represent the predominant host rocks in the Kibi Project, is characterized by mutually cross-cutting quartz-albite-carbonate veins (0.1 to 30 cm) forming a stockwork. Stockworking is typically comprised of shallow to moderate dipping extensional vein arrays with minor steeply dipping veins.

(ii) Property Geology: Structure

The dominant foliation (S_2) in Zones 2 and 3 consist of a NNW to NE-trending, steeply (east) dipping axial planar foliation present throughout the metasedimentary rock sequence. This overall NE-trending axial planar foliation characterizing the Kibi Gold Trend appears to have developed during a regional NW-SE deformation event. Limited drill core and surface exposure observations indicate that Zone 1 is structurally characterized by a tightly folded metasedimentary (possibly turbiditic) sequence exhibiting a well-developed axial planar cleavage (S_2). Shear bands and bed transpositions are developed along S_2 cleavage in metasiltstones/metamudstones. Several N to NE-trending, steeply E to SE dipping shear zones, appearing to have developed contemporaneously with the regional NW-SE compression event.

Shears and veins appear to have formed during a NW-SE reverse east over west shortening structural regime. A SE over NW reverse sense of shear is indicated by the following structural observations: steeply plunging mineral lineation in sheared metasedimentary rocks indicative of dip-slip movement; rotation of foliation into shear zones in metasedimentary and mafic metavolcanic rocks indicative of SE over NW movement; and shallow-dipping extensional veins associated with steeply dipping fault-fill veins in granitoid bodies indicative of reverse sense of shear.

Auriferous veining in the granitoid bodies is characterized by mutually cross-cutting quartz-albite-carbonate veins (0.1 to 30 cm) forming a stockwork.

In summary, it appears that regional NW-SE compression (D_2) resulted in tight to isoclinal folding in metasedimentary rocks, development of shear zones in metasedimentary and metavolcanic rocks and emplacement of vein stockworking in granitoid bodies. Structural relationships indicate that the NW-SE compression was prolonged and associated with gold mineralization.

(iii) Property Geology: Lateritic Weathering

The flat summit of the Atewa Range, generally considered to represent the remnant of an Early to Mid-Tertiary peneplain, exhibits a complete lateritic weathering profile marked by a ferruginous bauxite "duricrust" capping, which overlies deeply weathered bedrock of Early Proterozoic (Birimian) age. The north-western portion of the Apapam Concession, the focus of exploration work to date, lies along the lower to middle flanks of the Range. Hence, the weathering profile is truncated with the steep sided, hilly terrain representing an erosional environment. As is typical of lateritic terrains veins or shear zones present in the upper portion of the saprolite/laterite profile can often exhibit a shallower "pseudo-dip" produced by in situ collapse/slumping.

The regolith along hilltops and shallow sloping terrain typically consists of an upper lateritic gravel layer (0.25 m to 2.5 m), characterized by lateritic clays encompassing ferruginous pisolites and duricrust cobbles and boulders, followed by a mottled clay horizon (2 m to 5 m), which grades into saprolitic bedrock. The thickness of the saprolite horizon is typically in the 25 m to 45 m range, and the transition zone (saprock) generally extends down another 0.5 m to 7.0 m before reaching fresh bedrock.

Along the flanks of steeply sloping hills, where erosion is more active, the saprolitic bedrock is typically encountered at relatively shallow depths, only underlying 0.5 m to 1.5 m of mottled clays; with no lateritic gravel layer present. The thickness of the saprolite along steep slopes is highly variable however saprock and/or fresh bedrock is typically encountered at vertical depths of 2 m to 15 m.

The valley floors are dominated by alluvium and/or colluvium encompassing cobbles and boulders of lateritic duricrust, derived from the capping on the summit of the Range, and of Birimian lithologies from the flanks. Past alluvial test pitting indicates average thicknesses of 3 m to 5 m for the alluvium/colluvial cover; however no information on the depth of the weathering profile in the valleys is available due to a lack of drilling activity.

Exploration

General

Trenching and drilling efforts to date have identified widespread granitoid-hosted gold occurrences over an approximately 2,100 m distance along the north-eastern segment of the Kibi Gold Trend target; an over 5.5 km long, NE-trending, anomalous gold-in-soil trend characterized by four extensive higher grade zones ranging from approximately 800 m by 75 to 300 m to 1,000 m by 100 to 500 m in area. All mineralization targets are near surface, remain open in all directions, and offer potential for shallow oxide mineralization amenable to bulk mining and heap leaching, as well as large primary gold systems at depth (see Section 9 for a detailed description of the mineralization).

Xtra-Gold is employing trenching and drilling as the primary exploration means of delineating the granitoid bodies hosting the known gold occurrences, and prospecting, geophysics, and trenching to follow-up on the extensive, untested gold-in-soil anomalies along the Kibi Gold Trend target area.

2006 – 2007 Exploration Programs

Two separate work programs were conducted on the Apapam Concession during 2006-2007. The first work program was undertaken and managed by CME Consultants Inc. ("**CME**"); a Canada-based geological consultancy with over 15 years of project management experience in Ghana. The second program was undertaken and managed by Company personnel.

The phase I exploration program was designed to test the Apapam Concession on a regional scale. The field work implemented by CME in August and September 2006 included:

- concession-wide stream sediment sampling (88 samples collected from 44 sites);
- survey grid establishment (33.78 line-km);
- soil sampling (1,306 samples);
- GPS surveying (33.78 line-km);

- rock sampling (89 samples); and
- historical adit and bulldozer cut sampling (100 samples).

The phase II exploration program consisted of a reconnaissance trenching program intermittently implemented by the Xtra-Gold exploration staff from February 2007 to December 2007. A total of 542 channel samples were collected from 21 trenches totalling 1,090 linear-metres.

The findings of the phase I and phase II exploration programs are summarized below. The soil geochemistry and trenching results from these programs are incorporated in the maps and technical discussions of the Technical Report.

Phase II Exploration Program (2007)

A total of 21 reconnaissance trenches ranging from 2 m to 224 m in length were excavated by Xtra-Gold personnel during the 2007 phase II exploration program. A total of 542 channel samples (2 m) were collected from the 21 trenches totaling 1,090 linear-metres. Trenches were manually excavated by pickaxes and shovels to a typical width of 1 m and an average depth of 3 m, with some sections of the trenches reaching 4.0 m in depth. Sampling consisted of a continuous channel sample collected from a canal excavated along the trench floor.

Four out of the 21 trenches yielded length-weighted average grade intervals greater than the arbitrarily set exploration-significant threshold of 1.0 g/t gold, including: trench TKB003 in gold-in-soil anomaly Area 1 (i.e. Kibi Mountain); trenches TKB004 and TKB005 in gold-in-soil anomaly Area 2; and trench TAD001 in the Adadietem Area (i.e. present Zone 3).

The CME re-sampling included 116 channel samples totaling 115.41 linear metres. The reported mineralized intercepts represent trench lengths and are not necessarily indicative of the true width of the mineralization.

Significant Trench Intercepts – Apapam Concession

TRENCH ID	ZONE / AREA	INTERVALS (metres)			GOLD (g/t)
		FROM	TO	TRENCH LENGTH (1)	
TKB003	Area 1	46.36	54.10	7.74	1.60
TKB003	Area 1	64.10	74.55	10.45	1.62
including		68.00	70.25	2.25	4.64
TKB004	Area 2	194.00	196.00	2.00	1.70
TKB004	Area 2	203.00	214.00	11.00(2)	4.07
TKB005	Area 2	61.00	74.00	13.00	5.23
including		69.00	71.00	2.00	14.45
TAD001	Adadietem	0.00	1.00	1.00	4.95
TAD001	Adadietem	4.00	8.00	4.00	1.82
TAD001	Adadietem	11.00	15.00	4.00	1.18

(1) Reported intercepts are trench-lengths; true width of mineralization is unknown at this time.
(2) Apparent Width: Estimated to represent a true width of 3 to 4 m based on shallow dipping ("flat lying") nature of the quartz veining.

Gold mineralization on the Apapam Concession was found to occur in several different geological settings, including steeply and flat-lying quartz veins and alteration haloes proximate to the quartz veining. The presence of shallow dipping ("flat lying") veins may produce an exaggeration in both the width and grade of the mineralization.

Trenching was found to be an effective way to test gold-in-soil anomalies on the Apapam Concession. The following best practices sampling techniques were recommended for future trenching programs:

(1) Channel samples should be taken from the side wall of the trench and not from the floor of the trench in order to mitigate contamination issues and eliminate sampling bias when sampling exposed, shallow dipping quartz veins.

(2) Sampling must be constrained by alteration, structure and lithology.

(3) if two metre sampling widths are to be used for budget reasons, detailed sampling of anomalous areas must be undertaken as follow-up.

2008 – 2010 Exploration Programs

Exploration work on the Apapam Concession during the 2008-2010 reporting period was aimed at advancing the Kibi Project consisting of an over 5.5 km long mineralized trend delineated from gold-in-soil anomalies, trenching, drilling, and geophysical interpretations along the northwest margin of the Apapam Concession; and characterized by widespread gold occurrences of the granitoid hosted-type.

An extensive soil geochemistry survey covering approximately 47 line-kilometres (1,827 samples) was implemented in early 2008 to further define the extensive Kibi Project gold-in-soil trend. The entire Kibi Project grid was also covered by IP/Resistivity (~ 64 km) and ground magnetometer (~79 km) surveys to help define the lithological and structural pattern of the mineralized trend, and prioritize trench/drill targets.

Exploration activities in 2008 also included a manual trenching program encompassing 18 trenches totalling approximately 1,217 linear-metres, including: 4 trenches (302 m) on Zone 2 (TKB006-009); and 14 trenches (915 m) on Zone 3 (TAD008-021) of the 5.5 km long Kibi gold-in-soil trend. In addition, 67 mechanical (i.e. excavator) trenches totalling approximately 2,223 m were also excavated in conjunction with the 2008 and 2009 drilling programs.

As part of the ongoing exploration efforts Xtra-Gold commissioned a structural study of the Apapam Concession. The goal of the study was to investigate key exposures and available drill core to document and understand the structural controls on gold mineralization at the Kibi Project.

A petrographic study was also implemented in March 2010 to characterize the lithological units and ore mineralogy of the Kibi Project. A total of 36 thin sections and nine polished sections were studied by Professor K. Dzigbodi-Adjimah of the University of Mines and Technology, Tarkwa, Ghana. The findings of the structural and petrographic studies are incorporated in the property structure and mineralization sections of the Technical Report, respectively.

(i) Soil Geochemistry

In early 2008, the Kibi Project grid was expanded to provide control for follow-up soil sampling and geophysical surveys. A total of 54.45 line-kilometres of cross-lines (sample lines) and 2.1 km of baselines were established. The expanded grid now covers the entire north-western portion of the concession with a total of 78.8 line-kilometres of SE-trending cross-lines extending along a 6.1 km baseline.

An extensive soil geochemistry survey was undertaken on the Kibi Project to provide detailed (100 m) soil sampling coverage of the gold-in-soil anomalies yielded by the phase I (2006) work program and the bedrock gold occurrences identified in the 2007 trenching, and for reconnaissance (200 m) soil sampling to follow-up on anomalous gold-in-silt samples identified in streams at the south-western extremity of property during the 2006 regional exploration program. A total of 1,827 soil samples were collected at 25 m station spacing along 46.975 line-kilometres of cross lines. Including the phase I (2006) work program, a total of 2,859 soil samples have been collected on the Kibi Project.

The best indication that the Kibi Project anomalous gold-in-soil trend is considered to be significant is the fact that trenching and/or drilling of soil anomalies has yielded significant, saprolitic bedrock, gold intercepts in three of the main four anomalous gold-in-soil clusters/envelopes (i.e. Zone 2, Zone 3, Zone 1); with five zones of granitoid-hosted gold mineralization having been discovered to date within the approximately 1,200 m by 500 m to 800 m, Zone 2 gold-in-soil anomaly.

(ii) Ground Geophysics

The entire 5.5 km length of the Kibi Project anomalous gold-in-soil trend was covered by pole-dipole Induced Polarization (IP)/Resistivity and Magnetometer surveys to help define the lithological and structural pattern of the mineralized trend and prioritized trench/drill targets. The geophysical surveys were implemented in August to September 2008 by Sagax Afrique of Ouagadougou, Burkina Faso.

The approximately 64 line-kilometre IP/Resistivity (Time Domain) survey, covering the entire extent of the Kibi gold-in-soil trend at 200 m spacing, with some 100 m detail sections centred on known gold showings (38 survey lines), was conducted using a Pole-Dipole Array with a dipole length of 50 m and dipole separations of n = 1 to 6. The ground magnetometer survey covered the entire Kibi Project soil geochemical grid totalling approximately 79 line-kilometres at 12.5 m station readings.

The IP/Resistivity survey identified 2 main resistive domains exhibiting a close spatial relationship with the main four gold-in-soil anomalies of the Kibi Project (Zone 1 to 4). A total of 36 chargeable anomaly axes have been identified, including 24 interpreted as priority anomalies; with the majority of these anomalies yet to be field tested. The survey outlined a prominent NE trending, high chargeability, typically with high conductivity (i.e. low resistivity), central corridor possibly reflecting a regional graphite-bearing shear zone.

Hydrothermal alteration processes such as silicification and carbonatization typically reduce the porosity and hence increase the resistivity of the rock. The resistivity and conductivity maps greatly reflect the thickness variations of the lateritic weathering profile. These variations mostly correspond to the different structures and geological units in place.

Although the widespread granitoid-hosted gold mineralization in Zone 2 is typically characterized by 1-3%, locally up to 5%, disseminated sulphides (pyrrhotite, pyrite, arsenopyrite), the known mineralization occurrences failed to produce a chargeability response.

The Trench TAD001 to TAD004 granitoid-hosted gold zone located within the north-central portion of the Zone 3 gold-in-soil anomaly is spatially associated with an approximately 800 m long IP chargeability anomaly exhibiting a spatial relationship with a geophysically inferred, NE-trending, regional structural trend.

Trench TKB003 excavated on the Zone 1 gold-in-soil anomaly exposed a system of foliation parallel quartz-carbonate-pyrite (+/- arsenopyrite) veins hosted by shear zones developed within a tightly folded metasedimentary rock sequence; spatially associated with a high chargeability/low resistivity IP anomaly lying along a geophysically inferred, NE-trending, regional structural trend.

The south-western portion of the Kibi Project gold-in-soil trend is characterized by an approximately 3.5 km long, NE-trending, generally moderate to high chargeability/ moderate to high resistivity anomaly lying along or proximate to the contact between the southern resistive domain and the central conductive corridor; and exhibiting a spatial relationship with a geophysically inferred, NE-trending, regional structural trend.

The south-western segment of the chargeable/resistive anomaly exhibits a spatial association with the Zone 4 gold-in-soil anomaly and with the northern portion of alluvial gold resource Block B; which according to historical alluvial exploration work consists of eluvial/colluvial gravels rather than alluvial gravels (sensu strict).

(iii) Prospecting

A total of 109 grab samples have been collected by Xtra-Gold during prospecting and reconnaissance geology traverses primarily designed to follow-up on gold-in-soil anomalies. Sampling included 44 rock floats and 65 in situ samples consisting of saprolitic or saprock (weakly oxidized) bedrock material; with bedrock samples typically collected along road cuts and from historic workings. Eighteen (18) out of the 109 samples returned below detection limit gold values (<0.01 g/t); 63 samples yielded between 0.01-0.10 g/t gold; 20 samples yielded between 0.1-1.0 g/t gold; and eight (8) samples returned between 1.0-7.5 g/t gold. A fair portion of the 28 anomalous grab samples (> 0.1 g/t Au) were collected from areas that were subsequently tested by trenching and/or drilling; so the nature of the mineralization for these samples is covered by the drilling and trenching discussions.

Prospecting identified an extensive gold anomalous float train, exhibiting minimum 550 m by 325 m dimensions, along the south-western margin of the Kibi Project grid area.

(iv) Trenching

Reconnaissance trenching designed to test the geochemical signature at depth of the approximately 5.5 km long Kibi Project gold-in-soil trend continued in 2008 with the implementation of a manual (i.e. hand dug) trenching program encompassing 18 trenches totalling approximately 1,217 linear-metres, including 4 trenches (302 m) on Zone 2 (TKB006-009) and 14 trenches (915 m) on Zone 3 (TAD008-021). In addition, 67 mechanical (i.e. excavator) trenches totalling approximately 2,223 linear-metres were also excavated in conjunction with the 2008 and 2009 drilling programs, including 58 trenches (1,931 m) on Zone 2; 7 trenches (193 m) on Zone 3 and 2 trenches (99 m) on Zone 1 of the Kibi Project; with this trenching primarily designed to help map/trace the granitoid bodies hosting the gold mineralization.

The reconnaissance trenches designed to test the subsurface signature of the gold-in-soil anomalies were sampled in their entirety; with a total of 629 channel samples collected. Only a small percentage (12%) of the mechanical trenches were sampled based on the fact that this trenching was predominantly designed to guide the drilling by mapping the contacts of the host granitoid bodies and, to a lesser degree, tracing the known mineralized vein zones. Only eight out of the 67 granitoid mapping trenches were subjected to sampling, either in their entirety or partially, for a total of 132 channel samples (205 m).

A. Zone 2 Trenching

A total of 62 trenches (7 m to 136 m) totalling 2,233 linear-metres were excavated on the approximately 1,200 m by 500 m to 800 m, SE-trending, Zone 2 gold-in-soil anomaly during 2008-2009. To date, including the 2007 trenching (Section 10.1.2), a total of 106 trenches amounting to approximately 4,530 linear-metres have been excavated on the Kibi Project. Mineralized intercepts reported below are trench-lengths; true width of mineralization is unknown at this time.

Out of the four reconnaissance trenches, only trench TKB006, located in the north-central portion of the Zone 2 gold-in-soil anomaly, yielded a significant mineralized intercept. Trench TKB006, targeting a 120 ppb to 385 ppb gold-in-soil anomaly, returned a mineralized intercept of 1.46 g/t gold over 36.0 m, including 2.20 g/t gold over 17.0 m, from an extensive, granitoid-hosted, quartz vein system. Four out of the five mechanized trenches subjected to sampling returned significant mineralized intercepts (see Table 2 for significant trench results). Trench TKB010, designed to trace the mineralization intersected in scout drill hole KBD08008, at the north-western extremity of the Zone 2 gold-in-soil anomaly, returned a mineralized intercept of 1.29 g/t gold over 42.0 m, including 2.26 g/t gold over 13.0m, from an extensive system of NE to NW-trending quartz-carbonate veining developed along the margin of a tonalitic intrusive body. For comparison purposes, RC borehole KBRC09068, designed to undercut trench TKB010, yielded a mineralized intercept of 76.0 m grading 1.62 g/t gold, including 20.0 m grading 3.36 g/t gold.

Trenches TKB014E and TKB014F, targeting a gold-in-soil anomaly spatially associated with a quartz float train, lying approximately 225 m west-northwest of the trench TKB006 gold occurrence, exposed an auriferous, granitoid-hosted, quartz-carbonate vein network. The two (2) trenches, positioned end to end on the same soil geochemical anomaly line, both returned significant channel sample intercepts separated by an approximately 20.5 m distance, including 8.49 g/t gold over a 5.0 m trench-length, including 2.0 m grading 14.85 g/t gold, in trench TKB014E and 6.86 g/t gold over an 8.0 m trench-length, including 1.0 m grading 22.4 g/t gold, in trench TKB014F.

Table 2: Significant Trench Intercepts — Kibi Project (2008-2009)

TRENCH ID	FROM (metres)	TO (metres)	TRENCH LENGTH [1] (metres)	GOLD (g/t)	ZONE
TKB006	58.00	94.00	36.00	1.46	Zone 2
including	64.00	81.00	17.00	2.20	
including	64.00	65.00	1.00	7.90	
TKB010	0.00	42.00	42.00	1.29	Zone 2
including	15.00	28.00	13.00	2.26	
TKB011	12.00	27.00	15.00	1.26	Zone 2
including	19.00	25.00	6.00	2.41	
TKB012	1.00	5.00	4.00	2.51	Zone 1
TAD016	23.00	41.00	18.00	1.60	Zone 3
including	33.00	35.00	2.00	9.89	
TAD019	16.00	61.00	45.00	4.93	Zone 3
including	16.00	46.00	30.00	6.23	
including	34.00	46.00	12.00	10.12	
including	42.00	44.00	2.00	17.00	

(1) Reported intercepts are trench-lengths; true width of mineralization is unknown at this time.

B. <u>*Zone 3 Trenching*</u>

A total of 14 manually excavated reconnaissance trenches (15 m to 154 m) totalling 915 linear-metres (TAD008 to TAD021) were completed on the approximately 2,500 m by 250 m to 1,200 m, NE-trending, Zone 3 gold-in-soil anomaly in 2008. Mineralized intercepts reported below are trench-lengths; true width of mineralization is unknown at this time (see Table 2 for significant Zone 3 trench results).

Five out of the 14 trenches, designed to test the geochemical signature at depth of gold-in-soil anomalies, exposed altered granitoid bodies exhibiting variable amounts of quartz-carbonate veining. The Zone 3 reconnaissance trenching yielded two significant granitoid-hosted mineralization intercepts (TAD019, TAD016); with the remaining three altered/veined granitoid occurrences yielded lower grade but exploration significant, anomalous gold values.

Trench TAD019, targeting a 620 ppb to 2,280 ppb gold-in-soil anomaly (75 m), lying at the south-eastern extremity of the Zone 3 gold-in-soil trend, returned a mineralized intercept of 4.93 g/t gold over 45 m, including 10.12 g/t gold over 12 m, from an extensive, granitoid-hosted, quartz vein system; ranging from NE-trending, moderately NW-dipping, sheeted quartz veins to stockwork veining. For comparison purposes, RC borehole KBRC09019, designed to undercut trench TAD019, yielded a mineralized intercept of 30.0 m grading 3.52 g/t gold, including 14.0 m grading 6.47 g/t gold, from a down-hole depth of 8.0 m. The north-western extremity of trench TAD007 (2007 work program), located approximately 65 m west-southwest of the trench TAD019 mineralization intercept, also yielded a significant granitoid-hosted mineralization intercept of 0.49 g/t gold over 26 m. A zone of granitoid-hosted, northerly trending, quartz veining (2 to 75 cm) exposed in trench TAD016, in the north-central portion of the Zone 3 gold-in-soil anomaly, returned an intercept of 1.60 g/t gold over 18 m, including 9.89 g/t gold over 2 m.

Mineralization

The Kibi Gold District is characterized by widespread alluvial gold occurrences present along the base of the Atewa Range and surrounding drainage systems. The gravels occur as blanket-like units covering broad areas within and between river valleys. The blanket-like gravel units present along the lower flanks of the Atewa Range appear to reflect alluvial fans formed by fast flowing streams as they emerged into the lower valleys and onto adjacent plains. Most probably these developed in the Pleistocene Epoch at a time when uplift of an old peneplain surface, represented by the flat lateritic duricrust capping at the summit of the Range, was followed by extensive erosion. The general appearance and shape of the gold grains are indicative of only modest signs of transport which suggests proximal primary sources.

Mineralization of potentially economic significance discovered to date on the Apapam concession by Xtra-Gold consists predominantly of mesothermal gold mineralization of the granitoid-hosted type. The gold is associated with quartz-albite-carbonate-sulphide stockwork veining developed in sills, dykes, and possibly small plutons (stocks) of granodiorite, quartz diorite, and tonalite compositions. Low grade, but exploration significant, shear zone hosted gold mineralization developed within metasedimentary rocks also occurs on the concession. The type, characteristics, distribution, and relevant geological/structural controls of the mineralization are presented below; with the details pertaining to the mineralized zones provided in the discussion below under, “Drilling”.

Auriferous veining in the granitoid bodies is characterized for the most part by mutually cross-cutting quartz-albite-carbonate veins forming a stockwork; with veining ranging from millimetre-scale to 0.5 m in thickness but generally averaging 2 to 10 cm. Stockworking is typically comprised of shallow to moderate dipping extensional vein arrays with minor steeply dipping veins. The three (3) dominant vein orientations are: (i) shallow to moderate WNW-NNW dipping veins; (ii) steeply SE and NW dipping veins; and (iii) shallow east dipping veins. Strong carbonate-quartz (+/- pyrrhotite, pyrite) selvages tend to be associated with quartz-albite-carbonate veining; with the bleached selvages being particular apparent in weakly oxidized (saprock) granitoid. Hydrothermal alteration is highly variable but in heavily veined granitoid the assemblage is characterized by moderate-strong, semi-pervasive to pervasive quartz, carbonate, chlorite, and sericite; with associated patchy to pervasive sulphidization in the form of disseminated pyrrhotite, pyrite, and arsenopyrite (+/- sphalerite). Variations in gold grade appear to reflect alteration mineralogy in granitoid host with the gold grade appearing to increase with stronger carbonate-quartz-pyrrhotite-arsenopyrite mineralization that is spatially associated with quartz-carbonate stockwork veining.

Sulphide mineralogy in strongly veined granitoid typically consists of 1-3%, locally up to 5%, fine to medium grained, disseminated pyrrhotite (+/- pyrite, sphalerite) and trace – 3%, locally up to 5%, very fine to coarse grained, euhedral, disseminated arsenopyrite (+/- pyrite); with rare to trace chalcopyrite and galena. Rare native gold occurs as very fine to fine grains along sulphide grain margins and in fine fractures in sulphides. Petrography indicates that pyrrhotite and sphalerite are corroded and overgrown by euhedral pyrite and arsenopyrite; and that three generations of pyrite appear to be present. Pyrrhotite appears to be oldest and sphalerite, which is closely associated with the pyrrhotite, representing the next mineral in the paragenesis. Sulphide mineralization in the quartz-albite-carbonate veining is characterized by highly variable concentrations of patchy and/or fracture-controlled pyrite and arsenopyrite with minor pyrrhotite, and rare native gold. Visible gold present as fine to coarse isolated grains, commonly occurring along chloritic clots, and as fine to medium grains rimming arsenopyrite crystal margins.

The veining, alteration, and mineralization is generally restricted to within and immediately adjacent to the granitoid intrusive bodies; with gold grades in the metasediments and mafic metavolcanics typically dropping off to background or weakly anomalous levels within a few metres of the contact. Although additional trenching and drilling is required to better define the extent and contacts of the granitoid bodies it appears at this stage that the veining/mineralization tends to be better developed along the margins (i.e. inner margin) of the host intrusions, except where the host intrusion consists of a relatively narrow sill/dyke (i.e. Trench TKB005 granitoid at east end of Zone 2). Rare, isolated, up to 5 cm, shallow dipping quartz-carbonate veins containing auriferous sulphides and/or visible gold occur within mafic metavolcanic rocks in close proximity to the contact of a granitoid body. These auriferous quartz-carbonate veins typically exhibit distinct Fe-carbonate (ankerite) alteration selvages. Generally narrow (<5 cm), up to 50 cm wide, N to NE-trending, steeply E to SE dipping zones of strongly developed foliation cross-cut the granitoid bodies. Unmineralized granitoid tends to be massive and unaltered, with little or no veining.

The veining cross-cuts the foliation at a high angle indicating that the emplacement of the vein stockworking in the granitoid bodies post-dates development of the ductile shear zones in the granitoid bodies indicating a protracted deformation event. These timing relationships appear to indicate that granitoid emplacement and hydrothermal activity associated with the gold mineralization are separated by ductile deformation; which indicates that the gold mineralization post-dates (i.e. is not related to) the emplacement of the granitoid bodies, despite their spatial relationship. The veining, alteration, and mineralization is restricted to within and immediately adjacent to the granitoid bodies and appears to indicate that the granitoids served as preferential conduits for fluid flow due to their brittle lithological characteristics compared to the metasediments.

Zone 1 of the Kibi Gold Trend is characterized by low-grade gold mineralization associated with deformed, foliation-parallel quartz-carbonate-pyrite (+/- arsenopyrite) veins within shear zones developed within a tightly folded metasedimentary (possibly turbiditic) sequence; representing a prospective target for Saddle Reef or Bendigo type gold mineralization.

Petrological studies have been completed on samples of specific drill holes in the Apapam Concession. The medium-grained, plutonic rocks consist mainly of plagioclase feldspar and quartz to a lesser extent as the primary minerals. These samples are weathered and consist of appreciable amounts of carbonate, sericite and some opaque secondary ore minerals. Muscovite also occurs. The petrographic studies indicate that these rocks are highly deformed and most of the primary minerals are fractured.

Mineralization is mainly disseminated and is structurally controlled, with the granitoid mineralization being hosted in quartz stockwork. The primary ore mineral assemblage is pyrrhotite, sphalerite, pyrite, plus or minus magnetite, ilmenite and rutile. Studies of polished sections indicate that pyrrhotite and sphalerite are intensely corroded and are affected by later hydrothermal alteration. Intense alteration, mainly hydrothermal, of the granitoid has changed the primary minerals to sericite, carbonate and quartz.

Drilling

General

To date, 68 boreholes totalling 7,716 linear metres have been drilled on the Apapam Concession; including 18 diamond core holes and 50 reverse circulation ("**RC**") holes. The 2008-2009 drilling by Xtra-Gold is the first ever drilling conducted in the Apapam Concession area and, along with the 2006 Newmont Mining drilling further to the northeast represents the only known drilling within the Kibi Greenstone Belt. The Xtra-Gold drilling focused on the Kibi Project consisting of an over 5.5 km long mineralized trend delineated from gold-in-soil anomalies, trenching, drilling, and geophysical interpretations along the northwest margin of the Apapam Concession; and characterized by widespread gold occurrences of the granitoid hosted-type.

Drill Programs

The phase I drill program, being the initial scout drilling program encompassed 18 diamond core boreholes ranging from 60 m to 320.5 m in length, and totalling 3,001 linear metres. The phase I drill program was designed to test the depth continuity and character of gold mineralization discovered in reconnaissance trenches excavated on Zone 2 and Zone 1 of the Kibi Project; including 15 holes on Zone 2 and 3 holes on Zone 1 (Figure 9).

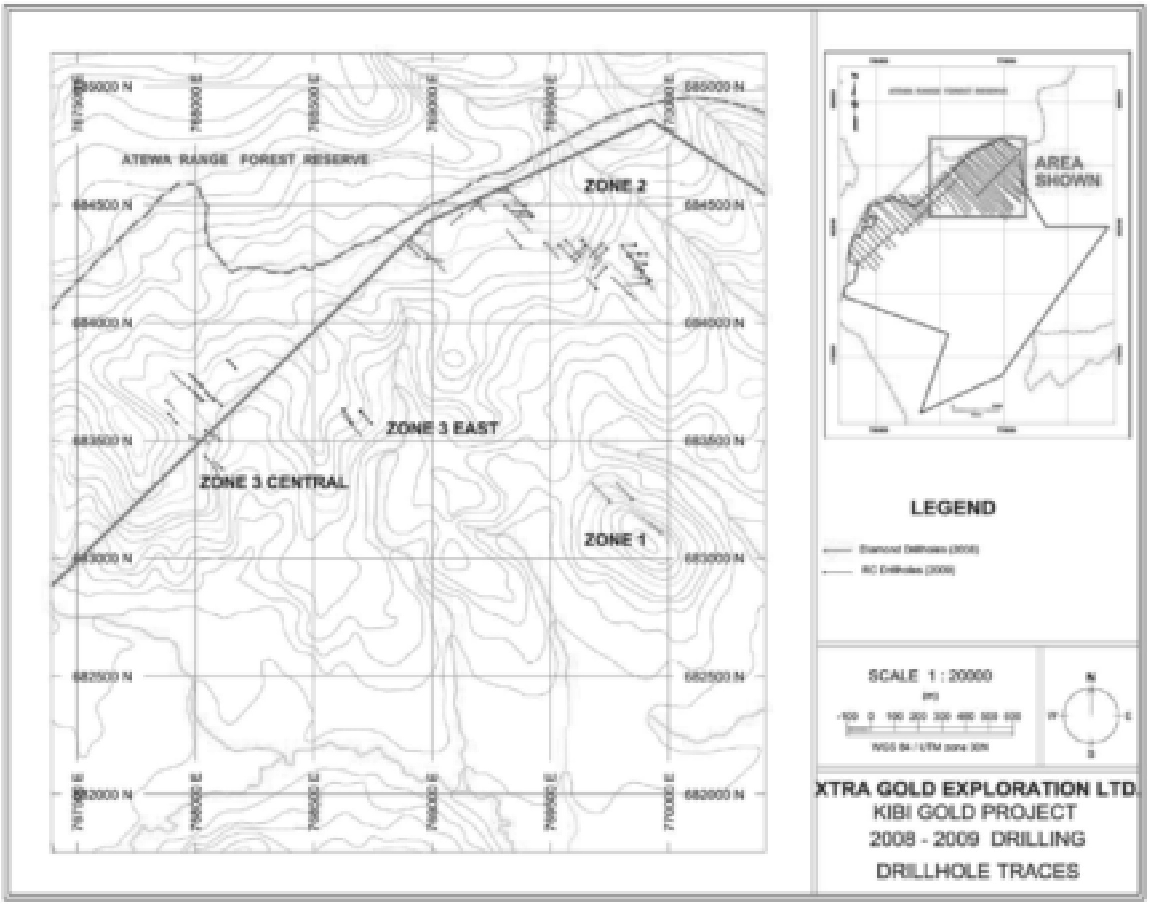


Figure 9: Borehole Trace/Zone Location Plan

Based on encouraging phase I drilling results, a phase II drill program was completed which encompassed 50 RC holes, ranging from 40 m to 150 m in length, and totaling 4,715 linear metres, was implemented on the Kibi Project from July 14 to September 26, 2009. The phase II drill program was designed to: (i) test the dip and strike extensions of the four (4) gold target zones identified in Zone 2 of the Kibi Project during the phase I drill program; (ii) assess the depth continuity and character of gold mineralization discovered in reconnaissance trenches excavated in Zone 3; and (iii) test IP/Resistivity anomalies spatially associated with the Kibi Project anomalous gold-in-soil trend. The program included 27 follow-up holes totaling 2,478 m on Zone 2 and 23 initial scout holes totaling 2,237 m on Zone 3.

Drilling Methodology

Diamond drill core was HQ size (63.5 mm diameter) in upper oxidized material (regolith) and NQ2 size (50.6 mm diameter) in the lower fresh rock portion of the hole. RC drilling was typically conducted with a 5-¾ inch diameter bit. All boreholes (except for 3 holes) have been downhole surveyed (azimuth/inclination) at nominal 30 m interval utilizing an electronic single shot survey instrument.

Drill casings (PVC pipe) were left in all boreholes; with the casing secured in place by a concrete base. All borehole collars have been accurately located with a high degree of confidence by a professional surveyor from SEMS Exploration Services Ltd. A network of permanent survey benchmarks (concrete pillars) was established along the Kibi Project area utilizing a Differential GPS (DGPS). Individual borehole collars were subsequently tied-in to the survey hubs with a total station theodolite; with collar positions established in UTM coordinates using datum WGS84 Zone 30 North.

Drilling Results

(i) General

Drilling efforts to date have focused on the Kibi Project consisting of an over 5.5 km long mineralized trend delineated from gold-in-soil anomalies, trenching, drilling, and geophysical interpretations along the northwest margin of the Apapam Concession; and characterized by widespread gold occurrences of the granitoid hosted-type. Zone 2 of the Kibi Project, with 42 boreholes totalling 4,981 m, is the more advanced in terms of distribution/extent of the granitoid-hosted gold mineralization and characterization of the mineralization's lithological and structural controls; with drilling to date on Zone 3 limited to 23 broadly spaced scout holes (2,237 m).

The relatively limited drilling has intermittently traced the granitoid-hosted gold mineralization over an approximately 2,100 m distance along the NE-trending Kibi Project mineralized trend, including over an approximately 975 m distance in Zone 2; and over an approximately 825 m distance in Zone 3. To date, five mineralized granitoid zones have been identified on Zone 2 with individual zones having been traced by drilling over approximately 150 m to 230 m strike lengths, and from surface to a maximum vertical depth of approximately 100 m; with all zones remaining open along both strike and dip. All reported mineralized intercepts are core-lengths; true width of mineralization is unknown at this time.

(ii) Drilling Results – Zone 2 – Kibi Project

Forty-two boreholes totaling 4,981 m have been drilled on Zone 2 of the Kibi Project, including 15 diamond core holes (2,503 m); and 27 RC holes (2,478 m). Thirty out of the 42 holes returned significant granitoid-hosted gold mineralization intercepts. Drilling focused on five (5) zones of granitoid-hosted gold mineralization (i.e. Trench TKB005 Zone) within the approximately 1,200 m by 500 m to 800 m, SE-trending Zone 2 gold-in-soil anomaly.

A. Trench TKB005 Zone

Thirteen boreholes have been drilled on the Trench TKB005 granitoid zone, lying at the eastern extremity of the approximately 1,200 m long Zone 2 gold-in-soil anomaly.

Trenching and drilling indicate that the Trench TKB005 zone mineralization is hosted by a northerly trending, moderately (east) dipping to sub-vertical, tabular, quartz diorite body ranging from approximately 5 m to 15 m in width; exhibiting variably developed shallow to moderate (NW, SW, N) dipping to sub-vertical, quartz-carbonate-albite stockwork veining. To date, gold mineralization at the Trench TKB005 zone has been traced by drilling over an approximately 220 m strike length and to a vertical depth of approximately 75 m.

With the exception of holes KBD08001and KBD08002, which were drilled in the wrong direction and failed to intersect the host intrusive body, all remaining 11 boreholes targeting the Trench TKB005 zone yielded granitoid-hosted gold mineralization intercepts ranging from 2.29 g/t gold over 2.0 m to 6.29 g/t gold over 23.0 m. Hole KBD08001 intersected two narrow quartz-carbonate veins within mafic metavolcanic rock, proximate to the granitoid body contact, returning 8.77 g/t gold and 13.65 g/t gold over 1.0 m core lengths, respectively. KBD08002 did not return any exploration significant gold values.

RC holes KBRC09042 and KBRC09047 drilled in a scissor pattern designed to better define the structural controls of the mineralization within the central portion of the zone, immediately adjacent to trench TKB005, returned intercepts of 2.97 g/t gold over 18.0 m, including 6.32 g/t gold over 8.0 m; and 6.29 g/t gold over 23.0 m, including 8.55 g/t gold over 10.0 m, respectively. Hole KBRC09042 (270° Az/-50° dip) intersected the saprolitic quartz diorite intrusive at approximately right angles from a collar position on the eastern (hanging wall) flank of the host granitoid body. While hole KBRC09047 (090° Az/-55° dip) was drilled down the dip of the host granitoid sill/dyke in order to transect the predominantly, westerly dipping quartz veining at approximately right angles, with the hole remaining within the confines of the host granitoid body to a down hole depth of 23 m. Hole KBD08004 which tested the same section at a deeper level yielded an intercept of 8.49 g/t gold over 12.0 m at a vertical depth of approximately 75 m; within non-oxidized (fresh) quartz diorite.

B. *Trench TKB004 Zone*

Eleven boreholes have been drilled on the Trench TKB004 granitoid zone, lying within the eastern portion of the approximately 1,200 m long Zone 2 gold-in-soil anomaly, including diamond core holes KBD08012 to KBD08015 and RC holes KBRC09048 to KBRC09050 and KBRC09053 to KBRC09056. Eight out of the 11 holes yielded granitoid-hosted gold mineralization intercepts ranging from 7.53 g/t gold over 1.0 m to 1.44 g/t gold over 78 m, including 3.26 g/t gold over 13.0 m. To date, granitoid-hosted gold mineralization has been traced by drilling over an approximately 230 m strike length and to a vertical depth of approximately 100 m.

Trenching and drilling observations appear to indicate that the Trench TKB004 zone mineralization is hosted by an east-southeast to southeast trending granitoid sill/dyke swarm or irregularly shaped granitoid body encompassing metasediment/metavolcanic rock rafts. Mineralized material is characterized by strongly veined (stockwork) granitoid exhibiting moderate-strong, semi-pervasive to pervasive quartz-carbonate-chlorite-sericite alteration; with associated patchy to pervasive sulphidization in the form of disseminated pyrrhotite, pyrite, and arsenopyrite (+/- sphalerite). The veining, alteration, and mineralization are generally restricted to within and immediately adjacent to the granitoid bodies.

RC holes KBRC09055 and KBRC09056 drilled in a scissor pattern designed to better define the lithological and structural controls of the gold mineralization within the central portion of the Trench TKB004 granitoid zone returned intercepts of 1.44 g/t gold over 78 m, including 3.26 g/t gold over 13.0 m; and 1.33 g/t gold over 18.0 m, including 3.08 g/t gold over 6.0 m, and 2.01 g/t gold over 20.0 m, including 4.29 g/t gold over 6.0 m, respectively.

C. *Trench TKB006 Zone*

Eight boreholes have been drilled on the Trench TKB006 zone, located in the north-central portion of the approximately 1,200 m long Zone 2 gold-in-soil anomaly, including diamond core holes KBD08005 to KBD08007 and RC holes KBRC09057, KBRC09059 to KBRC09061 and KBRC09065.

Trenching and drilling to date appear to indicate that gold mineralization at the Trench TKB006 zone is hosted by two, NNW-trending, sub-parallel, granitoid sills/dykes lying approximately 25 m apart within a metasediment/metavolcanic rock sequence. Additional work is required to better define the dip attitudes and 3D geometry of the granitoid bodies, and hence the true width of the host intrusive bodies; but in general the sill/dykes appear to be approximately 8 m and 40 m in surface expression (i.e. apparent width), and exhibit a moderate westerly dip. Drilling to date has traced the Trench TKB006 zone gold mineralization over an approximately 160 m north-northwest strike distance.

The east trending KBRC09060 borehole, targeting an extensive system of shallow to moderate westerly dipping quartz veining developed within the wider, eastern granitoid body, returned an intercept from surface of 39.0 m grading 9.23 g/t gold uncut (3.54 g/t gold cut), including 10.0 m grading 33.15 g/t gold uncut (10.95 g/t gold cut). The initial SE-trending, scout drill hole KBD08005, drilled sub-parallel to the granitoid body from a collar position to the north of hole KBRC09060, returned intercepts of 1.18 g/t gold over 17.0 m and 1.02 g/t gold over 15.0 m. Hole KBRC09065 collared at the northern extremity of the zone yielded an intercept of 2.40 g/t gold over 3.0 m, including 4.87 g/t gold over 1.0 m.

Exploration significant mineralization in hole KBRC09057, drilled to the west from the eastern flank of the granitoid body as part of a scissor drill pattern with KBRC09060, was limited to a single, near surface, 1.0 m intercept of 2.03 g/t gold; with the hole appearing to have passed below the shallow to moderately west dipping vein system. Similarly, hole KBRC09064 also drilled in a westerly direction from the eastern flank of the granitoid to the north of KBRC09057, failed to intersect the mineralized vein system; returning no exploration significant gold values. Holes KBD08007 and KBRC09059 targeting the narrower, western granitoid body returned intercepts of 1.02 g/t gold over 13.0 m, and 0.65 g/t gold over 9.0 m, respectively.

D. *Trench TKB014E–14F Zone*

Drilling on the Trench TKB014E-14F occurrence, located approximately 225 m west-northwest of the Trench TKB006 zone, is limited to three (3) RC holes (KBRC09062 to KBRC09064).

The SE-trending KBRC09062 hole designed to undercut a granitoid hosted, gold-bearing vein network, discovered in trenches TKB014E and TKB014F, yielded a mineralized intercept of 4.03 g/t gold over 4.0 m including 1 m grading 9.32 g/t gold. The two target trenches positioned end to end on the same soil geochemical anomaly line both returned significant channel sample intercepts separated by an approximately 20.5 m distance, including 8.49 g/t gold over a 5.0 m trench-length, including 2.0 m grading 14.85 g/t gold, in trench TKB014E and 6.86 g/t gold over an 8.0 m trench-length, including 1.0 m grading 22.4 g/t gold, in trench TKB014F. Additional trenching/drilling is required to define the extent and orientation of the host granitoid body, and hence of the mineralized vein system. This occurrence is considered especially interesting given the values defined at this early stage and the extent of the untested gold-in-soil anomalies present along lines 167N to L169N within the approximately 400 m gap between the neighbouring Trench TKB006 and TKB010 zones.

The remaining two holes were drilled as a SW-trending drill fence to test a moderate-high chargeability/low resistivity IP anomaly lying to the southwest of the trench TKB014E-14F gold zone. Hole KBRC09063 yielded a weak mineralized intercept of 0.98 g/t gold over 2.0 m and hole KBRC09064 failed to return any exploration significant anomalous values. Intervals of carbonaceous (graphitic) schist intersected in hole KBRC09064 appear to explain the chargeability anomaly.

E. *Trench TKB010 Zone*

Drilling on the Trench TKB010 zone, located at the north-western extremity of the approximately 1,200 m long Zone 2 gold-in-soil anomaly, is limited to four (4) boreholes, including diamond core holes KBD08008 and KBD08009; and RC holes KBRC0906 and KBRC09068.

Hole KBRC09068 targeting an extensive system of NE to NW trending quartz veining exposed in Trench TKB010 returned a granitoid-hosted gold mineralization intercept from surface of 76.0 m grading 1.62 g/t gold, including 20.0 m grading 3.36 g/t gold (and including 5.25 g/t gold over 9.0 m). For reference purposes, Trench TKB010 yielded a channel sample intercept of 1.29 g/t gold over 42 m, including 2.26 g/t gold over 13.0 m.

Other significant drill intercepts from this zone include 1.01 g/t gold over 45.0 m, including 2.01 g/t gold over 12.0 m, in initial scout drill hole KBD08008; and 1.16 g/t gold over 5.0 m and 1.99 g/t gold over 4.0 m, including 5.76 g/t gold over 1 m, in borehole KBRC09067. Hole KBD08009 returned a weak mineralized intercept of 1.37 g/t gold over 3.0 m from a narrow granitoid sill/dyke lying along the northern flank of the main TKB010 zone granitoid body.

Drilling and trenching to date have traced the Trench TKB010 gold zone mineralization over an approximately 150 m distance along the inner, northern margin of an east to southeast trending granitoid body. Additional trenching/drilling is required to further define the trend of the northern contact of the host granitoid body, and hence of the Trench TKB010 mineralized vein system, and to test the yet to be located southern boundary of the granitoid intrusive body which could also host mineralization.

(iii) <u>Drilling Results – Zone 3 – Kibi Project</u>

Twenty-three scout RC holes totaling 2,237 m were drilled on Zone 3 of the Kibi Project during the 2009 phase II drill program (i.e. holes KBRC09019 to KBRC09041). This initial drilling campaign was designed to undercut surface gold mineralization exposed in reconnaissance trenches, and to test geophysical IP/Resistivity and /or gold-in-soil anomalies on Zone 3; an approximately 2,500 m by 250 m to 1,200 m, NE-trending gold-in-soil anomaly located approximately 700 m to the southwest of the main Zone 2 drilling area.

The Zone 3 drilling included five holes to test the Trench TAD019 and TAD007 targets located at the south-eastern extremity of the Zone 3 gold-in-soil anomaly and 18 holes to assess the Trench TAD001 to TAD004, TAD015 to TAD021 and TAD016 targets within the north-central portion of the gold-in-soil anomaly. Fourteen out of the 23 scout holes returned significant gold intercepts, with an additional three holes yielding anomalous gold intercepts. All mineralized intercepts consisted of granitoid-hosted and/or granitoid-associated gold mineralization, with mineralized material typically consisting of altered quartz diorite and tonalite exhibiting quartz-iron carbonate veining and disseminated sulphides.

Drilling highlights for Zone 3 include gold mineralization intercepts of 30.0 m grading 3.52 g/t gold, including 14.0 m grading 6.47 g/t gold, from a down hole depth of 8.0 m in hole KBRC09019; 4.0 m grading 4.86 g/t gold from a down hole depth of 26 m in hole KBRC09023 and 8.0 m grading 4.95 g/t gold, including 3.0 m grading 12.89 g/t gold, from surface in hole KBRC09024. Drilling results for Zone 3 are summarized below.

A. <u>*Trench TAD019 Zone*</u>

Hole KBRC09019 targeting an extensive granitoid-hosted vein system, ranging from NE-trending, moderately NW-dipping, sheeted quartz veins to stockwork veining, discovered in Trench TAD019 returned a significant mineralized intercept of 30.0 m grading 3.52 g/t gold, including 14.0 m grading 6.47 g/t gold, from a down hole depth of 8.0 m. For reference purposes, Trench TAD019 yielded a channel sample intercept of 4.93 g/t gold over 45.0 m including 10.12 g/t gold over 12.0 m. Hole KBRC09039, representing the second hole of a scissor drill pattern designed to determine the dip attitude of the host granitoid body, returned an intercept of 39.80 g/t gold over 1.0 m from a quartz vein in mafic metavolcanic rock along the footwall flank of the granitoid body. Hole KBRC09020 targeting a zone of anomalous gold values in Trench TAD007, located approximately 65.0 m to the west of the KBRC09019 collar, yielded granitoid-hosted mineralization intercepts of 1.01 g/t gold over 3.0 m and 4.10 g/t gold over 2.0 m. Holes KBRC09040 and KBRC09041 which also tested the Trench TAD007 target failed to return any exploration significant gold values.

B. *Trench TAD001-TAD004 Zone*

A total of 18 holes were drilled within the north-central portion of the Zone 3 gold-in-soil anomaly which is characterized by an approximately 800 m long IP Chargeability anomaly exhibiting a spatial relationship with a geophysically inferred, NE-trending, regional structural trend. Eleven of these holes tested the north-eastern, moderate chargeability/very high resistivity portion (200 m) of the IP anomaly exhibiting a coincidental gold-in-soil signature and anomalous trench results, i.e. Trench TAD001-TAD004 Zone.

The limited, shallow RC drilling outlined an approximately 135.0 m wide, NE-trending, granitoid hosted, structural corridor appearing to encompass at least five (5) distinct, gold-bearing, sheeted to stockworked vein zones ranging from 1.0 m to 31.0 m in core length. Eight (8) out of the 11 Trench TAD001-TAD004 Zone holes returned significant gold intercepts, including seven holes yielding multiple significant and/or anomalous gold intercepts.

The mineralized structural corridor is characterized by significant gold intercepts over 1.0 m to 8.0 m core lengths occurring within more extensive, lower grade, mineralization envelopes attaining 15.0 m to 31.0 m in core length. Holes KBRC09024 and KBRC0937, intersecting what appears to be the same vein zone approximately 35.0 m horizontally apart within the central section of the structural corridor returned mineralized intercepts of 8.0 m grading 4.95 g/t gold, including 3.0 m grading 12.89 g/t gold, and 28.0 m grading 0.87 g/t gold, respectively. Similarly, holes KBRC09023 and KBRC09038, drilled in a scissor pattern along the northern margin of the structural corridor, yielded 4.0 m grading 4.86 g/t gold and 31.0 m grading 0.57 g/t gold, respectively from intercepts located approximately 8.0 m horizontally apart along the same mineralized structure.

Thirteen out of the 18 holes described above were drilled on open ground along the northern flank of the Apapam Concession, with the drill traces extending from approximately 50.0 m to 300.0 m outside the concession boundary, and two additional holes straddle the concession boundary. Following the completion of a professional land survey, the approximately 1.42 sq km wedge of open ground lying between the Apapam Concession and the Atewa Forest Reserve boundary was staked by Xtra-Gold to cover the mineralization targets identified by the holes in question. The staking application was formally received by Mincom on November 19, 2009 and is currently being processed, thus securing Xtra-Gold's priority staking status; however, there is no absolute assurance that this parcel of ground will be granted to Xtra-Gold.

(iv) Drilling Results – Zone 1 – Kibi Project

The Zone 1 gold-in-soil anomaly was subjected to limited diamond core drilling (3 holes totaling 498 m) during the phase I drill program (KBD08016-KBD08018). The scout drilling targeted gold mineralization encountered in trenches TKB002 and TKB003, and in an historical adit; spatially associated with IP/Resistivity anomalies. Hole KBD08017 yielded intermittent, exploration significant, anomalous gold values over a 60 m core length, including individual intercepts of 1.43 g/t gold over 13.5 m, 1.04 g/t gold over 6 m and 1.02 g/t gold over 8 m. The other two holes, KBD08016 and KBD08018, failed to return any exploration significant gold values.

Hole KBD08017 was designed to undercut Trench TKB003, which yielded channel sample intercepts of 1.60 g/t gold over 7.74 m and 1.62 g/t gold over 10.45 m; spatially associated with a high chargeability/low resistivity IP anomaly lying along a geophysically inferred, NE-trending, regional structural trend. The KBD08017 mineralized intercept is characterized by foliation-parallel quartz-carbonate-pyrite (+/- arsenopyrite) veins within shear zones developed within a tightly folded metasedimentary (possibly turbititic) sequence. In addition, Trench TKB012 excavated on a gold-in-soil anomaly spatially associated with the southern margin of the same chargeability anomaly, approximately 100 m southwest of hole KBD08017, returned a channel sample intercept of 2.51g/t gold over a 4 m trench length.

Sampling Approach and Methodology

Control Grid Establishment

The control grid for the Kibi Project was established by AMOFAH and Associates, a Ghanaian civil engineering firm with over 20 years' experience in mining grid establishment. The theodolite controlled baselines and cross-lines (i.e. sample lines) were pegged at 25 m intervals; with aluminum tags indicating the grid coordinates of the respective sample stations secured to the wooden pegs. Labelled concrete pillars were established every 200 m along the baselines. Individual sample stations along the baselines and sample lines were surveyed-in by Differential GPS (DGPS) in UTM coordinates utilizing Datum WGS84 Zone 30 North. The NW-SE trending sample lines were oriented to dissect the interpreted NE-trending stratigraphy as close to possible to a normal angle.

Soil Sampling

Soil samples are collected by teams of local labourers and experienced technicians under the supervision of a geologist. Samples are collected from hand-dug pits at depths of 50 cm to 60 cm with normal diameters not exceeding 30 cm using the local digging tool called "soso". Approximately 2.5 kg of material is collected into labeled plastic bags with unique sample tickets stapled to inside lip of the bag, and securely sealed by staples. To avoid contamination wet samples and areas with readily apparent soil transport/disturbance are not sampled.

Auger Sampling

Hand auger sampling is routinely utilized to test the geochemical signature of gold-in-soil anomalies at depth within the saprolite horizon in order to better define trenching targets. The augering is carried out with a locally fabricated cutting tool made from a used drill rod; the cylindrical cutting edge being driven into the ground to recover the sample. A collar pit (~1m deep) is dug at each auger site in order to facilitate penetration through the quartz scree typically present at surface. Auger holes are typically sunk to a depth of 3 to 5 m. A one m sample is typically collected from the saprolite horizon at the bottom of each hole. Auger hole spacing is typically at 25 m, with some 12.5 m in-filling. To avoid any contamination only dry samples are collected.

Trench and Road Cut Sampling

Manual (pickaxe and shovel) and mechanical (excavator) trenches are typically excavated to widths of 1 m and 1.5 m, respectively, and an average depth of 3 m, with some sections of trenches reaching 4 to 5 m in depth. Trenching typically extends down to the saprolite horizon, or locally to saprock, but often the saprolite cannot be reached due to safety concerns. The entire length of the trench is subjected to systematic geological mapping and channel sampling; with wooden pegs stuck to the side of the trench at 2 m intervals. Prior to sampling the wall of the trench is cleaned of any loose material to avoid contamination.

Samples consist of continuous, horizontal channels excavated along the bottom sidewall of the trench (~ 0.10 m above floor) with emphasis on constant sample volume over the length of the sample interval. Saprolite/rock chips are collected on a clean plastic sheet laid on the trench floor and immediately placed into a labeled plastic sample bag containing a unique sample ticket stapled to the inside lip of the bag, and securely sealed by staples. Samples are typically 2 m in length; with 1 m, to locally 0.5 m, samples being utilized in areas of geological interest and/or to delineate specific lithological/structural features. Any economically significant mineralized intersection yielded by 2 m sampling is re-sampled at 1 m intervals (this procedure implemented in 2010 sampling programs). The sample intervals (i.e. sample numbers) are marked on aluminum tags stapled to wooden pegs stuck to the sidewall of the trench. Samples are collected by a trained field assistant under the supervision of a company geologist. Road cut and drill pad face samples are collected using the same general methodology as the trench channel samples.

First pass exploration trenches are located by tying-in the trench start and end points to the DGPS surveyed grid stations, or by hand held GPS readings if no grid is present, and azimuth and slope information collected by compass/inclinometer. Typically, any trenching in hilly terrain (> 10^o slope) is excavated utilizing step-like benches in order to maintain horizontal sampling intervals. Since January 2010, trenches yielding significant mineralization and/or forming part of a detailed trenching program have been surveyed utilizing combined DGPS and Total Station defined control points. The survey crew also systematically record azimuth and slope measurements.

Drill Core Sampling

Diamond drill core is HQ size (63.5 mm diameter) in upper oxidized material (regolith) and NQ size (47.6 mm diameter) in the lower fresh rock portion of the hole. Drill core obtained from diamond drilling is deposited directly from the core tube into wooden core boxes, marked with the borehole number and depth information, by the drill contractor under the supervision of trained Xtra-Gold technicians. In the case of saprolite material, the core is laid directly onto a strip of plastic wrap placed inside the box and then securely wrap around the core to stabilize and prevent the dehydration of the saprolite. Core recovery and any drilling problems are noted by company staff at the drill site.

At the Field Camp core shack, the core is laid out along an angle iron on a work bench and meticulously re-assembled piece by piece. The core is then measured, core recovery and RQD information collected, and photographs of each individual box taken. A company geologist subsequently conducts geological logging of the core and marks the sample intervals. The core is sampled over nominal 1 m intervals; with adjustments where necessary for mineralized structures. Metal tags indicating the sample intervals (i.e. sample numbers) are stapled to the inside of the core box channels. More comprehensive geological logging (on half core) and petrographic studies are subsequently conducted after the reception of assays on significant gold intercepts.

The diamond drill core is then saw-split lengthwise by trained Xtra-Gold personnel, and half the core is immediately placed into a labelled plastic bag with a unique sample ticket stapled to the inside lip of the bag, and securely sealed by staples. The remaining half of core is returned to the core box and the box stored in a secure facility. The samples are then laid-out in sequence in the designated sample room to avoid duplications and omissions of samples in the laboratory submission orders, and the sample bags placed in labelled rice sacks in sequence. The shipping sacks are immediately secured with a numbered security seal (i.e. nylon zap strap) and stored in a locked room pending shipment to the laboratory.

Reverse Circulation ("RC") Drill Sampling

Reverse circulation (5-½ inch diameter) drill samples are collected immediately at the borehole site under the supervision of an Xtra-Gold geologist. RC drilling is conducted under dry ground conditions to prevent sample contamination. Additional compressed air booster is routinely used in order to ensure dry samples below the water table. However, on occasion, drilling is conducted under wet conditions over short intervals at the bottom of holes for geological information purposes; the wet cuttings are collected and sampled but the samples are not considered to be representative of the drill intervals. The drill sample cuttings are collected in a cyclone over 1 m sample intervals; with the cyclone being purged after every 6 m drill run (i.e. hit with sledge hammer and air blown).

The dry RC bulk chip sample (~ 25 to 30 kg) is passed through a two-tier riffle splitter to produce a nominal 2 to 3 kg sample for assay. The assay sample was weighted on site however the RC bulk chip samples were not weighted during the 2009 RC drill program. The splitter is thoroughly cleaned by hitting with a wooden club and a wire brush after every sample. The split sample is immediately placed into a labelled plastic bag with a unique sample ticket stapled to the inside lip of the bag, and securely sealed by staples. The remaining portion of the bulk drill chip samples are then stored in large, labelled plastic bags at the drill site for future reference.

Drill cuttings from each sample interval are screened-washed and a "Quick Log" of the rock chips completed at the drill site by an Xtra-Gold geologist; noting amongst other things the sample quality/recovery, weathering profile, main lithologies, prominent alteration, and the character of the mineralization (i.e. oxide versus sulphide). Representative rock chips are also collected into a plastic sample tray for subsequent detail geological logging of the borehole by a senior geologist with the aid of a binocular microscope. The logging of RC holes is also recorded on a logging board, where the chips for each metre interval are glued to a board to form a visual strip log of the entire hole.

Upon transport to the Field Camp by Xtra-Gold personnel at the end of the drill shift the samples are laid-out in sequence in a designated sample room to avoid duplications and omissions of samples in the laboratory submission orders, and the sample bags placed in labelled polyweave sacks in sequence. These sacks are immediately secured with a numbered security seal (i.e. nylon zap strap) and stored in a locked room pending shipment to the laboratory. The bulk reference samples for significant gold intercepts are subsequently transported to the Field Camp for safe keeping.

Data Verification

Analytical protocols utilized by Xtra-Gold involved the insertion of quality control samples into the sample stream of assay samples submitted to the laboratory. Since September 2008, (including the 2008 diamond core and 2009 RC drill programs), certified reference standards, coarse analytical blanks, and field duplicate samples are being inserted within sample streams at the following rate: one of each for every 20 samples within batches of Drill Core, RC Chip, and Trench Channel samples; and one of each for every 40 samples within batches of Geological/Characteristic (i.e. grab, composite chip), Hand Auger, and Soil samples.

In February 2010, Xtra-Gold commissioned SEMS to conduct a detailed technical audit of Xtra-Gold's drill sample QA-QC program. The results of the study are presented in the Technical Report and are summarized as follows:

- A deterioration was noted comparing precision achieved by the laboratory using internal standards and those submitted by Xtra-Gold. However, with few exceptions precision for Xtra-Gold standards is close to, or better than 10% and this is acceptable. Accuracy of Xtra-Gold standards is mainly better than $\pm$5% and this is acceptable with the exception of the high bias associated with gravimetric determinations for grades exceeding 10 g/t gold.

- In general, precision shown for duplicates and all check submissions cutting results to = >0.1 ppm Au is great than 10% with a maximum of 20.9% shown for re-analysis of RC chips. However, in the presence of coarse particulate gold, precision exceeding 10% is to be expected. Bias for duplicates and checks, omitting "Flyers" (i.e. samples with high concentrations of coarse gold) is good with a maximum of -4%. Bias for total datasets is generally poor, with a maximum exceeding 10%, but this is to be expected with coarse gold.

- Splitting error in the laboratory is high at 20.1% but this may be improved in the future with improved protocols on splitting techniques. Currently, the pulp is split by scooping material with a Kraft envelope rather than using a small spoon and splitting by "Fractional Shovelling" (i.e. gathering the pulp sample by selecting sample material in a more uniform manner across the length of the core). The laboratory is aware of the high percentage of boil-overs (i.e. assays influenced by high concentrations of coarse gold) and is taking steps to remedy this situation.

The Technical Report made the following recommendations for QA-QC procedures which have been accepted by Xtra-Gold and are being implemented:

- For all future diamond coring, all of the sample must be pulverized to 90% passing less than 200 microns.

- With RC sampling, the laboratory should be similarly instructed to pulverize all of the sample and not to split off 1 kg components.

- The laboratory should be instructed to apply "Fractional Shovelling" to split the pulp.

- Periodically, at least once a month or more often, the laboratory should be visited without warning to ensure splitting is being carried out according to instructions.

- A QC report should be prepared on a monthly basis assessing laboratory standards for calibration jumps and blind standards for consecutive "Flyers". At least 5% of standards will fail at the 95% confidence level. Such failures should not immediately require re-analysis of a batch. The report should also assess precision and bias of duplicates. If the precision starts to deteriorate, a visit to the laboratory may be necessary.

- 1 in 20 samples in the laboratory should be a duplicate where the duplicate is taken from the entire pulp sample and not from the same Kraft envelope. This allows assessment of splitting error in dealing with coarse gold.

- Xtra-Gold should request the laboratory to immediately return all pulp rejects to site. For this purpose, the project should have dry space to catalogue and store pulp rejects.

- On receipt of results, selected pulps should be re-numbered and sent to the laboratory. Re-numbering can be a hazardous exercise and to minimise possible problems the re-numbering should be carried out by a Project Geologist monitored by a Technician.

- It is commendable to randomize insertion of standards, blanks and field duplicates but a set numbering system minimizes possible numbering problems. A standard cannot be hidden from a laboratory.

- Monitor the fire assay section of a laboratory and ensure that boil-overs are at a minimum and that samples showing boil-overs are automatically re-analysed.

- In core cutting and sample selection, it is a good idea to take alternate right and left parts of the core from the beginning of the hole- irrespective of large pieces of visible gold.

- In all results, aim for a precision = < 10% cutting values = > 0.1ppm Au. Bias, after removal of "Flyers" must be better than $\pm$5% and the target should be better than $\pm$2% (with coarse gold, achievement of these goals requires very strict protocols and supervision. "Flyers" will always occur but, ideally, there should be less than 5 "Flyers" in 100 results above 0.3 ppm Au).

Sample Preparation and Analysis

Two main laboratories (ALS Chemex and SGS Laboratory Services) have been used by Xtra-Gold for assaying samples from the Kibi Project since 2006. Since mid-September 2008, sample preparation and analysis for all of Xtra-Gold's samples for the Kibi Project, including the 2008 diamond core drilling and 2009 RC drilling programs, trench channel, soil, and surface chip/grab samples has been conducted by ALS Chemex (ALS Ghana Limited) at their analytical facility located in Kumasi, Ghana. ALS Chemex laboratory operations are covered by ISO 9001:2000 certification for the "provision of assay and geochemical analytical services" by QMI Quality Registrars, and are accredited to ISO 17025 standards in various jurisdictions. The quality system and work procedures used in the Kumasi laboratory are identical to those used in the ALS Chemex laboratory in Vancouver, Canada and are subject to regular internal audits by their global quality assurance team. The Kumasi laboratory also participates in a number of proficiency tests and round robins.

Drill core, RC chip, trench channel, hand auger, and prospecting (grab) samples are analyzed for gold by industry standard 50 gm fire assay fusion with atomic absorption spectroscopy (AAS) finish; with gravimetric finish on samples exceeding 10 g/t gold.

Sample Security and Chain of Custody

Reverse circulation drill samples are collected immediately at the borehole site under the supervision of a Company geologist which escorts the samples back to the Field Camp at the end of the shift. Drill core samples are saw-split and bagged under the supervision of a Company geologist in a sample cutting room located adjacent to the core shack at the exploration camp. Trench, auger, soil, and surface rock chip/grab samples remain within sight of Xtra-Gold technical staff from collection in the field to transport to the Field Camp.

All samples are laid-out in sequence in the designated sample room to avoid duplications and omissions of samples in the laboratory submission orders, and the sample bags placed in labelled rice sacks in sequence. The shipping sacks are immediately secured with a numbered security seal (i.e. nylon zap strap) and stored in a locked room pending shipment to the laboratory; with only the Project Geologist and the Chief Geotechnician having access to the key. The Field Camp is a fenced-in compound with 24 hour security. A record of all samples shipped, as well as the actual samples within the individual sacks and their security seal numbers, is kept by the project geologist.

Depending on sample shipment size samples are either transported by Xtra-Gold personnel directly to the ALS Chemex analytical facility in Kumasi or scheduled for pickup by ALS Chemex at the Field Camp. A tracking record of all sample deliveries/pickups and pending analytical orders is kept by the project geologist, including: personnel in custody of samples and time of departure; laboratory drop-off site; status of security seals; and assay turnaround time.

Upon delivery or pickup of samples, a signed copy of the Sample Submittal Form is provided to Xtra-Gold personnel by ALS Chemex sample reception staff. ALS Chemex Kumasi has been instructed to notify Xtra-Gold's VP, Exploration (Y. Clement, P. Geo.) and/or Senior Project Geologist (A. Amoako) of any signs of tampering with the security seals or damage to the shipping sacks.

Interpretation and Conclusions

The authors of the Technical Report are of the opinion that Xtra-Gold has undertaken the appropriate steps to explore for gold mineralization on the Apapam Concession using exploration practices best suited to the geological, climatic and cultural setting of Southern Ghana. SEMS is also of the opinion that exploration data, including soil, trench and drill information, was acquired using procedures that meet or exceed industry best practices. SEMS reviewed and audited the Xtra-Gold exploration database, the ALS laboratory facility and QA-QC protocols. In the opinion of SEMS, Xtra-Gold collected comprehensive quality control data that is generally acceptable for the purpose of gold exploration evaluation. Further conclusions are found in the Technical Report.

The authors of the Technical Report conclude that the Kibi Project has identified a new, hard rock, gold exploration zone within the Kibi Belt. The Kibi Poject is the first significant gold exploration success in what is traditionally considered an alluvial mining area. The Kibi Project has the potential to host economic quantities of gold mineralisation and that Xtra-Gold, if current exploration practices are maintained, have the ability to realize this potential.

Recommendations

In reviewing all the data and information received from Xtra-Gold, the authors of the Technical Report have made certain recommendations for future exploration as summarized in the Technical Report. The Technical Report recommends the following exploration program:

	43-101 Phase 1 Scope of Work	Estimated Cost (US$)
●	infill trenching in between the known granitoid bodies	100,000
●	additional drilling (i) to clearly define and establish the continuity and shape of granitoid hosted gold mineralization; and (ii) to expand the strike length of known mineralization	850,000
●	structural work to ascertain the controls on mineralization and to assist with the planning of further drill programs	25,000
●	detailed surface mapping of the mineralized trend	25,000
	Total Estimated 43-101 Phase 1 Budget	**1,000,000**

The following 43-101 Phase 2 Scope of Work is not contingent upon the results of the 43-101 Phase 1 Scope of Work.

	43-101 Phase 2 Scope of Work	Estimated Cost (US$)
●	definition drilling (i) to prove a Mineral Resource; and (ii) to extend the strike length of known mineralization	2,500,000
●	metallurgical work on mineralized material	100,000
●	VTEM airborne survey	100,000
	Total Estimated 43-101 Phase 2 Budget	**2,700,000**

The following 43-101 Phase 3 Scope of Work is contingent upon the results of the 43-101 Phase 2 Scope of Work.

	43-101 Phase 3 Scope of Work	Estimated Cost (US$)
●	definition drilling (i) to prove a Mineral Resource; and (ii) to extend the strike length of known mineralization	2,500,000
	Total Estimated 43-101 Phase 3 Budget	**2,500,000**

OTHER PROJECTS OF THE COMPANY

As discussed above, in addition to the Kibi Project, the Company has its Other Projects, which are not considered to be material by the Company.

The following disclosure relating to the Other Projects is a summary prepared by Yves Clement, P.Geo., Vice-President, Exploration of the Company. Mr. Clement is a "qualified person" in accordance with NI 43-101, but he is not independent of the Company. The Company intends to complete smaller scale exploration programs on these properties consisting of geological mapping, surface sampling, target identification and diamond drilling. None of the mineral exploration interests of the Company contain any mineral resources or mineral reserves (as such terms are defined in NI 43-101). Mineral exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation might not be able to overcome. See "Risk Factors".

Banso and Muoso Projects

The Banso and Muoso Projects (also referred to individually as the "**Banso Concession**" and the "**Muoso Concession**") lie along the lower, western flank and base, and northern extremity of the Atewa Range, respectively; and are located approximately 6.5 km northwest and 16 km north of the Kibi Project's Apapam Concession, respectively. The Muoso Project is accessible via the Kwabeng road, emanating from Anyinam located along the national highway between Accra and Kumasi; with the asphalted road dissecting the central portion of the concession in a south-westerly direction.

The Banso Concession is comprised of 51.67 sq km and the Muoso Concession is comprised of 55.65 sq km and together form part of a single prospecting license (the "**Banso-Muoso PL**"). The current term of the Banso-Muoso PL has been extended to December 21, 2010. The Banso and Muoso Projects are subject to a letter of intent for an option/joint venture agreement with Verbina Resources Inc.

No significant lode gold exploration work is currently planned for the Banso and Muoso Projects for 2010.

Kwabeng Project

The Kwabeng Project (also referred to as the "**Kwabeng Concession**") is comprised of 44.76 sq km and is located along the western, lower flank and base of the Atewa Range, approximately 8.5 km north-northwest of the Kibi Project's Apapam Concession. The eastern boundary of the concession is demarcated by the Atewa Forest Reserve. The Kwabeng Concession is accessible via Anyinam located along the national highway between Accra and Kumasi; with the asphalted road dissecting the concession in a south-westerly direction through the town of Kwabeng.

The Company's interest in the Kwabeng Concession is secured by a Mining Lease (the "**Kwabeng ML**") controlled by Xtra-Gold, as to a 90% interest; with the remaining 10% interest held by the Government of Ghana. The term of the Kwabeng ML is 30 years and its current expiration date is July 26, 2019.

No significant work is planned for 2010 on the Kwabeng Concession; however, a work program to further evaluate the Kwabeng Old Mine prospect is currently under consideration for early 2011.

Pameng Project

The Pameng Project (also referred to as the "**Pameng Concession**") is comprised of 40.51 sq km and is located along the western, lower flank and base of the Atewa Range, approximately 2 km west-northwest of the Kibi Project's Apapam Concession. The concession is accessible from the town of Kwabeng via a mostly asphalted road dissecting the concession in a south-westerly direction through the towns of Pameng and Akropong.

The Company's interest in the Pameng Concession is secured by a Mining Lease (the "**Pameng ML**") controlled by Xtra-Gold as to a 90% interest; with the remaining 10% interest held by the Government of Ghana. The term of the Pameng ML is 30 years and its current expiration date is July 26, 2019.

To the best of the Company's knowledge, the Pameng Concession has never been subjected to modern, systematic exploration for lode gold mineralization. Lode gold exploration efforts to date by Xtra-Gold on the concession have been limited to a few reconnaissance geology/prospecting traverses. No significant lode gold exploration work is planned for 2010 on the concession; however, a first pass work program including soil geochemistry and scout trenching is currently under consideration for 2011.

Edum Banso Project

The Edum Banso Project (also referred to as the "**Edum Banso Concession**") is comprised of 20.60 sq km or 2,060 ha and lies at the southern extremity of the Ashanti gold belt in the Western Region of Ghana, approximately 235 km west of Accra and 25 km northwest of Takoradi, the regional capital. The north-western extremity of the concession falls within the grounds of the Benso Oil Palm Plantation (BOPP). The concession is accessible via a secondary road from Apowa on the Takoradi to Tarkwa highway; with the all-season road dissecting the concession in a northerly direction through the hamlet of Edum Banso, located in the northern portion of the property.

USE OF PROCEEDS

The net proceeds to the Company from the Maximum Offering will be $8,532,500 (without giving effect to the Agents' Option), after deducting the Agents' Commission of $617,500 and the expenses of the Offering estimated at $350,000. In the case of the Minimum Offering, the net proceeds to the Company will be $4,325,000, after deducting the Agents' Commission of $617,500 and the expenses of the Offering estimated at $350,000. The Company intends to use the net proceeds from the Offering and other funds available to proceed with the proposed program of exploration on the Kibi Project as recommended in the Technical Report and to complete further exploration on some of its Other Projects, as set forth below. With the funds available, Xtra-Gold will focus its efforts during the remainder of 2010 and 2011 on a drill program on the Kibi Project.

The Company anticipates that it will complete the 43-101 Phase 1 Scope of Work set forth in the "Recommendations" section above by approximately December 31, 2010; however, the estimated timing and the estimated costs are subject to change based on, among other things, the results of operations.

As at September 30, 2010, Xtra-Gold's cash position was approximately US$1,900,000 (1,902,850) (unaudited) and estimated consolidated working capital was approximately US$2,000,000 ($2,003,000) (unaudited). Assuming the completion of the Minimum Offering for estimated net proceeds of $4,325,000 or the Maximum Offering for estimated net proceeds of $8,532,500, the Company will have an estimated working capital position of $6,328,000 (Minimum Offering) or $10,535,500 (Maximum Offering), available to complete the recommended exploration work program on the Kibi Project as outlined in the "Recommendations" section above.

	Minimum Offering	Maximum Offering
Net Proceeds(1)	$4,325,000	$8,532,500
Existing Working Capital(2)	$2,003,000 (3)	$2,003,000 (3)
Total Funds Available(4)	$6,328,000	$10,535,500

Notes:

(1) Assuming gross proceeds under each of the Minimum Offering and Maximum Offering, less the Agents' Commission of approximately $325,000 (Minimum Offering) or $617,500 (Maximum Offering) and estimated expenses of the Offering of $350,000 but no exercise of the Agents' Option.

(2) Unaudited estimate as at September 30, 2010.

(3) US$2,000,000 based on the noon spot rate on November 5, 2010.

(4) The description of the total funds available does not include, or make allowance for, funds to be received by the Company upon the Agents' Option and outstanding incentive stock options or other rights to purchase the shares of the Company, the proceeds of which will be added to the Company's working capital position. See "Options to Purchase Securities".

The total funds available following completion of the Offering, as calculated above, will be allocated as follows:

Item	**Minimum Offering**	**Maximum Offering**
Royalties to Government of Ghana (1)	Nil	Nil
Annual Environmental Permits (2)	$1,111(4) (US$1,110)	$1,111(4) (US$1,110)
Prospecting License Commitments (3)	$20,030 (4) (US$20,000)	$20,030(4) (US$20,000)
Kibi Project 43-101 Phase 1 Recommended Work Program	$1,001,500 (4) (US$1,000,000)	$1,001,500 (4) (US$1,000,000)
Kibi Project 43-101 Phase 2 Recommended Work Program	$2,503,750 (4) (US$2,500,000)	$2,704,050 (4) (US$2,700,000)
Kibi Project 43-101 Phase 3 Recommended Work Program	N/A	$2,503,750 (4) (US$2,500,000)
Other Projects (Kwabeng and Pameng concessions) – Exploration Work	$370,555 (4) (US$370,000)	$370,555 (4) (US$370,000)
General & Administrative Budget (estimate for 12 months)	$600,900 (4) (US$600,000)	$600,900 (4) (US$600,000)
General Working Capital	$172,846	$1,330,604
Total	$4,325,000	$8,532,500

Notes:

(1) There are no royalties payable to the Government of Ghana until a Project is in the production stage.
(2) For permits on Apapam and Banso and Muoso Concessions.
(3) A consideration fee of (i) US$15,000 for the Banso and Muoso Concessions; and (ii) US$5,000 for the Edum Banso Concession is payable to Mincom in connection with the prospecting license renewal/extension for each concession.
(4) Based on the noon spot rate of US$1.00 = $1.0015 as reported by the Bank of Canada on November 5, 2010.

The estimated general and administration costs for the Company to achieve its stated business objectives over the next 12 month period following completion of the Offering are an aggregate of US$600,000 (or $619,620). An estimated breakdown of these costs is as follows:

	2009 (Actual) (US$)	6 months 2010 (Actual) (US$)	2011 (Estimate) (US$)
Rent	22,450	19,796	40,000
Office & Operating Costs	92,158	61,971	100,000
Travel	8,561	18,555	20,000
Legal & Audit Fees	88,356	12,224	100,000
Investor Relations	60,754	120,751	60,000
Transfer Agent & Regulatory Fees	3,822	3,878	40,000
Consulting and director fees	213,179	171,113	240,000
Total Estimated 12 Month General and Administrative Expenses	**489,280**	**408,288**	**600,000**

The Company expects to spend the net proceeds of the Offering as described above. However, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Company spends in connection with each of the intended use of proceeds will depend on a number of factors, including those referred to under ''Risk Factors''. Pending the use of the net proceeds of the Offering as described above, the Company intends to deposit the funds in a bank account with a Canadian Chartered Bank.

The Company will need to raise additional capital to support the projected increases in staffing and other operating expenses. See "Risk Factors"

Business Objectives and Milestones

Business Objectives

The Company is engaged in the exploration of gold properties exclusively in Ghana. The Company's primary business objectives for the near future will be commencing and completing the 43-101 Phase 1 Scope of Work and the 43-101 Phase 2 Scope of Work consistent with the recommendations in the Technical Report, as set out above under "*Recommendations*".

Milestones

The Company expects to continue with exploration work and drilling on the Kibi Project as expeditiously as possible upon completion of the Offering. Completion of the Offering is expected to provide the Company with the financial resources necessary to fund the recommended work program on the Apapam Concession.

DIVIDENDS OR DISTRIBUTIONS

The Company has never paid or declared any cash dividends or distributions on the Common Shares. The Company currently intends to retain any future earnings to fund the development and growth of its business and will pay dividends and/or distributions, if any, in the future as the Board sees fit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("**MD&A**") of the financial condition and results of operations to assist readers in reviewing the financial condition and results of operations for the years ended December 31, 2009 and 2008 and the three and six-months ended June 30, 2010. This MD&A is intended to supplement and complement the audited consolidated financial statements and notes thereto for the years ended December 31, 2009 and 2008 and unaudited consolidated financial statements for the three and six-month period ended June 30, 2010.

The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed below and elsewhere in this prospectus, particularly in the item entitled "Risk Factors".

General

The Company was incorporated under the laws of the state of Nevada on September 1, 1998 and commenced exploration operations in 2003. The Company is a gold exploration company engaged in the exploration of gold properties in Ghana, West Africa. The Company's mining portfolio currently consists of 246.84 sq km comprised of 33.65 sq km for its material project, the Kibi Project, and the balance being distributed among its Other Projects as follows: 51.67 sq km for its Banso Project, 55.65 sq km for its Muoso Project, 44.76 sq km for its Kwabeng Project, 40.51 sq km for its Pameng Project and 20.60 sq km for its Edum Banso Project, or 24,684 hectares, pursuant to the leased and licensed areas set forth in its respective Mining Leases, prospecting licenses and/or option agreement.

The Company is currently in the exploration stage and therefore does not have significant revenues from operations. The Company's strategic plan is, with respect to its gold projects: (i) to focus its efforts and financial resources toward the potential to drill out a resource and, perhaps ultimately, a reserve of the Apapam Concession located on the Company's Kibi Project; (ii) to either option out to other operators or perform its own exploration, with a view towards defining a resource and perhaps ultimately, a reserve on its Other Projects; and (iii) to acquire further interests in gold mineralized projects that fall within the criteria of providing a geological basis for development of drilling initiatives that can enhance shareholder value by demonstrating the potential to define reserves. The Company currently has no resources and no reserves.

The Company anticipates that its ongoing efforts, subject to adequate funding being available, will continue to be focused on the exploration and development of its Kibi Project and completing acquisitions in strategic areas.

For the Year Ended December 31, 2008

Results of Operations

The Company's loss for the year ended December 31, 2008 was US$3,231,403 as compared to a loss of US$1,874,757 for the year ended December 31, 2007, an increase of US$1,356,646. The Company incurred expenses of US$6,239,722 in the year ended December 31, 2008 as compared to US$5,319,503 in the year ended December 31, 2007, an increase of US$920,219. The increase in expenses in the year ended December 31, 2008 can be primarily attributed to exploration costs of US$5,140,679 incurred mostly in connection with (a) exploration programs at its Banso and Muoso Project, its Kibi Project and its Edum Banso Project; (b) a drilling program of 3,001 meters; and (c) operational costs for its Kwabeng Project as compared to US$3,932,845 expended on these projects in the year ended December 31, 2007. Exploration costs were incurred in connection with its exploration programs at its Banso and Muoso, Kibi and Edum Banso Projects and costs associated with extracting and producing the mineralized material at its Kwabeng Project which the Company has booked as exploration expenses. General and administrative expenses ("**G&A**") were US$1,035,369 as compared to US$1,348,898 for the year ended December 31, 2007. A down-sizing of management consultants, a significant reduction in legal costs and labor costs at its Kwabeng Project in the year ended December 31, 2008 attributed to the decrease in G&A.

The Company's loss for the year ended December 31, 2008 was greater than its loss for the year ended December 31, 2007 due to (i) a significant net unrealized loss on trading securities of US$857,980 (compared to a gain of US$389,793 in 2007); and (ii) a foreign exchange loss of US$424,559 (compared to a foreign exchange gain of US$366,687 in 2007). Trading securities were comprised mostly of investments in common shares and income trust units of resource companies. The net unrealized loss can be attributed to a decrease in the market value of those securities due to poor market conditions and economic strain, in particular, the significant weakening of the Canadian dollar in which its marketable securities are denominated.

Other items totalled a gain of US$3,008,319 for the year ended December 31, 2008 compared to a gain of US$3,444,746 for the year ended December 31, 2007. In particular, during the year ended December 31, 2008, the Company recovered and sold 4,809.02 fine ounces of gold recovered from the mineralized material at its Kwabeng Project for cash proceeds of US$4,140,765 which was booked as Recovery of Gold as compared to US$2,692,242 for the year ended December 31, 2007. The Company had a foreign exchange loss of US$424,559 for the year ended December 31, 2008 (2007 – gain of US$366,687) which can be attributed to the weakening of the Canadian dollar. Its portfolio of marketable securities was largely

Canadian currency denominated. The sharp depreciation of the Canadian dollar resulted in the bulk of the foreign exchange loss. Additionally, the continuing strength of the US dollar increased the Company's expenses that are denominated in other foreign currencies. Consequently, transactions denominated in US dollars would be more expensive.

The Company's portfolio of marketable securities had an unrealized loss of US$857,980 (compared to an unrealized gain of US$389,793 in 2007) due to declining market conditions and economic strain which commenced in the summer of 2008. Its securities portfolio realized a gain of US$2,585 on the sale of trading securities during the year ended December 31, 2008 compared to a loss in 2007 of US$94,855. Other income derived from dividends increased slightly (2007 - US$196,621; 2007 - US$163,119). The decrease in its interest expense (2008 - US$49,113; 2007 - US$72,240) is largely attributable to the convertible debentures which interest the Company ceased paying from the end of the second quarter due to the automatic conversion of the debentures.

The Company's basic and diluted loss per share for the year ended December 31, 2008 was US$0.11 compared to US$0.07 per share for the year ended December 31, 2007. The weighted average number of shares outstanding was 30,389,400 at December 31, 2008 compared to 28,216,728 for the year ended December 31, 2007. The increase in the weighted average number of shares outstanding can be attributed to the issuance of (i) 1,062,000 shares in connection with a private placement financing completed during fiscal 2008; (ii) 100,000 shares in connection with an exercise of stock options; (iii) 650,000 shares in connection with an automatic conversion of debentures; (iv) 631,000 shares in connection with an exercise of warrants; and (v) 131,243 shares in connection with a settlement of outstanding accounts for services rendered to the Company's subsidiary, XG Mining.

Unrealized gain on trading securities represents the change in value of securities as of the end of the financial reporting period. For the year ended December 31, 2008, the Company recognized an unrealized loss of US$857,980 on trading securities, as compared to an unrealized gain of US$389,793 for the year ended December 31, 2007. The change reflects a significant decline in the value of its resource company investments following a significant rebound during 2007. Trading securities were comprised mostly of investments in common shares and income trust units of resource companies.

Liquidity and Capital Resources

As of December 31, 2008, the Company had working capital equity of US$1,299,625, comprised of current assets of US$1,834,897 less current liabilities of US$535,272. Its current assets were comprised mostly of US$271,573 in cash and cash equivalents and US$1,470,382 in trading securities, which is based on its analysis of the ready saleable nature of the securities including an existing market for the securities, the lack of any restrictions for resale of the securities and sufficient active volume of trading in the securities. The Company's trading securities are held in its investment portfolio with an established brokerage in Canada in which it primarily invests in the common shares and income trust fund units of publicly traded resource companies.

During the year ended December 31, 2008, the Company received cash proceeds of US$4,140,765 derived from the sale of gold recovered from the mineralized material at its Kwabeng Project during this financial reporting period.

In June 2008, the Company provided notice of automatic conversion of the convertible debentures and in July 2008 it converted US$650,000 of the aggregate principal of the convertible debentures by way of the issuance of 650,000 conversion shares.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Significant Accounting Applications

Application of Critical Accounting Policies

The Company believes the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Mineral Properties

The valuation of the Company's mineral properties (the "**Assets**") is based upon the fair value of cash or securities issued as consideration for the purchase of the Assets.

Asset Retirement Obligation

The fair value of the Company's asset retirement obligation is recorded as liabilities when they are incurred. As such, the valuation could be affected by the following:

> Costs - When work actually commences on asset retirement obligations, actual costs could materially differ from what has been projected. This would materially affect the value of the obligation.
>
> Ghanaian laws and regulations - If the Government of Ghana approves or changes laws and regulations that affect mining operations in Ghana, the cost of meeting our asset retirement obligations could change materially.

Deferred Income Taxes

As the Company has no history of profitability and currently have derived limited cash proceeds, the Company has recognized a 100% valuation on its future tax assets. If the Company becomes profitable in the future, a material amount of these future tax assets could actually be realized.

For the Year Ended December 31, 2009

General

In October 2008, the Company temporarily suspended its operations at the Kwabeng Project while Management considered a more economic and efficient manner in which to extract and process the gold recovered from the mineralized material at this Project.

Results of Operations

The Company's loss for the year ended December 31, 2009 was US$1,038,124 as compared to a loss of US$3,231,403 for the year ended December 31, 2008, a decrease of US$2,193,279. The Company incurred expenses of US$2,105,612 in the year ended December 31, 2009 as compared to US$6,239,722 in the year ended December 31, 2008, a decrease of US$4,134,110. The decrease in expenses in the year ended December 31, 2009 can be primarily attributed to (a) a significant decrease in operational costs at the Kwabeng Project due to the suspension of operations at this Project since October 2008; and (b) limited or no exploration activities at its Banso and Muoso Project, its Edum Banso Project and its Pameng Project as compared to US$5,140,679 expended on these Projects in the year ended December 31, 2008. Exploration expenses of US$1,080,488 were incurred for the year ended December 31, 2009 as compared to US$5,140,679 for the year ended December 31, 2008 and were primarily incurred in connection with drilling expenditures for the Company's phase II drill program at its Kibi Project, a trenching program at its Muoso Project, permitting costs and license renewal fees. General and administrative expenses were US$957,332 as compared to US$1,035,369 for the year ended December 31, 2008. A down-sizing of management consultants, a significant reduction in legal costs and operational costs at the Kwabeng Project and a decrease in administrative costs in the year ended December 31, 2009 attributed to the decrease in the Company's G&A.

The Company's loss for the year ended December 31, 2009 was less than its loss for the year ended December 31, 2008, partially due to (i) a significant net unrealized gain on trading securities of US$789,934 (compared to a loss of US$857,980 in 2008); and (ii) a foreign exchange gain of US$303,243 (compared to a foreign exchange loss of US$424,559 in 2008). Trading securities were comprised mostly of investments in common shares and income trust units of resource companies. The net unrealized gain can be attributed to an increase in the market value of those securities due to improved market conditions and less economic strain, in particular, the significant stability of the Canadian dollar in which the Company's marketable securities are denominated.

Other items totalled a gain of US$1,067,488 for the year ended December 31, 2009 compared to a gain of US$3,008,319 for the year ended December 31, 2008. In particular, during the year ended December 31, 2009, due to the continued suspension of operations at its Kwabeng Project, the Company only recovered and sold 12.40 fine ounces of gold recovered from the mineralized material at this Project for cash proceeds of US$10,958 which was booked as Recovery of Gold as compared to US$4,140,765 for the year ended December 31, 2008. The Company had a foreign exchange gain of US$303,243 for the year ended December 31, 2009 (2008 – loss of US$424,559) which can be attributed to the sharp appreciation of the Canadian dollar. Additionally, the continuing weakness of the US dollar decreased its expenses that are denominated in other foreign currencies. Consequently, transactions denominated in US dollars would be less expensive.

The Company's portfolio of marketable securities had an unrealized gain of US$789,934 (compared to an unrealized loss of US$857,980 in 2008) due to improved market conditions and less economic strain than experienced in 2008. The Company's securities portfolio realized a loss of US$172,638 on the sale of trading securities during the year ended December 31, 2009 compared to a gain in 2008 of US$2,585. Other income of US$138,558, derived from dividends, decreased on account of less investment activity during 2009 (2008 - US$196,621). The decrease in its interest expense (2009 - US$2,567; 2008 - US$49,113) is largely attributable to its cessation of interest payable under convertible debentures due to the automatic conversion of the debentures in June 2008.

The Company's basic and diluted loss per share for the year ended December 31, 2009 was US$0.03 compared to US$0.11 per share for the year ended December 31, 2008. The weighted average number of shares outstanding was 32,101,330 at December 31, 2009 compared to 30,389,400 for the year ended December 31, 2008. The increase in the weighted average number of shares outstanding can be attributed to (i) the issuance of 2,100,875 shares in connection with private placement financings completed during fiscal 2009; and (ii) the repurchase and cancellation of 200,000 shares at US$0.25 per share from a former shareholder of the Company.

Unrealized gain on trading securities represents the change in value of securities as of the end of the financial reporting period. For the year ended December 31, 2009, the Company recognized an unrealized gain of US$789,934 on trading securities, as compared to an unrealized loss of US$857,980 for the year ended December 31, 2008. The change reflects a significant rebound in the value of the Company's resource company investments following a significant decline during 2008. Trading securities were comprised mostly of investments in common shares and income trust units of resource companies.

Liquidity and Capital Resources

Net cash provided by financing activities for the year ended December 31, 2009 was US$1,562,710 (2008 - US$2,489,460).

As of December 31, 2009, the Company had working capital equity of US$2,119,159, comprised of current assets of US$2,602,232 less current liabilities of US$483,073. The current assets were comprised mostly of US$622,670 in cash and cash equivalents, US$151,506 for a deposit on equipment and US$1,781,594 in trading securities, which is based on its analysis of the ready saleable nature of the securities including an existing market for the securities, the lack of any restrictions for resale of the securities and sufficient active volume of trading in the securities.

During the year ended December 31, 2009, the Company received cash proceeds of US$10,958 derived from the sale of gold recovered from the mineralized material at its Kwabeng Project during this financial reporting period.

In June 2008, the Company provided notice of the automatic conversion of the convertible debentures and in July 2008 it converted US$650,000 of the aggregate principal of US$900,000 of the convertible debentures by way of the issuance of 650,000 conversion shares. Subsequent to the year ended December 31, 2009, in February 2010 it converted the outstanding principal of US$250,000 owing under one remaining convertible debenture by way of the issuance of 250,000 conversion shares.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Significant Accounting Applications

Application of Critical Accounting Policies

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its financial statements.
Mineral Properties

The valuation of the Company's Assets is based upon the fair value of cash or securities issued as consideration for the purchase of the Assets.

Asset Retirement Obligation

The fair value of the Company's asset retirement obligation is recorded as liabilities when they are incurred. As such, the valuation could be affected by the following:

> Costs - When work actually commences on asset retirement obligations, actual costs could materially differ from what has been projected. This would materially affect the value of the obligation.
>
> Ghanaian laws and regulations - If the Government of Ghana approves or changes laws and regulations that affect mining operations in Ghana, the cost of meeting the Company's asset retirement obligations could change materially.

Deferred Income Taxes

As the Company has no history of profitability and currently has derived limited cash proceeds, it has recognized a 100% valuation allowance on its future tax assets. If the Company becomes profitable in the future, a material amount of these future tax assets could actually be realized.

Stock-based Compensation

The Company accounts for stock-based compensation under the provisions of ASC 718, "Compensation-Stock Compensation". Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date for all stock-based awards to employees and directors and is recognized as an expense over the requisite service period, which is generally the vesting period. The Black-Scholes option valuation model is used to calculate fair value.

The Company accounts for stock compensation arrangements with nonemployees in accordance with ASC 718 which require that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. Nonemployee stock-based compensation charges are amortized over the vesting period on a straight-line basis. For stock options granted to nonemployees, the fair value of the stock options is estimated using a Black-Scholes valuation model.

For the Three and Six Months Ended June 30, 2010

General

The Company's strategic plan is, with respect to its gold projects: (i) to focus its efforts and dedicate its financial resources toward the potential to drill out a resource and, perhaps ultimately, a reserve of the Kibi Gold Discovery located on its Kibi Project; (ii) to either option out to other operators or perform its own exploration, with a view towards defining a resource and perhaps ultimately, a reserve on its Other Projects; and (iii) to acquire further interests in gold mineralized projects that fall within the criteria of providing a geological basis for development of drilling initiatives that can enhance shareholder value by demonstrating the potential to define reserves.

As part of its current business strategy, the Company plans to continue engaging technical personnel under contract where possible as Management believes that this strategy, at its current level of development, provides the best services available in the circumstances, leads to lower overall costs, and provides the best flexibility for the Company's business operations.

The Company anticipates that its ongoing efforts, subject to adequate funding being available, will continue to be focused on the exploration and development of its Kibi Project and completing acquisitions in strategic areas.

The Company's ability to continue to expand land acquisitions and drilling opportunities during the next 12 months is dependent on adequate capital resources being available. In October 2008, the Company suspended its operations at the Kwabeng Project while Management considered a more economic and efficient manner in which to extract and process the gold recovered from the mineralized material at this Project. As at the date of this Report, the Company has not planned to resume operations at its Kwabeng Project. During the next 12 months, it plans to (i) enter into negotiations to contract out the recovery of gold operations at this Project, as noted above; (ii) advance the development of its Apapam Concession located on its Kibi Project by carrying out further drilling; and (iii) acquire further interests in mineral projects by way of acquisition or joint venture participation.

The Company anticipates that, over the next 12 months, it will spend an aggregate of approximately US$2,000,000 comprised of US$1,000,000 for exploration expenses in connection with its planned work program of the Apapam Concession located on its Kibi Project and approximately US$1,000,000 for general and administrative expenses (which includes approximately US$500,000 in non-cash expenses). However, the Company may not expend this amount unless it is able to raise additional capital. Upon completion of its phase III drill program at its Kibi Project, subject to positive results from this program, the Company plans to spend an additional US$5,000,000 in drilling expenditures on the Apapam Concession to identify a potential resource. This US$5,000,000 drilling program cannot be completed unless the Company is successful in raising additional capital.

The Company requires additional capital to implement its plan of operations. The Company anticipates that these funds primarily will be raised through equity and debt financing or from other available sources of financing. If the Company raises additional funds through the issuance of equity or convertible debt securities, it may result in the dilution in the equity ownership of investors in its common stock. There can be no assurance that additional financing will be available upon acceptable terms, if at all. If adequate funds are not available or are not available on acceptable terms, the Company may be unable to take advantage of prospective new opportunities or acquisitions, which could significantly and materially restrict our operations, or the Company may be forced to discontinue its current projects.

Results of Operations

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

The Company's loss for the three months ended June 30, 2010 was US$897,605 as compared to a net income of US$94,337 for the three months ended June 30, 2009. The Company incurred expenses of US$750,967 in the three months ended June 30, 2010 as compared to US$296,651 in the three months ended June 30, 2009, an increase US$454,316. The increase in expenses in the three months ended June 30, 2010 can be primarily attributed to an increase in exploration costs to US$255,362 (2009 - US$64,583) resulting from trenching and other exploration activities conducted at our Kibi Project. All exploration costs for the three months ended June 30, 2010 were booked as exploration expenses. The increase in G&A to US$485,724 for the three months ended June 30, 2010, as compared to US$215,054 for the three months ended June 30, 2009 can be primarily attributed to stock-based compensation of US$287,554 (2009 - US$18,522) expensed with respect to a stock options vested during the period, consulting fees, regulatory filing fees, marketing costs, and travel expenses.

Other items totalled a loss of US$146,638 for the three months ended June 30, 2010 compared to a gain of US$390,988 for the three months ended June 30, 2009. During the three months ended June 30, 2010, the Company had a foreign exchange loss of US$38,203 compared to a gain of US$155,867 in the three months ended June 30, 2009 which loss can be attributed to currency fluctuations.

The Company's portfolio of marketable securities had an unrealized loss of US$170,586 in the three months ended June 30, 2010 compared to an unrealized gain of US$285,100 in the three months ended June 30, 2009 which loss can be attributed to extreme volatility in the public equity markets this reporting period. The Company's portfolio of marketable securities is largely Canadian currency denominated. The Company's securities portfolio realized a gain of US$51,942 on the sale of trading securities during the three months ended June 30, 2010 compared to a realized loss in 2009 of US$72,575. Other income, primarily derived from dividends and interest earned, decreased in the three months ended June 30, 2010 to US$10,851 as compared to US$23,237 in 2009.

The Company's basic and diluted income (loss) per share for the three months ended June 30, 2010 was (US$0.03) compared to US$0.00 per share for the three months ended June 30, 2009. The weighted average number of shares outstanding was 34,115,817 at June 30, 2010 compared to 32,042,536 for the three months ended June 30, 2009. The increase in the weighted average number of shares outstanding can be attributed to the issuance of 1,088,000 shares in connection with two private placement financings completed during the period.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

The Company's loss for the six months ended June 30, 2010 was US$998,565 as compared to a net loss of US$101,652 for the six months ended June 30, 2009, an increase of US$896,913. The Company incurred expenses of US$1,177,820 in the six months ended June 30, 2010 as compared to US$416,015 in the six months ended June 30, 2009, an increase US$761,805. The increase in expenses in the six months ended June 30, 2010 can be primarily attributed to an increase in exploration costs to US$437,269 (2009 - US$104,537) resulting from trenching and other exploration activities conducted at our Kibi Project. All exploration costs for the six months ended June 30, 2010 were booked as exploration expenses. The increase in general and administrative expenses to US$719,917 for the six months ended June 30, 2010, as compared to US$277,416 for the six months ended June 30, 2009 can be primarily attributed to stock-based compensation of US$311,629 (2009 - $52,430) expensed with respect to stock options vested during the six month period, consulting fees, regulatory filing fees, marketing costs and travel expenses.

Other items totaled a gain of US$151,109 for the six months ended June 30, 2010 compared to a gain of US$314,363 for the six months ended June 30, 2009. During the six months ended June 30, 2010, due to the continued suspension of operations at its Kwabeng Project, the Company sold $Nil fine ounces of gold from this Project as compared to US$11,603 for the six months ended June 30, 2009 which was booked as recovery of gold. The Company had a foreign exchange gain of US$6,710 for the six months ended June 30, 2010 (2009 – gain of US$130,270) which can be attributed to currency fluctuations.

The Company's portfolio of marketable securities had an unrealized loss of US$18,301 as compared to an unrealized gain of US$190,683 in 2009) due to extreme volatility in the public equity markets through this reporting period. The Company's portfolio of marketable securities is largely Canadian currency denominated. The Company's securities portfolio realized a gain of US$135,141 on the sale of trading securities during the six months ended June 30, 2010 compared to a realized loss in 2009 of US$89,952. Other income, primarily derived from dividends and interest earned, decreased (2010 – US$28,842; 2009 - US$73,042).

The Company's basic and diluted loss per share for the six months ended June 30, 2010 was US$0.03 compared to US$0.00 per share for the six months ended June 30, 2009. The weighted average number of shares outstanding was 33,725,082 at June 30, 2010 compared to 31,686,602 for the six months ended June 30, 2009. The increase in the weighted average number of shares outstanding can be attributed to the issuance of (i) 250,000 shares in connection with the conversion of the remaining debenture; (ii) the repurchase and subsequent cancellation of 80,891 shares in connection with a debt settlement; and (iii) the issuance of 1,088,000 shares in connection with two private placement financings completed during the period.

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

For the three months ended June 30, 2010, the Company recognized an unrealized loss of US$170,586 on trading securities, as compared to an unrealized gain of US$285,100 for the three months ended June 30, 2009. The change reflects a significant decrease in the value of the Company's resource company investments. Trading securities were comprised mostly of investments in common shares and income trust units of resource companies.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

For the six months ended June 30, 2010, our company recognized an unrealized loss of US$18,301 on trading securities, as compared to an unrealized gain of US$190,683 for the six months ended June 30, 2009. The change reflects a significant decrease in the value of the Company's resource company investments. Trading securities were comprised mostly of investments in common shares and income trust units of resource companies.

Net cash provided by financing activities for the six months ended June 30, 2010 was US$866,151 (2009 - US$627,040).

Liquidity and Capital Resources

As of June 30, 2010, the Company had working capital equity of US$2,126,712, comprised of current assets of US$2,295,791 less current liabilities of US$160,079. The Company's current assets were comprised mostly of US$1,571,178 in cash and cash equivalents and US$666,939 in trading securities, which is based on its analysis of the ready saleable nature of the securities including an existing market for the securities, the lack of any restrictions for resale of the securities and sufficient active volume of trading in the securities.

The Company has historically relied on equity and debt financings to finance its ongoing operations. Existing working capital, possible debt instruments, anticipated warrant exercises, further private placements and anticipated cash flow are expected to be adequate to fund the Company's operations over the next year. The Company has no lines of credit or other bank financing arrangements. Generally, the Company has financed operations to date through the proceeds of the private equity financings and a convertible debt financing. In connection with the Company's business plan, Management anticipates that the Company will spend an aggregate of approximately US$2,000,000 comprised of US$1,000,000 for exploration expenses in connection with the Company's phase III drill program of its Apapam Concession located on its Kibi Project and approximately US$1,000,000 for general and administrative expenses (which includes approximately US$500,000 in non-cash expenses). However, it may not expend this amount unless it is able to raise additional capital. Upon completion of the phase III drill program at its Kibi Project, subject to positive results from this program, the Company plans to spend an additional US$5,000,000 in drilling expenditures in the Apapam Concession to identify a potential resource. This US$5,000,000 drilling program cannot be completed unless the Company is successful in raising additional capital.

Until the Company achieves profitability, it will need to raise additional capital for its exploration programs. The Company intends to finance these expenses with its cash proceeds and to the extent that its cash proceeds are not sufficient, then from further sales of its equity securities or debt securities, or from investment income. Thereafter, the Company may need to raise additional capital to meet long-term operating requirements. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective new business endeavours or opportunities or existing agreements and projects which could significantly and materially restrict the Company's business operations.

The independent auditors' report accompanying Xtra-Gold's December 31, 2009 and December 31, 2008 consolidated financial statements contains an explanatory paragraph expressing doubt about the Company's ability to continue as a going concern. The consolidated financial statements have been prepared "assuming that the Company will continue as a going concern", which contemplates that the Company will realize its assets and satisfy its liabilities and commitments in the ordinary course of business.
Material Commitments

(a) **Mineral Property Commitments**

Save and except for fees payable from time to time to (i) Mincomfor an extension of an expiry date of a prospecting license (current consideration fee payable is US$15,000) or Mining Lease or annual operating permits; (ii) the Ghana EPA for the issuance of permits prior to the commencement of any work at a particular concession or the posting of a bond in connection with any mining operations undertaken by the company; and (iii) a legal obligation associated with the Company's mineral properties for clean up costs when work programs are completed, the Company is committed to expend an aggregate of less than US$500 in connection with annual or ground rent and mining permits to enter upon and gain access to the following concessions and such other financial commitments arising out of any approved exploration programs in connection therewith:

(i) the Kwabeng concession (Kwabeng Project);

(ii) the Pameng concession (Pameng Project);

(iii) the Banso and Muoso concessions (Banso and Muoso Project);

(iv) the Apapam concession (Kibi Project); and

(v) the Edum Banso concession (Edum Banso Project).

With respect to the Kwabeng, Pameng and Kibi Projects, upon and following the commencement of gold production, a royalty of 5% of the net smelter returns ("**NSR**") is payable quarterly to the Government of Ghana.

With respect to the Edum Banso Project:

(a) US$5,000 is payable to Adom Mining Limited ("**Adom**") on the anniversary date of the Option Agreement in each year that the Company holds an interest in the agreement;

(b) US$200,000 is payable to Adom when the production of gold is commenced (or US$100,000 in the event that less than 2 million ounces of proven and probable reserves are discovered on the Company's Project at this concession; and

(c) an aggregate production royalty of 2% of the NSR from all ores, minerals and other products mined and removed from the project, except if less than 2 million ounces of proven and probable reserved are discovered in or at the Project, then the royalty shall be 1% of the NSR.

(b) **Repayment of Convertible Debentures and Accrued Interest**

During the year ended December 31, 2005, the Company completed a convertible debenture financing for gross proceeds of US$900,000. The convertible debentures bear interest at 7% per annum, payable quarterly, and the principal balance is repayable by June 30, 2010. As a result of our common stock having traded for 20 consecutive trading days (a) with a closing bid price of at least US$1.50 per share and (b) a cumulative trading volume during such twenty (20) trading day period of at least 1,000,000 shares, in June 2008, the Company provided notice to the Debenture holders of the automatic conversion of the Debentures. Consequently, interest payments ceased as at June 30, 2008. During the year ended December 31, 2008, Debentures totalling US$650,000 were converted into 650,000 common shares. During the three months ended March 31, 2010, the Company converted the remaining Debenture of US$250,000 by way of the issuance of 250,000 Common Shares.

(c) **Further Material Commitments**

Further material commitments are subject to new funding arrangements to be obtained or agreements not yet formalized.

Purchase of Significant Equipment

The Company des not expect to purchase significant equipment to conduct our exploration activities. The Company owns the equipment necessary to carry out such activities, except for a drill rig which the Company plans to rent.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Significant Accounting Applications

The accompanying unaudited financial statements have been prepared by Xtra-Gold in conformity with US GAAP applicable to interim financial information and with the rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of Management, the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These financial statements should be read in conjunction with Xtra-Gold's audited consolidated financial statements and notes thereto for the year ended December 31, 2009, included in the Company's 10-K Annual Report, filed March 31, 2010, with the SEC. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Recent Accounting Pronouncements

In April 2010, the FASB issued *ASU 2010-13, Compensation – Stock (Topic 718),* amending ASC 718, ASU 2010-13 clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which the entity's equity securities trade should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 also improves US GAAP by improving consistency in financial reporting by eliminating diversity in practice. ASU 2010-13 is effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently evaluating the impact of ASU 2010-13, but does not expect its adoption to have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued authoritative guidance related to non-controlling interests in consolidated financial statements, which was an amendment of ARB No. 51. This guidance is set forth in ASC 810, *Consolidation*. ASC 810 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This accounting standard is effective for fiscal years beginning on or after December 15, 2008, which for the Company was the fiscal year beginning January 1, 2009. The Company adopted ASC 810 at January 1, 2009, which has resulted in US$76,629 allocated to the non-controlling interest for the year ended December 31, 2009.

In October 2009, the FASB issued ASU 2009-13, *Revenue Recognition (Topic 605), Multiple-Deliverable Revenue Arrangements* amending ASC 605. ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. ASU 2009-13 eliminates the residual method of revenue allocation and requires revenue to be allocated using the relative selling price method. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of ASU 2009-13, but does not expect its adoption to have a material impact on the Company's financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements,* amending ASC 820. ASU 2010-06 requires entities to provide new disclosures and clarify existing disclosures relating to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company has adopted ASU 2010-06, which did not have a material impact on the Company's financial position or results of operations.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events (Topic 855),* amending ASC 855. ASU 2010-09 removes the requirement for an SEC filer to disclose a date relating to its subsequent events in both issued and revised financial statements. ASU 2010-09 also eliminates potential conflicts with the SEC's literature Most of ASU 2010-09 is effective upon issuance of the update. The Company adopted ASU 2010-09 in February 2010, and its adoption did not have a material impact on the Company's financial reporting and disclosures.

The Company does not anticipate that the adoption of the foregoing pronouncements will have a material effect on the Company's consolidated financial position or results of operations.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Common Shares

The Company's authorized capital stock consists of 250,000,000 Common Shares with a par value of US$0.001 per share. As at the date of this prospectus, 34,848,586 Common Shares are issued and outstanding as fully paid and non-assessable.

All Common Shares of the Company rank equally as to dividend rights, voting rights and rights to participate in the distribution of the property and assets of the Company upon liquidation, dissolution or winding-up of the Company. All holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in person or by proxy at any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive dividends on a pro rata basis, if, as and when declared by the Board, at its discretion. See "Dividends or Distributions".

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company for the purpose of winding-up its affairs, the holders of Common Shares are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities. The Common Shares do not carry any pre-emptive, subscription, redemption or retraction or exchange or conversion rights.

CONSOLIDATED CAPITALIZATION

As of the date of this prospectus, there has not been any material change in the share and loan capital of the Company, on a consolidated basis, since June 30, 2010, the date of the most recent financial statements of the Company included in this prospectus. The following table sets forth the consolidated capitalization of the Company as at June 30, 2010 on an actual basis and on a pro forma basis, as adjusted to give effect to the change in the share capital of the Company after giving effect to the Offering.

Description	As at June 30, 2010 (unaudited) US$	As at June 30, 2010 After Giving Effect to the Offering (unaudited) (1) US$
Capital Stock	$34,489(2) (34,488,586 Common Shares)(3)	$41,526(2) (41,525,623)(3)
Additional Paid In Capital	$16,197,744	$24,710,427
Deficit	($1,427,764)	($1,427,764)
Deficit Accumulated During the Exploration Stage	($10,303,017)	($10,303,017)
Non-controlling Interest	($104,775)	($104,775)
Total	**$4,396,677**	**$12,916,417**

Notes:

(1) Assumes completion of the Maximum Offering, but does not assume the exercise of the Agents' Option. Does not give effect to the issuance of Broker Warrants.

(2) The amount attributable to capital stock is calculated based on a $0.001 par value per share.

(3) The Company is authorized to issue 250,000,000 Common Shares with a par value of US$0.001. As at June 30, 2010, the Company also had outstanding a total of 1,638,000 options to purchase Common Shares and 2,252,838 warrants to purchase Common Shares. Since June 30, 2010, the Company issued 360,000 Common Shares on exercise of 360,000 warrants. See "Prior Sales".

OPTIONS TO PURCHASE SECURITIES

As at the date of this prospectus, an aggregate of 1,728,000 options to purchase Common Shares are issued and outstanding that are governed by the 2005 Stock Option Plan, leaving a total of 1,172,000 options available for issuance under the 2005 Stock Option Plan. See "Executive Compensation – Option-based Awards – 2005 Stock Option Plan".

Outstanding Options

The following table summarizes the options to purchase securities of the Company that will be held by the named groups of persons upon completion of the Offering.

Class of Optionee (Number of Optionees in Class)	Number of Common Shares under Option	Date of Grant	Exercise price per Common Share	Expiry Date
Executive officers and past executive officers of the Company as a group (6 persons)	324,000 108,000 162,000 108,000 117,000 90,000	May 1/06 Mar 5/07 Mar 12/07 Jan 25/10 June 1/10 July 1/10	$0.70 $0.75 $0.75 $1.00 $1.00 $1.15	May 1/13 May 1/13 May 1/13 Jan 1/13 May 1/13 July 1/13
Directors and past directors of the Company who are not also executive officers as a group (2 persons)	162,000 108,000 105,000	Mar 5/07 Mar 12/07 June 1/10	$0.75 $0.75 $1.00	May 1/13 May 1/13 May 1/13
Employees and past employees of the Company as a group (Nil persons)	Nil	N/A	N/A	N/A
Consultants of the Company as a group (5 persons)	110,000 216,000 48,000 70,000	Jan 15/10 Feb 1/10 June 1/10 June 1/10	$1.00 $1.00 $1.00 $1.05	Feb 15/12 Feb 1/13 May 1/13 May 1/13
TOTAL Options	**1,728,000**			

PRIOR SALES

The following table sets out all issuances of Common Shares or securities convertible into Common Shares made in the 12 months prior to the date of this prospectus:

Common Shares

Date of Issue	Number of Securities	Type of Securities	Price per Security (US$)
December 16, 2009	706,000[(1)]	Common Shares	$1.00
February 16, 2010	250,000[(2)]	Common Shares	$1.00[(3)]
April 19, 2010	838,000[(1)]	Common Shares	$1.00
June 11, 2010	250,000[(1)]	Common Shares	$1.00
August 26, 2010	360,000[(4)]	Common Shares	$1.00[(3)]

Notes:
(1) Issued pursuant to a private placement financing.
(2) Issued pursuant to the conversion of a $250,000 convertible debenture.
(3) Indicates conversion or exercise price per Common Share, as applicable.
(4) Common Shares issued on exercise of 360,000 warrants.

Warrants

Date of Issue	Number of Common Shares subject to Warrants	Type of Securities	Price per Security (US$)
December 16, 2009	353,000[(1)] 50,600[(1)]	Warrants Finders' Warrants	$1.50[(2)] $1.50[(2)]
April 19, 2010	419,000[(1)] 73,800[(1)]	Warrants Finders' Warrants	$1.50[(2)] $1.50[(2)]
June 11, 2010	125,000[(1)] 25,000[(1)]	Warrants Finders' Warrants	$1.50[(2)] $1.50[(2)]

Notes:
(1) Issued pursuant to a private placement financing.
(2) Indicates exercise price of warrant.

Options

Date of Issue	Number of Common Shares subject to Options	Type of Securities	Price per Security (US$)
January 15, 2010	110,000[(1)]	Stock Options	$1.00[(6)]
January 15, 2010	108,000[(2)]	Stock Options	$1.00[(6)]
February 1, 2010	216,000[(3)]	Stock Options	$1.00[(6)]
June 1, 2010	270,000[(4)]	Stock Options	$1.00[(6)]
June 11, 2010	70,000[(4)]	Stock Options	$1.05[(6)]
July 1, 2010	90,000[(5)]	Stock Options	$1.15[(6)]

Notes:
(1) Issued pursuant to the 2005 Stock Option Plan, exercisable until February 15, 2012.
(2) Issued pursuant to the 2005 Stock Option Plan, exercisable until January 1, 2013.
(3) Issued pursuant to the 2005 Stock Option Plan, exercisable until February 1, 2013.
(4) Issued pursuant to the 2005 Stock Option Plan, exercisable until May 1, 2013.
(5) Issued pursuant to the 2005 Stock Option Plan, exercisable until July 1, 2013.
(6) Indicates exercise price of stock options.

Trading Price and Volume

The Company's Common Shares are listed on the OTCBB under the trading symbol "XTGR". The following table sets forth, for the 12 month period prior to the date of this prospectus, the reported high and low prices (denominated in U.S. dollars) and the average volume of trading of the Common Shares on the OTCBB:

Month	High (US$)	Low (US$)	Average Volume
October, 2009	1.10	0.88	16,500
November, 2009	1.15	0.97	20,700
December, 2009	1.09	0.91	15,800
January, 2010	1.02	0.90	20,500
February, 2010	1.25	0.92	27,900
March, 2010	1.28	0.95	34,100
April, 2010	1.20	0.97	144,800
May, 2010	1.22	1.03	40,700
June, 2010	1.26	1.05	27,800
July, 2010	1.25	1.10	58,900
August, 2010	1.43	1.21	51,600
September, 2010	1.70	1.40	40,600
October, 2010	1.78	1.50	38,600
November, 2010[(1)]	1.78	1.65	55,100

Notes:
(1) To and including November 5, 2010.

The closing price of the Common Shares on the OTCBB on November 5, 2010 was US$1.78.

There is no market in Canada through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. The TSX has conditionally approved the listing of the Company's Common Shares (including the Offered Shares and the Additional Shares distributed under this prospectus). Listing is subject to the Company fulfilling all of the requirements of the TSX and the terms of the Offering. See "Plan of Distribution" and "Risk Factors".

ESCROWED SECURITIES

In accordance with National Policy 46-201 – *Escrow for Initial Public Offerings* ("**NP 46-201**"), all securities of an issuer that are owned or controlled by its principals, will be escrowed at the time of the issuer's public offering, unless the securities held by the principal or issuable to the principal upon conversion of convertible securities held by the principal, represent less than 1% of the total issued and outstanding shares of the issuer after giving effect to the Offering.

If the Company is classified as an "established issuer" for the purposes of NP 46-201, it is expected that the following automatic timed releases would apply to the securities held by its principals that are escrowed pursuant to NP 46-201:

Date	% of Escrowed Securities Released
The date the issuer's securities are listed on a recognized stock exchange in Canada (the "**Listing Date**")	1/4 of the escrow securities
6 months after the Listing Date	1/3 of the remaining escrow securities
12 months after the Listing Date	1/2 of the remaining escrow securities
18 months after the Listing Date	The remaining escrow securities

It is expected that a total of 267,500 Common shares, 7,500 Warrants and 108,000 options, will be deposited into escrow pursuant to the terms of an escrow agreement (the "**Escrow Agreement**") to be entered into among one principal of the Company, namely Paul Zyla, the Company and the Escrow Agent.

Designation of Class	Number of Common Shares Held in Escrow(2)	Percentage of Class post-Offering(1)
Common Shares	267,500(3)	0.64%
Warrants	7,500	0.02%
Options	108,000(3)	0.26%

Notes:

(1) Assumes completion of the Maximum Offering, but no exercise of the Agents' Option.

(2) Pursuant to the terms of the Escrow Agreement, the securities of the Company held in escrow may be transferred within escrow to an individual who is a director or senior officer of the Company or of a material operating subsidiary of the Company, subject to the approval of the Board, or to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Company's issued and outstanding securities, or to a person or company that after the proposed transfer will hold more than 10% of the voting rights attached to the Company's issued and outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Company or any of its material operating subsidiaries. Upon the bankruptcy of a holder of escrowed securities, the securities held in escrow may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such securities. Upon the death of a holder of escrowed securities, all securities of the deceased holder will be released from escrow to the deceased holder's legal representative.

(3) Pursuant to the terms of the Escrow Agreement, 25% of Mr. Zyla's escrowed securities (a total of 66,875 Common Shares, 1,875 warrants and 27,000 options) will be released from escrow on the Listing Date, with an additional 25% being released in equal tranches at six month intervals over the following 18 months.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the Company, as at the date hereof, no person beneficially owns or controls or directs, directly or indirectly, 10% or more of the issued and outstanding Common Shares of the Company.

DIRECTORS AND OFFICERS

The following table sets forth the name and province or state of residence of each director and executive officer of the Company, as well as such individual's position with the Company, principal occupation within the five preceding years and period of service as a director (if applicable). Each of the directors of the Company will hold office until the next annual meeting of shareholders and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

Name and Residence	**Position with Company**	**Principal Occupation for Five Preceding Years**	**Director of the Company Since**
Robert J. Casaceli [1] [2][3] Nevada, USA	Director	Since April 2010, Mr. Casaceli has acted as a Consulting Geologist to exploration/mining companies. Between 2008 and March 2010 he acted as Chief Geologist for Franco-Nevada Corporation. Prior to that, he served as President and Chief Executive Officer of Franc-Or Resources Corporation[4] from 1996 to 2008.	June 2010
Yves P. Clement British Columbia, Canada	Vice-President, Exploration	Since May 2006, Mr. Clement has acted as Vice-President Exploration for the Company. Prior to that, Mr. Clement served as senior project geologist for Lake Shore Gold Corp. from August 2005 to April 2006.	N/A
Richard W. Grayston[1] [2][3] Alberta, Canada	Chairman of the Board and Director	Since 1985, Mr. Grayston has been a self-employed business consultant providing financial and economic consulting. In addition Mr. Grayston has acted as the Vice President, Finance of SG Spirit Gold Inc. (formerly, Ruby Red Resources Inc.) from August 2008 to December 2009 and its President and Chief Executive Officer since October 2009.	March 2007
Peter C. Minuk Toronto, Canada	Secretary, Treasurer and Director	Since June 2009, Mr. Minuk has been a business analyst consultant for Industry Canada. Mr. Minuk has also acted as VP Finance for the Company from March 2007 to January 2009 and a Manager with BMO InvestorLine from 1990 to 2006.	March 2007

Name and Residence	Position with Company	Principal Occupation for Five Preceding Years	Director of the Company Since
Robert H. Montgomery(1) (2)(3) Toronto, Canada	Director	Mr. Montgomery is a Chartered accountant, serving as financial consultant with Bank of Montreal from May 2010 to October 2010. Mr. Montgomery was previously a financial consultant with Royal Bank of Canada from September 2009 to March 2010. Prior to that, consultant to CIBC Mellon from September to November 2008 and Bank of Montreal from August 2007 to June 2008. From June 2004 to June 2008, Mr. Montgomery served as a Sarbanes Oxley contractor with Canadian Imperial Bank of Commerce.	March 2007
Victor Nkansa Greater Accra Region, Ghana	Vice-President, Ghana Operations	Controller of the Company's Ghanaian subsidiaries since 2004.	N/A
John C. Ross Toronto, Canada	Chief Financial Officer	Self-employed consultant assisting companies with various financial tasks over the past 15 years, including Chief Financial Officer of Tri Origin Exploration Ltd. since January 2010 and U308 Corp. since June 2010. Prior to that, Chief Financial Officer of Colossus Minerals Inc. from January 2007 to July 2009 and Cronus Resources from September 2007 to March 2010.	N/A
Paul N. Zyla Oakville, Canada	President, Chief Executive Officer and Director	Self-employed consultant to the mining industry since 1993. Mr. Zyla previously served as President, Secretary and Treasurer of the Company from November 2003 to August 2005.	January 2010

Notes:

(1) Member of the Compensation Committee.
(2) Member of the Nominating and Governance Committee.
(3) Member of the Audit Committee.
(4) Pursuant to a business combination in 2009, Franc-Or Resources Corporation is now Crocodile Gold Inc., a gold exploration and mining TSX listed issuer.

The directors and executive officers of the Company, as a group, beneficially own or exercise control or direction over, directly or indirectly, 294,500 Common Shares of the Company, representing less than 1% of the issued and outstanding Common Shares as of the date of this prospectus. It is expected that some of the officers and directors, or their respective associates or affiliates, will acquire Common Shares pursuant to the Offering.

Set forth below is a description of the background of the directors and officers of the Company, including a description of each individual's principal occupation(s) within the past five years.

Robert J. Casaceli - Director

Mr. Casaceli was appointed as a director of the Company in June 2010. Mr. Casaceli is currently a consultant to the mining industry and served as Chief Geologist for Franco-Nevada Corporation from 2008 to March 2010. Mr. Casaceli has also served as President and Chief Executive Officer of Franc-Or Resources (now Crocodile Gold Inc.) from 1996 to 2008. Mr. Casaceli has been involved in the design, funding and implementation of numerous reconnaissance and advanced-stage exploration projects, and prospect/mine evaluations in over 50 countries.

Mr. Casaceli received a M.S. in Geology from Oregon State University and a B.A. in Geology from the University of Colorado.

During the prior five years, Mr. Casaceli has been an officer and/or director of the following public companies.

Name of Company	**Position(s) Held**	**Term of Office**
Creso Exploration Inc. (1)	President and Chief Executive Officer	July 2010 to present
Franc-Or Resources Corporation(2)	President and Chief Executive Officer	1996 to 2008

Notes:
(1) Creso Exploration Inc. is a mineral exploration TSXV listed issuer
(2) Pursuant to a business combination in 2009, Franc-Or Resources Corporation is now Crocodile Gold Inc., a gold exploration and mining TSX listed issuer.

Yves P. Clement, P. Geo. - Vice-President, Exploration

Mr. Clement was appointed Vice-President, Exploration of the Company in May 2006. Mr. Clement has over 21 years experience in the generation, evaluation and development of a wide variety of mineral resources hosted by a broad spectrum of geological environments in Canada and South America. Prior to joining the Company, Mr. Clement was senior project geologist for Lake Shore Gold Corp. in the Timmins lode gold camp from August 2005 to April 2006 and was formerly exploration manager for Aurora Platinum Corp.'s Sudbury operations from August 2000 to July 2005. Prior to joining Aurora, Mr. Clement was senior project geologist/exploration manager for Southwestern Resources Corp. where he was responsible for the generation of precious and base metal exploration opportunities in Peru and Chile.

Mr. Clement received a diploma in Geological Engineering Technology from Cambrian College of Applied Arts & Technology in 1986. Mr. Clement holds a P. Geo designation and has been a member of the Association of Professional Geoscientists of Ontario since June 2003.

During the prior five years, Mr. Clement has been an officer and/or director of the following public companies:

Name of Company	**Position(s) Held**	**Term of Office**
Ginguro Exploration Inc. (1)	Vice President, Exploration	March 2005 to July 2009

Notes:
(1) Ginguro Exploration Inc. is a gold exploration TSXV listed issuer.

Mr. Clement devotes approximately 90% of his time in consulting services to the Company. He provides 10% of his time to unrelated companies. The Company and Mr. Clement entered into a management consulting agreement on May 1, 2006 for a three year term expiring on May 1, 2009. In accordance with this agreement, unless the Company provides 60 days' notice in writing to Mr. Clement to the contrary, the term is automatically renewed in increments of one year on the same terms and conditions, unless otherwise amended and agreed to in writing. See "Management Consulting Agreements".

Richard W. Grayston - Chairman and Director

Mr. Grayston was appointed as Chairman and a director of the Company in March 2007. He was also the interim CFO from June 1, 2010 to July 1, 2010, upon which later date, Mr. Ross was appointed the CFO. Since 1985, Mr. Grayston has been a business consultant with more than 25 years of experience in financial and economic consulting and public company management including preparation of valuations, feasibility studies, capital budgeting, financial reorganizations, profit improvement studies and business plans and going public and business brokerage during which time he has provided his consulting services to oil and gas, mineral exploration, technology, manufacturing, retail and wholesale consumer businesses.

Mr. Grayston received a Ph.D. in Finance and Economics from the University of Chicago in 1971, a M.B.A. from the University of Chicago in 1969, a B.A. of Commerce from the University of British Columbia in 1966 and became a certified general accountant in 1977.

During the prior five years, Mr. Grayston has been an officer and/or director of the following public companies.

Name of Company	**Position(s) Held**	**Term of Office**
Verbina Resources Inc. (1)	Director	November 2009 to present
SG Spirit Gold Inc. (formerly Ruby Red Resources Inc.) (2)	President and Chief Executive Officer	October 2009 to present
	Interim Chief Financial Officer and	October 2009 to
	Vice President, Finance	December 2009
	Chief Financial Officer	August 2008 to December 2009
	Vice President Finance	August 2008 to December 2009
Ranger Canyon Energy Inc.(3)	Director	May 2008 to present
	Chief Executive Officer and	October 2008 to present
	Chief Financial Officer	October 2008 to present
Nanika Resources Inc. (formerly New Cantech Ventures Inc.)(4)	Director	January 1991 to May 2008

Notes:
(1) Verbina Resources Inc. is a mineral exploration TSXV listed issuer.
(2) SG Spirit Gold Inc. is a mineral exploration TSXV listed issuer.
(3) Ranger Canyon Energy Inc. is an Alberta, Canada based oil and gas company.
(4) Nanika Resources Inc. is a TSXV listed mineral exploration company whose properties are located in western Canada.

Peter C. Minuk - Secretary and Treasurer and Director

Mr. Minuk was appointed as Vice-President, Finance and a director of the Company in March 2007. He resigned as VP, Finance effective January 31, 2009 and was subsequently appointed Secretary and Treasurer on August 11, 2009 following the resignation of Kiomi Mori from this office. Mr. Minuk has more than 22 years of experience in finance and investment as well as experience in project management, training and developing staff and client relationships. From February 1, 2009 to the present, he has been providing limited consulting services to the Company. From June 1, 2009 to the present, Mr. Minuk has been a business analyst consultant for Industry Canada where he is responsible for reviewing proposals relating to regional development of public infrastructure projects, and provides oversight on over 40 projects assigned to him by the Federal Development Ontario Department, which is responsible for administering a variety of government stimulus programs, resources and initiatives for the southern Ontario region. Prior to joining the Company, from 1990 to 2006, Mr. Minuk was employed by BMO InvestorLine in connection with implementing project management protocols.

Mr. Minuk received a Masters Certificate in Project Management from the Schulich School of Business, York University in 2005. He obtained his FCSI (Fellow of the Canadian Securities Institute) in 1989 and completed the Business Administration program from Southern Alberta Institute of Technology in 1985.

During the prior five years, Mr. Minuk has not been an officer and/or director of any other public companies.

Mr. Minuk devotes approximately 10% of his time in consulting services to the Company. He provides 90% of his time to unrelated companies. There is no management consulting agreement in force at this time nor has Mr. Minuk entered into a non-competition and non-disclosure agreement with the Company.

Robert H. Montgomery, C.A. – Director

Mr. Montgomery was appointed as a director of the Company in March 2007. Mr. Montgomery has more than 15 years of experience as a chartered accountant and auditor. Since May 2010 to the present, he has been a financial consultant with the Bank of Montreal. Prior to this, Mr. Montgomery served as a financial consultant to the Royal Bank of Canada, Capital Markets, Product Finance from September 2009 to March 2010. Prior thereto, Mr. Montgomery was a consultant to CIBC Mellon, Internal Audit and Corporate Compliance Department (September to November 2008) and a consultant to Bank of Montreal, Corporate Audit Department (August 2007 to June 2008). Since February 2004 to June 2008, Mr. Montgomery has been a Sarbanes Oxley contractor to the Canadian Imperial Bank of Commerce (CIBC), from February 2004 to January 2005, the Bank of Montreal (BMO) from January to September 2005, Dundee Wealth Management, a major Canadian investment dealer from September 2005 to December 2006 where he was responsible for documentation and testing of key financial and non-financial controls for various lines of business and assisted in the preparation and transfer of Sarbanes Oxley audit files and supporting documentation from their project groups to internal and external auditors, and the Toronto Dominion Bank from May to August 2007.

Mr. Montgomery obtained his Chartered Accountant designation from the Institute of Chartered Accountants of Ontario in 1994 and a B.A., Double Major Economics and Geography from the University of Victoria, Victoria, British Columbia in 1985.

During the prior five years, Mr. Montgomery has not been an officer and/or director of any other public companies.

John C. Ross, C.A. – Chief Financial Officer

Mr. Ross was appointed Chief Financial Officer of the Company in July 2010. Mr. Ross has provided financial consulting services to public companies for over 15 years in various roles and capacities. Over the last three years, Mr. Ross has served as Chief Financial Officer, on a part time basis, to U308 Corp., Tri Origin Exploration Ltd., Colossus Minerals Inc., Cronus Resources Ltd., and SonnenEnergy Corp.

Mr. Ross obtained his Chartered Accountant designation from the Institute of Chartered Accountants of Ontario in 1987, an M.B.A. from the University of Western Ontario and a B.A. in Economics and Mathematics from the University of Western Ontario.

During the prior five years, Mr. Ross has been an officer and/or director of the following public companies:

Name of Company	Position(s) Held	Term of Office
U308 Corp.(1)	Chief Financial Officer	June 2010 to present
Tri Origin Exploration Ltd. (2)	Chief Financial Officer	January 2010 to present
Colossus Minerals Inc. (3)	Chief Financial Officer	January 2007 to September 2009
Cronus Resources Inc. (4)	Chief Financial Officer	September 2007 to March 2010
SonnenEnergy Corp. (5)	Chief Financial Officer	December 2007 to September 2008
Southampton Ventures Inc.(6)	Director	June 2005 to June 2009

Notes:

(1) U308 Corp. is mineral exploration TSXV listed issuer.
(2) Tri Origin Exploration Ltd. is mineral exploration TSXV listed issuer.
(3) Colossus Minerals Inc. is mineral exploration TSX listed issuer.
(4) Cronus Resources Inc. amalgamated with Continental Gold Limited in March 2010 and is an advance-stage gold exploration TSX listed issuer.
(5) SonnenEnergy Corp. is a solar and photovoltaic systems TSXV listed issuer.
(6) Southampton Ventures Inc. was a mineral exploration TSXV listed issuer which was acquired by Quetzal Energy Ltd. in June 2009.

Mr. Ross devotes approximately 20% of his time in consulting services to the Company. He provides 80% of his time to unrelated companies. See "Management Consulting Agreements".

Paul N. Zyla - President, CEO and Director

Mr. Zyla was appointed President and CEO of the Company in May 2010. Mr. Zyla was appointed as a director of the Company in January 2010. Mr. Zyla has over 25 years of resource-based public company experience. Since September 1993 to the present, Mr. Zyla has been a self-employed consultant to the mining industry. Mr. Zyla was the former President, Chief Executive Officer, Secretary and Treasurer and a director of the Company from November 2003 to August 2005.

Mr. Zyla graduated from the University of Toronto with a Bachelor of Science degree in 1966.

During the prior five years, Mr. Zyla has been an officer and/or director of the following public companies:

Name of Company	Position(s) Held	Term of Office
Verbina Resources Inc. (1)	President, Secretary-Treasurer and Director	November 2009 to present

Notes:

(1) Verbina Resources Inc. is mineral exploration TSXV listed issuer.

Mr. Zyla devotes approximately 75% of his time in consulting services to the Company. He provides 25% of his time to unrelated companies. See "Management Consulting Agreements".

Victor Nkansa, CA, BA, Economics, MBA, Finance – Vice-President, Ghana Operations

Mr. Nkansa was appointed as Vice-President, Ghana Operations of the Company in December 2009. Mr. Nkansa is responsible for overseeing the operations in Ghana under the supervision of the Company's President. Mr. Nkansa is also the Secretary and a director of the Ghanaian subsidiaries. He is familiar and experienced with respect to obtaining mining permits, prospecting and reconnaissance licenses and the government regulations relating thereto and is knowledgeable in connection with environmental and forestry issues, immigration and customs affairs. Mr. Nkansa has more than 26 years of business experience, the last 12 years of which have been in the mining industry. Since 2004, he has been the Controller of the Ghanaian subsidiaries where his responsibilities included the provision of accounting services and assisting with the facilitation of license renewals with respect to the Company's property interests.

During the prior five years, Mr. Nkansa has not been an officer and/or director of any other public companies.

Mr. Nkansa obtained his Chartered Accountant designation from the Institute of Chartered Accountants of Ghana in 1995. Mr. Nkansa obtained his M.B.A (Finance) from the University of Ghana in 2006 and his B.A. in Economics and Sociology from the University of Ghana in 1984.

Mr. Nkansa devotes a variable amount of his time in consulting services to the Company, as he is currently engaged on an "as needed" basis. He has not entered into a non-competition and non-disclosure agreement with the Company.

Corporate Cease Trade Orders

Except as disclosed below, none of the directors or executive officers of the Company is, as at the date of this prospectus, or was within the 10 years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company (including the Company) that: (a) was subject to a cease trade order or similar order or an order that denied such company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or (b) was subject to a cease trade order or similar order or an order that denied such company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of such company and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company:

(a) Richard W. Grayston was a director, President, CEO and CFO of Ranger Canyon Energy Inc. ("Ranger"), a reporting issuer, when a cease trade order was issued by the Alberta Securities Commission (the "ASC") against Ranger on May 21, 2009 for failure to file audited financial statements for the year ended December 31, 2008. The 2008 financial statements have been filed with and accepted by the ASC; however, the cease trade order continues in effect as Ranger failed to file its audited 2009 financial statements within the prescribed time period before the 2008 financial statements were accepted by the ASC, and the 2009 financial statements remain unfiled as of the date hereof;

(b) Paul N. Zyla was a director of Lyndex Exploration Limited ("Lyndex"), a reporting issuer, when a cease trade order was issued by the Ontario Securities Commission against Lyndex on February 20, 2003 for failure to file audited financial statements for the year ended September 30, 2002. The cease trade order remains outstanding; and

(c) Paul N. Zyla was a director and the President of CA-Network Inc., a reporting issuer, when a cease trade order was issued by the Ontario Securities Commission against CA-Network Inc. on July 9, 2003 for failure to file interim financial statements for the three and six-month period ended April 30, 2003. The cease trade order remains outstanding.

Bankruptcies

Other than as set forth below, to the Company's knowledge, no director or executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of the prospectus, or has been within the 10 years before the date of the prospectus, a director or executive officer 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; or

(b) has, within the 10 years prior to the date of the prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold assets of the director, executive officer or shareholder.

Penalties or Sanctions

No director, officer, promoter or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has: (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered a settlement agreement with a Canadian securities regulatory authority; or (ii) been the subject of any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered to be important to a reasonable investor making an investment decision.

In August 2002, James Longshore (formerly James Pincock), former Chief Executive Officer, Chief Financial Officer and Director of the Company, entered into a settlement agreement and order with the Ontario Securities Commission (the "**OSC**"). Pursuant to the settlement agreement reached between the OSC and Mr. Longshore, he voluntarily agreed to abide by the order which included, among other things, that he cease trading in securities for five years from the date of the order (until August 27, 2007), with the exception that after three years he can trade in securities beneficially owned by him in his personal accounts in his name, and that he be prohibited from becoming or acting as an officer or director of any issuer in Ontario or an officer or director of any issuer which has an interest directly or indirectly in any registrant, for a period of five years. Mr. Longshore paid the OSC approximately $20,000 for costs incurred by the OSC and its Staff with respect to the proceeding. Mr. Longshore disclosed this matter to the Company prior to his appointment as a director and advised that as he was a non-resident of Ontario at the relevant time, he had sought, relied and acted upon poor financial and legal advice of Ontario advisors and completed certain securities transactions which ultimately gave rise to the Order.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises in respect of any matter, any director in a conflict will disclose his interest and abstain from voting on such matter.

Other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company, except that certain of the directors and officers of the Company are or may be engaged in business activities on their own behalf or on behalf of other companies, and situations may arise where one or more of the directors or officers of the Company have an actual or potential conflict of interest with the Company. Conflicts, if any, will be subject to the procedures and remedies under the Nevada Revised Statutes, the Company's incorporating statute.

EXECUTIVE COMPENSATION

Named Executive Officers

For the purposes of this section, a Named Executive Officer ("**NEO**") of the Company means each of the following individuals:

(a) the chief executive officer ("**CEO**") of the Company;

(b) the chief financial officer ("**CFO**") of the Company;

(c) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the Company's most recently completed financial year whose total compensation was, individually, more than $150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6 – *Statement of Executive Compensation* published by the Canadian Securities Administrators, for that financial year; and

(d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer, nor acting in a similar capacity at the end of that financial year.

For the financial year ended December 31, 2009, the Company had two NEOs, namely James Longshore, the former CEO and CFO of the Company, and Yves Clement, the Vice-President, Exploration.

Paul Zyla was appointed President and CEO on June 1, 2010, and, therefore, he was not a NEO during the financial year ended December 31, 2009. John Ross was appointed CFO on July 1, 2010, and, therefore, he also was not a NEO during the financial year ended December 31, 2009.

Compensation Discussion and Analysis

Objectives

The overall objectives of the Company's compensation program include:

(a) attracting, retaining and motivating talented executives critical to the success of the Company;

(b) providing fair, competitive and cost effective compensation programs to its executives;

(c) linking the interests of management with those of the shareholders; and

(d) providing rewards for outstanding corporate and individual performance.

The compensation of executive officers is reviewed on an annual basis by the Compensation Committee. The Company's executive compensation program is based on comparisons of similar type and size companies. Payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of similar nature by reputable arm's length service providers.

Compensation

The Board established a compensation committee (the "**Compensation Committee**") in November 2009. The Compensation Committee has adopted a written charter pursuant to which the committee is responsible for overseeing the Company's compensation programs and practices, including its executive compensation plans and incentive compensation plans. The Company's Chief Executive Officer provides input to the Compensation Committee with respect to the individual performance and compensation recommendations for the other executive officers. Although the Compensation Committee's charter authorizes the Compensation Committee to retain an independent consultant, no third party compensation consultant was engaged for 2009. The Compensation Committee is composed of three directors, all of whom have been determined by the Board to be "independent" for the purposes of NI 58-101.

Elements of Compensation

The Company's compensation practices continue to evolve and are still under review. It is contemplated that with further success of the Company's exploration programs and as the Company continues to progress it is anticipated that it will continue to refine the elements of its compensation package. Consistent with the Company's compensation objectives, the elements of compensation that will be earned by, paid to, or payable to, the NEOs will likely include: a base salary and bonus and option-based awards.

Option-based Awards

2005 Stock Option Plan

On June 21, 2005, the Board authorized, approved and adopted, the 2005 Stock Option Plan. The 2005 Stock Option Plan has not been submitted to the Company's shareholders for approval. A total of 3,000,000 Common Shares have been reserved for issuance under the 2005 Stock Option Plan. As at the date of this prospectus, the Company has options to purchase an aggregate of 1,728,000 Common Shares issued and outstanding. During 2009, 108,000 options which were granted in 2006, expired and were cancelled.

Purpose of the Plan

The purpose of the 2005 Stock Option Plan is to encourage stock ownership by the Company's officers, directors, key employees and consultants, and to give such persons a greater personal interest in the success of the Company's business and an added incentive to continue to advance and contribute to the Company.

The term of each 2005 Stock Option Plan option and the manner in which it may be exercised is determined by the Board or a committee of the Board. All awards granted under the 2005 Stock Option Plan are made on a case by case basis, and the Board does not have any policy regarding timing of grants, amount of shares subject to any option to be granted or the exercise price, except that the Board does consider and/or approve option grants to incoming officers and directors at the time of their appointment.

Eligibility

The Company's officers, directors, key employees and consultants are eligible to receive stock grants and non-qualified options under the 2005 Stock Option Plan.

Administration

The 2005 Stock Option Plan will be administered by the Board or an underlying committee (in this section, references to the Board include an underlying committee of the Board). The Board determines from time to time those of the Company's officers, directors, key employees and consultants to whom stock grants or options are to be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted, the dates such options become exercisable, the number of shares subject to each option, the purchase price of such shares and the form of payment of such purchase price. All other questions relating to the administration of the 2005 Stock Option Plan, and the interpretation of the provisions thereof and of the related option agreements, are resolved by the Board. Currently, the entire Board administers the 2005 Stock Option Plan.

Common Shares Subject to Awards

The Company has currently reserved 3,000,000 of the authorized but unissued Common Shares for issuance under the 2005 Stock Option Plan, and a maximum of 3,000,000 Common Shares may be issued, unless the 2005 Stock Option Plan is subsequently amended, subject to adjustment in the event of certain changes in the Company's capitalization, without further action by the Board and stockholders, as required. Other than the limitation on the aggregate number of Common Shares issuable under the 2005 Stock Option Plan, there is no maximum or minimum number of Common Shares that may be granted to any one person under the 2005 Stock Option Plan. Common Shares used for stock grants and options may be authorized and unissued Common Shares or Common Shares reacquired by the Company. Common

Shares covered by options which terminate unexercised or Common Shares subject to stock awards which are forfeited or cancelled will again become available for grant as additional options or stock awards, without decreasing the maximum number of Common Shares issuable under the 2005 Stock Option Plan.

The 2005 Stock Option Plan provides that, if the issued and outstanding shares are increased, decreased, exchanged or otherwise adjusted due to a share dividend, forward or reverse share split, recapitalization, reorganization, merger, consolidation, combination or exchange of Common Shares, an appropriate and proportionate adjustment shall be made in the number or kind of Common Shares subject to unexercised options and in the purchase price per share under such options. Any adjustment, however, does not change the total purchase price payable for the shares subject to outstanding options. In the event of the proposed dissolution or liquidation of the Company, a proposed sale of all or substantially all of the Company's assets, a merger or tender offer for the Company's Common Shares, the option may be assumed, converted or replaced by the successor company (if any) or may substitute equivalent awards or provide substantially similar consideration to awardees. In the event such successor company (if any) refuses or otherwise declines to assume or substitute awards, as provided above, (i) the vesting of any or all awards granted pursuant to the 2005 Stock Option Plan will accelerate immediately prior to the effective date of a transaction described above and (ii) any or all options granted pursuant to the 2005 Stock Option Plan will become exercisable in full prior to the consummation of such event at such time and on such conditions as the Board determines. If such options are not exercised prior to the consummation of the corporate transaction, they shall terminate at such time as determined by our Board.

Terms of Exercise

The 2005 Stock Option Plan provides that the options granted thereunder shall be exercisable from time to time in whole or in part, unless otherwise specified by the Board. The term of each option shall be fixed by the Board; provided, however, that an option may be granted only within the ten-year period commencing from the date of the 2005 Stock Option Plan is approved (including annual shareholder approval) and may only be exercised within ten years of the date of grant.

Exercise Price

The purchase price for shares subject to options is determined by the Board and may not be below fair market value on the day of grant. If the purchase price is paid or payable with consideration other than cash, the Board shall determine the fair value of such consideration to the Company in monetary terms on the date of grant.

The per share purchase price of shares issuable upon exercise of an option may be adjusted in the event of certain changes in the Company's capitalization, but no such adjustment shall change the total purchase price payable upon the exercise in full of options granted under the 2005 Stock Option Plan.

Termination

Except as otherwise expressly provided in the option agreement, all options are non-assignable and nontransferable, except by will or by the laws of descent and distribution, and during the lifetime of the optionee, may be exercised only by such optionee. If an optionee dies while an employee of the Company or, in the event of a termination of employment, within three months after termination of because of disability, retirement or otherwise, such options may be exercised, to the extent that the optionee shall have been entitled to do so on the date of death or termination of employment, by the person or persons to whom the optionee's right under the option passes by will or applicable law, or if no such person has such right, by his executors or administrators.

In the event of termination of employment because of death while an employee or because of disability, an optionee's options may be exercised not later than the expiration date specified in the option or one year after the optionee's death, whichever date is earlier, or in the event of termination of employment because of retirement or otherwise, not later than the expiration date specified in the option or three months after the optionee's retirement, whichever date is earlier.

If an optionee's employment with the Company is terminated for any reason whatsoever, and within three months after the date thereof the optionee either (i) accepts employment with any competitor of, or otherwise engages in competition with, the Company, or (ii) discloses to anyone outside the Company or uses any confidential information or material of the Company in violation of the Company's policies or any agreement between the optionee and the Company, the Board, in its sole discretion, may terminate any outstanding option and may require the optionee to return to us the economic value of any award that was realized or obtained by the optionee at any time during the period beginning on that date that is six months prior to the date the optionee's employment with the Company is terminated.

Summary Compensation Table

The following table sets out all compensation paid to the Company's NEOs for the financial years ended December 31, 2008 and December 31, 2009:

<table>
<tr><th rowspan="2">Name of NEO and Principal Position</th><th rowspan="2">Year Ended</th><th rowspan="2">Salary (US$)</th><th rowspan="2">Share-Based Awards[1] (US$)</th><th rowspan="2">Option-Based Awards (US$)</th><th colspan="2">Non-Equity Incentive Plan Compensation ($)</th><th rowspan="2">Pension Value ($)</th><th rowspan="2">All Other Compensation (US$)</th><th rowspan="2">Total Compensation (US$)</th></tr>
<tr><th>Annual Incentive Plans</th><th>Long-Term Incentive Plans[1]</th></tr>
<tr><td rowspan="2">Yves Clement, Vice-President, Exploration</td><td>Dec 31/09</td><td>Nil</td><td>Nil</td><td>151,946[2]</td><td>5,282 (Bonus)</td><td>Nil</td><td>Nil</td><td>74,825[3]</td><td>232,053</td></tr>
<tr><td>Dec 31/08</td><td>Nil</td><td>Nil</td><td>57,050[2]</td><td>11,329 (Bonus)</td><td>Nil</td><td>Nil</td><td>56,646[3]</td><td>125,025</td></tr>
<tr><td rowspan="2">James Longshore, former Chief Executive Officer & Chief Financial Officer[4]</td><td>Dec 31/09</td><td>$5,282</td><td>Nil</td><td>79,637[2]</td><td>Nil</td><td>Nil</td><td>Nil</td><td>60,000[3]</td><td>139,637</td></tr>
<tr><td>Dec 31/08</td><td>Nil</td><td>Nil</td><td>13,948[2]</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td><td>13,948</td></tr>
</table>

Notes:

(1) "LTIP" or "long term incentive plan" means any plan that provides compensation intended to motivate performance to occur over a period greater than one fiscal year, but does not include share or option-based awards.

(2) The fair value of these options has been calculated in accordance with ASC 718 under US GAAP. The grant date fair value does not materially differ from that calculated under CICA Handbook, section 3870. The methodology used to calculate the grant date fair value was the Black-Scholes method, with a volatility assumption of 108.16%, an expected life of 4 years and a risk free rate of 2%.

(3) Represents the consulting fees paid to these individuals or companies controlled by these individuals in accordance with their respective management consulting agreements.

(4) Effective June 1, 2010, Mr. Longshore no longer serves as an Officer or Director of the Company. Mr. Longshore continues to serve as the Manager of Ghana Operations.

Since the completion of the financial year ended December 31, 2009, Mr. Zyla and Mr. Ross were engaged as CEO and CFO, respectively. The terms of each of their compensation packages are discussed below. See "Management Consulting Agreements".

Composition of the Compensation Committee

The Compensation Committee is composed of Richard Grayston (Chair), Robert Montgomery and Robert Casaceli. The CEO provides input to the Compensation Committee with respect to the individual performance and compensation recommendations for the other executive officers.

Incentive Plan Awards

Outstanding Option-Based and Share-based Award

The following table sets out, as at the financial year ended December 31, 2009, the details of all options held by the Company's NEOs:

	Option-based Awards				Share-based Awards	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (US$)**	**Option expiration date**	**Value of unexercised in-the-money options (US$)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested (US$)**
Yves Clement	324,000	0.70	May 1/13	103,680(2)	Nil	Nil
James Longshore(1)	162,000	0.75	May 1/13	43,740(2)	Nil	Nil

Notes:

(1) Effective June 1, 2010, Mr. Longshore no longer serves as an officer or Director of the Company. Mr. Longshore continues to serve as the General Manager of Ghana Operations.
(2) Based on the OTCBB closing price on December 31, 2009 of US$1.02.

Incentive Plan – Value Vested or Earned

For the financial year ended December 31, 2009.

Name	Option-based awards : Value vested during the year (US$)	Share-based awards: Value vested during the year (US$)	Non-equity incentive plan compensation: value earned during the year (US$)
Yves Clement	14,400(2)	Nil	Nil
James Longshore(1)	14,580(3)	Nil	Nil

Notes:

(1) Effective June 1, 2010, Mr. Longshore no longer serves as an Officer or Director of the Company. Mr. Longshore continues to serve as the General Manager of Ghana Operations.
(2) Based on the OTCBB closing price on December 31, 2009 of US$1.02 and an exercise price of US$0.70
(3) Based on the OTCBB closing price on December 31, 2009 of US$1.02 and an exercise price of US$0.75

Management Consulting Agreements

The Company has entered into agreements with the following officers of the Company. The terms of each agreement are as follows:

Mr Zyla, President and Chief Executive Officer – The Company entered into a management consulting agreement with Mr. Zyla for the provision of his services as President and CEO of the Company. The agreement provides for a payment of a quarterly management fee in the amount of $2,000 per quarter to

Mr. Zyla, an entitlement to receive stock options, at the discretion of the Board, and the reimbursement of certain expenses incurred in performing his duties to the Company. This agreement is not for a defined term and may be terminated by Mr. Zyla upon 60 days notice.

Mr. Ross, Chief Financial Officer – The Company entered into a management consulting agreement with Mr. Ross for the provision of his services as CFO of the Company. The agreement provides for a payment of a management fee to Mr. Ross in the amount of $500 per day, an entitlement to receive stock options, at the discretion of the Board, and the reimbursement of certain expenses incurred in performing his duties to the Company. This agreement is not for a defined term and may be terminated by Mr. Ross upon 60 days notice.

Mr. Clement, Vice-President, Exploration – The Company entered into a management consulting agreement with Mr. Clement for the provision of his services as Vice-President, Exploration in Ghana. The agreement provides for a payment of $120,000 per annum by the Company to Mr. Clement for the year ending December 31, 2010. Mr. Clement is also entitled to receive stock options and be reimbursed for certain expenses incurred in performing his duties to the Company. This agreement automatically renews for consecutive one (1) year terms unless the Company provides written notice of its intention to terminate the agreement at least sixty (60) days prior to the expiration of the current term. The Agreement does not provide for an automatic revision to Mr. Clement's salary on renewal of the agreement. Currently, Mr. Clement is paid $120,000 per annum by the Company.

Mr. Nkansa, Vice-President, Ghana Operations – The Company entered into a management consulting agreement with Mr. Nkansa for the provision of his services as Vice-President, Ghana Operations. The agreement is for a 1 year term, expiring on June 1, 2011 (unless otherwise terminated or renewed in accordance with terms of the agreement) and provides for the payment of a management fee in the form of 12,000 options with an exercise price of $1.00 per share to be granted to Mr. Nkansa pursuant to the 2005 Stock Option Plan.

Mr. Longshore – General Manager, Ghana Operations – The Company entered into a management consulting agreement with Brokton International Ltd. ("**Brokton**"), a corporation of which Mr. Longshore is the sole officer, director and shareholder. The Company pays Brokton for the provision of consulting services in connection with Mr. Longshore's role as the general manager of XG Mining and XGEL. The agreement is for a 1 year term, expiring on December 31, 2010 (unless otherwise terminated or renewed in accordance with terms of the agreement) and provides for a monthly payment of US$10,000 to Brokton.

Pension Plan Benefits

The Company does not have a pension plan or a deferred compensation plan.

Termination and Change of Control Benefits

The Company does not currently have any contracts in force which provide for payments to any executive officers or employees of the Company in connection with a voluntary or involuntary termination of employment or change in control of the Company.

Compensation of Directors

The following table sets out, for each director, the compensation received for the financial year ended December 31, 2009.

Name	Fees Earned ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Richard Grayston	$5,282	Nil	Nil	Nil	5,282
Peter Minuk	$3,962	Nil	Nil	Nil	3,962
Robert Montgomery	$3,962	Nil	Nil	Nil	3,962

Incentive Plan Awards

Outstanding Option-Based and Share-based Award

The following table sets out, as at the financial year ended December 31, 2009, the details of all options held by the Company's NEOs:

	Option-based Awards				Share-based Awards	
Name	Number of securities underlying unexercised options (#)	Option exercise price (US$)	Option expiration date	Value of unexercised in-the-money options (US$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US$)
Richard Grayston	162,000	0.75	May 1/13	43,740(1)	Nil	Nil
Peter Minuk	108,000	0.75	May 1/13	27,000(1)	Nil	Nil
Robert Montgomery	108,000	0.75	May 1/13	27,000(1)	Nil	Nil

Note:

(1) Based on the OTCBB closing price on December 31, 2009 of US$1.02.

Incentive Plan – Value Vested or Earned

For the financial year ended December 31, 2009.

Name	Option-based awards: Value vested during the year (US$)	Share-based awards: Value vested during the year (US$)	Non-equity incentive plan compensation: value earned during the year (US$)
Richard Grayston	14,580(1)	Nil	Nil
Peter Minuk	9,720 (1)	Nil	Nil
Robert Montgomery	9,720(1)	Nil	Nil

Note:
(1) Based on the OTCBB closing price on December 31, 2009 of US$1.02 and an exercise price of US$0.75.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the financial year ended December 31, 2009, and at any time from January 1, 2010 to the date of this prospectus, was a director, executive officer, associate of a director or executive officer or employee of the Company indebted to the Company or any of its subsidiaries or indebted to another entity where the indebtedness the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee

The Audit Committee's Charter

The Board has adopted a written charter for the members of the audit committee (the "**Audit Committee**") setting out its mandate and responsibilities. The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting processes and internal controls.

The Audit Committee of the Board is principally responsible for:

(a) recommending to the directors of the Company the external auditor to be nominated for election by the Company's shareholders at each annual meeting and negotiating the compensation of such external auditor;

(b) overseeing the work of the external auditor;

(c) reviewing the Company's annual and interim financial statements, management's discussion and analysis and press releases regarding financial results before they are reviewed and approved by the Board and publicly disseminated by the Company; and

(d) reviewing the Company's financial reporting procedures to ensure adequate procedures are in place for the Company's public disclosure of financial information extracted or derived from its financial statements.

The full text of the Audit Committee Charter is attached to this prospectus as Schedule "A".

Composition of the Audit Committee

The Audit Committee is comprised of three directors, namely Richard Grayston (Chair), Robert Montgomery and Robert Casaceli. The Board has determined that all members of the Audit Committee are independent and financially literate within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") adopted by the Canadian Securities Administrators.

Name of Member	Education	Relevant Experience	Independent	Financially Literate
Richard Grayston (Chair)	Ph. D. – University of Chicago M.B.A. – University of Chicago B. Com – University of British Columbia	More than 25 years of experience in financial and economic consulting and public company management. Has been a Certified General Accountant since receiving that designation in 1977.	Yes	Yes
Robert Montgomery	Chartered Accountant B.A. (Econ/Geography) – University of Victoria	More than 15 years of experience as a chartered accountant and auditor.	Yes	Yes
Robert Casaceli	M.S. (Geology) – Oregon State B. A. (Geology)- University of Colorado	More than 36 years involvement in every facet of mineral exploration. Consultant to the mining industry and has served in various capacities including, Chief Geologist, President and CEO.	Yes	Yes

Audit Committee Oversight

Since the commencement of the financial year ended December 31, 2009, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that has not been adopted by the directors of the Company.

Reliance on Certain Exemptions

The Company is not relying on any exemptions with respect to the composition of its Audit Committee in accordance with NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in its Charter. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of all non-audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX, with respect to approval of non-audit related services performed by the auditor.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditor during the last two financial years.

Financial Year Ending	Audit Fees (1)	Audit Related Fees (2)	Tax Fees (3)	All Other Fees
December 31, 2009	$60,000	$15,485(4)	Nil	Nil
December 31, 2008	$55,000	$18,000(4)	Nil	Nil

Notes:

(1) The aggregate fees billed for professional services rendered by the auditor for the audit of the Company's annual financial statements.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.

(3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.

(4) The nature of the services comprising this fee includes interim reviews of the Company performed by the Company's auditor.

Corporate Governance

Corporate governance refers to the way the business and affairs of a reporting issuer are managed and relates to the activities of the Board, the members of whom are elected by and are accountable to the shareholders. Corporate governance takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices that are both in the interest of its shareholders and contribute to effective and efficient decision-making.

In June 2005, National Policy 58-201 – Corporate Governance Guidelines ("**NP 58-201**") and National Instrument 58-101 – Disclosure of Corporate Governance Practices ("**NI 58-101**") were adopted by the securities regulatory authorities in Canada. NP 58-201 establishes corporate governance practices in light of these guidelines. NI 58-101 mandates the disclosure of corporate governance practices in accordance with Form 58-101F1, which disclosure is set out below.

Board of Directors

The Board is currently comprised of five (5) directors being Richard Grayston (Chair), Peter Minuk, Robert Montgomery, Paul Zyla and Robert Casaceli. The Board has determined that Richard Grayston, Robert Casaceli and Robert Montgomery are independent within the meaning of NI 58-101. Paul Zyla and Peter Minuk are not independent within the meaning of NI 58-101 as they are officers of the Company and thereby have a "material relationship" with the Company.

The Board held six meetings during the financial year ended December 31, 2009. All of the directors were in attendance at five of the meetings and four of the directors attended the sixth meeting, with Mr. Minuk being the only director absent for that particular meeting. In the past, the Company has not held scheduled meetings of independent directors; however, independent directors held informal meetings prior to scheduled meetings of the Board during the financial year ended December 31, 2009 on four occasions.

Directorships

The following table sets forth the directors of the Company who are directors of other reporting issuers (or the equivalent of a reporting issuer in foreign jurisdictions):

Name of Director	Reporting Issuer
Richard Grayston	Verbina Resources Inc. Ruby Red Resources Inc. Ranger Canyon Energy Inc.
Paul Zyla	Verbina Resources Inc.

Board Mandate

The Board has adopted a comprehensive written mandate in which it assumes responsibility for the stewardship and development of the Company. The mandate provides that: (1) the Board's primary responsibility is to develop and adopt the strategic direction of the Company and to, at least annually, review and approve a strategic plan as developed and proposed by management, which takes into account the business opportunities and risks of the Company; and (ii) the Board is responsible for reviewing and approving the Company's financial objectives, plans and actions, including significant capital allocations and expenditures.

The Board is also responsible for, among other things: (i) monitoring corporate performance; (ii) identifying principal business risks and ensuring that appropriate systems are put in place to manage such risks; (iii) monitoring and ensuring internal control and procedures, (iv) ensuring appropriate standards of corporate conduct; (v) reviewing and approving financial statements and management's discussion and analysis; (vi) reviewing compensation of the members of the Board; (vii) reviewing and approving material transactions and annual budgets; (viii) developing the Company's approach to corporate governance; (ix) identifying and recommending new nominees; and (x) assessing its own effectiveness in fulfilling its mandate. The Board's mandate sets forth procedures relating to the Board's operations such as the size of the Board and evaluations, compensation and access to independent advisors.

Position Descriptions

Chairman of the Board

The Board has developed and adopted a written position description for the Chairman of the Board, indicating that the Chairman is responsible for, among other things, chairing all meetings of the Board in a manner that promotes meaningful discussion, providing leadership to enhance the Board's effectiveness and acting as a liaison between the Board and management.

Chairman of the Audit Committee

The Board has adopted a written position description for the Chairman of the Audit Committee, indicating that the Chairman of the Audit Committee is responsible for, among other things, chairing all meetings of the Audit Committee, ensuring the Audit Committee monitors the Company's financial reporting process and internal control systems independently and objectively, ensuring procedures are in place to review the Company's public financial disclosure and overseeing the Audit Committee's participation in the accounting and financial reporting process and audits of the financial statements.

Chairman of the Nominating and Governance Committee

The Board has adopted a written position description for the Chairman of the Nominating and Governance Committee, indicating that the Chairman of the Nominating and Governance Committee is responsible for, among other things, assessing the effectiveness of the Board and the Company's governance, reviewing the Board's compensation on at least an annual basis and reviewing and recommending to the Board the level of compensation packages for the executive offices and members of senior management.

Director Orientation and Continuing Education

Director Orientation

The Board and the Company's senior management conduct orientation programs for new directors. The orientation programs include presentations by Company management to familiarize new directors with the Company's projects, strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of business conduct and ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation program includes a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties and visits to Company headquarters and, to the extent practical, the Company's significant facilities.

Continuing Education

To enable each director to better perform his or her duties and to recognize and deal appropriately with issues that arise, the Company encourages its directors to undertake continuing director education, the cost of which will be borne by the Company.

Ethical Business Conduct

The Board has adopted a written code of business conduct and ethics ("**Code of Conduct**") to encourage and promote a culture of ethical business conduct amongst the Company's principal executive officers, principal financial and accounting officers and persons performing similar functions. Copies of the Code of Conduct are available upon written request to the Company at its principal office. The Audit Committee is responsible for ensuring compliance with the Company's code of conduct. There have been no departures from the Company's code of conduct during the most recently completely financial period.

To ensure the directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest, all such matters are considered and approved by a majority of the non-interested directors. Any interested director is required by the Company's Code of Conduct to declare the nature and extent of his interest and is not entitled to vote on matters which evoke such a conflict.

The Audit Committee is responsible for compliance issues relating to the Code of Conduct, which contains the procedures by which an individual can report actual or potential violations of the Code of Conduct to the Chairman of the Audit Committee. The Code of Conduct provides that any violations of the Code of Conduct by any employee, officer or director are grounds for disciplinary action including termination of employment, office and directorship.

The Company believes that it has adopted corporate governance procedures and policies which encourage ethical behaviour by these individuals.

Nomination of Directors

The Board established a Nominating and Governance Committee in November 2009. The Nominating and Governance Committee of the Board of the Company holds the responsibility for the appointment and assessment of directors. All members of the Nominating and Governance Committee are independent.

The Board seeks to achieve a balance of knowledge, experience and capability on the Board.

The committee considers all qualified candidates for the Board identified by members of the Nominating and Governance Committee, by other members of the Board, by senior management and by the Company's shareholders. The Nominating and Governance Committee reviews each candidate, including each candidate's independence, skills and expertise based on a variety of factors, including the person's experience or background in management, finance, regulatory matters and corporate governance. Further, when identifying nominees to serve as director, the Nominating and Governance Committee seeks to create a Board that is strong in its collective knowledge and has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge and corporate governance. In addition, prior to nominating an existing director for re-election to the Board, the Nominating and Governance Committee will consider and review an existing director's Board and committee attendance and performance, length of Board service, experience, skills and contributions that the existing director brings to the Board, equity ownership in the Company and independence.

The committee follows the same process and uses the same criteria for evaluating candidates proposed by members of the Board, members of senior management and the Company's shareholders. Based on its assessment of each candidate, the Nominating and Governance Committee recommends new candidates to the Board in the event of a vacancy on the Board.

Compensation

The Compensation Committee is comprised of all independent directors. The Board, with the assistance of the Compensation Committee is responsible for reviewing the compensation of members of the Board to ensure that compensation realistically reflects the responsibilities and risks involved in being a director and for reviewing the compensation of members of senior management to ensure that compensation is competitive within the industry and aligns the interests of such individual with those of the Company.

In connection with its responsibilities relating to compensation of the Company's directors and officers, the Compensation Committee is responsible for: (i) attracting, retaining and motivating talented executives critical to the success of the Company; (ii) providing fair, competitive and cost effective compensation programs to its executives; (iii) linking the interests of management with those of the shareholders; (iv) providing rewards for outstanding corporate and individual performance; and (v) reviewing the compensation of executive officers on an annual basis. The Compensation Committee may employ independent experts periodically as deemed necessary to review remuneration policies for executive officers and directors. No such independent expert was engaged for the financial year ended December 31, 2009.

Other Board Committees

The Board has no committees other than the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

Assessment

The Board will be responsible for reviewing on an annual basis, the requisite competencies and skills of prospective members of the Board as well as the composition of the Board as a whole. The Nominating and Governance Committee is responsible for implementing an assessment process which will include each member's contribution, qualification as an independent director, as well as diversity, skills and experience in the context of the needs of the Board.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR CANADIAN RESIDENT HOLDERS

In the opinion of Peterson Law Professional Corporation, counsel to the Company, and Fraser Milner Casgrain LLP, counsel to the Agents, the following summary describes the principal Canadian federal income tax considerations under the Canadian Tax Act and the Regulations generally applicable as of the date of this prospectus to a purchaser who acquires the Offered Shares.

This summary is applicable only to a purchaser who, for the purposes of the Canadian Tax Act and the Canada-United States Tax Convention (1980) (which is referred to in this prospectus as the "**Treaty**") and at all relevant times: (i) is resident or is deemed to be resident in Canada; (ii) deals with the Company, the Agents and a subsequent purchaser of the Offered Shares at arm's length; (iii) is not affiliated with the Company, the Agents or a subsequent purchaser of the Offered Shares; (iv) does not, together with related persons, own a sufficient equity percentage of the Company's Common Shares that the Company would be considered a "foreign affiliate" of such purchaser; and (v) holds the Company's Common Shares as capital property. Such a purchaser is referred to in this prospectus as a "**Canadian Holder**". Common shares will generally be considered to be capital property to a purchaser provided the purchaser does not hold the shares in the course of carrying on a business of buying and selling securities and has not acquired the shares in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Canadian Holder: (i) that is a "financial institution" for purposes of the "mark-to-market property" rules; (ii) an interest in which is a "tax shelter investment"; (iii) that has elected to determine its Canadian tax results in accordance with the "functional currency" rules; or (iv) that is a "specified financial institution" as each of those terms is defined in the Canadian Tax Act. This summary does not address the deductibility of interest by a Canadian Holder who borrows money to acquire Offered Shares. Such Canadian Holders should consult their own tax advisors.

This summary is based upon the provisions of the Canadian Tax Act and the Regulations and the Company's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**"), all in effect as of the date of this prospectus. This summary also takes into account all proposals to amend the Canadian Tax Act or the Regulations which have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date of this prospectus (which are referred to in this prospectus as the "**Tax Proposals**"), although no assurances can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary does not take into account or anticipate any other changes in law, or in the administrative policies and assessing practices of the Canada Revenue Agency, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or non-Canadian income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Offered Shares. The tax consequences of acquiring, holding and disposing of common shares will vary according to the status of the purchaser, the province or provinces in which the purchaser resides or carries on business and the purchaser's own particular circumstances. There may also be tax considerations for purchasers under the laws of the U.S. to which the purchaser may be subject that are not addressed by this summary. This summary is not intended to constitute legal or income tax advice to any particular purchaser. ***Prospective purchasers should obtain independent advice from their own tax advisors regarding the income tax considerations applicable to investing in shares of our common stock, based on the purchaser's particular circumstances.***

Exchange Rate

For purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of common shares, including dividends, adjusted cost base and proceeds of disposition, must be expressed in Canadian dollars. Amounts denominated in U.S. dollars generally must be converted into Canadian dollars based on the prevailing Canada-U.S. currency exchange rate quoted by the Bank of Canada at the relevant time or such other rate of exchange as determined in accordance with the Canadian Tax Act.

Dividends on the Offered Shares

The full amount of dividends received by a Canadian Holder on the Offered Shares, including amounts deducted for U.S. withholding tax, if any, will be included in computing the Canadian Holder's income. For an individual (including a trust) the gross-up and dividend tax credit rules in the Canadian Tax Act will not apply to such dividends. A Canadian Holder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income. A Canadian Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation," as defined in the Canadian Tax Act, may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for the year, which will include such dividends. To the extent U.S. withholding tax is deducted in respect of the dividends paid on the Offered Shares, the amount of such tax may be eligible for a foreign tax credit or a deduction, subject to the detailed rules and limitations under the Canadian Tax Act. Canadian Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or a deduction, having regard to their own particular circumstances.

Disposition of Offered Shares

A Canadian Holder who disposes of, or is deemed to have disposed of, the Offered Shares will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the Offered Shares and any reasonable costs of disposition. One-half of the amount of a capital gain is a taxable capital gain and is required to be included in income in the year the capital gain is realized. One-half of a capital loss is an allowable capital loss and is deductible against taxable capital gains realized in the year of disposition. The unused portion of an allowable capital loss may be carried back up to three years or forward indefinitely and deducted against net taxable capital gains realized in such years, in the circumstances and to the extent prescribed in the Canadian Tax Act.

A "Canadian-controlled private corporation" (as defined in the Canadian Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" which is defined in the Canadian Tax Act to include amounts in respect of taxable capital gains.

Capital gains realized by an individual or trust, other than certain specified trusts, may give rise to a liability for alternative minimum tax under the Canadian Tax Act.

Canadian Holders that are subject to U.S. taxation on the disposition of the shares should consult their own tax advisors with respect to their entitlements to claim exemption from U.S. taxation on the disposition under the provisions of the Treaty and/or their eligibility for a foreign tax credit or a deduction in respect of such amounts under the Canadian Tax Act.

Foreign Property Information Reporting

In general, a "specified Canadian entity", as defined in the Canadian Tax Act, for a taxation year or fiscal period whose total cost amount of "specified foreign property", as defined in the Canadian Tax Act, at any time in the taxation year or fiscal period exceeds C$100,000, is required to file a T1135 - "Foreign Income Verification Statement" for the taxation year or fiscal period disclosing prescribed information, including the cost amount and any income in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year, other than a corporation or trust exempt from tax under Part I of the Canadian Tax Act, will be a specified Canadian entity. The Offered Shares will be specified foreign property to a Canadian Holder. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Canadian Minister of Finance proposed that the existing reporting requirements with respect to "specified foreign property" be expanded so that more detailed information be available for audit use. Revised legislation reflecting such proposal has not yet been released.

The reporting rules in the Canadian Tax Act are complex and this summary does not purport to explain all circumstances in which reporting may be required by any investor. Accordingly, Canadian Holders should consult their own tax advisors regarding compliance with these rules including any expansion thereof pursuant to the afore-mentioned 2010 Federal Budget proposal.

Offshore Investment Fund Property

The Canadian Tax Act contains rules (as proposed to be amended in the proposals released on August 27, 2010) which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "**offshore investment fund property**". These rules could apply to a Canadian Holder in respect of the Offered Shares if:

(1) the Offered Shares may reasonably be considered to derive its value, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (collectively, "**Investment Assets**"); and

(2) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Canadian Holder acquiring, holding or having an interest in the Offered Shares was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Canadian Tax Act if the income, profits and gains had been earned directly by such Canadian Holder.

If applicable, these rules would generally require a Canadian Holder to include in income for each taxation year in which such Canadian Holder holds the Offered Shares, as the case may be, an imputed amount determined by applying a prescribed rate of interest to the "**designated cost**" to the Canadian Holder of the Offered Share at the end of each month in the year, less the amount of certain income of the Canadian Holder from the Offered Share in the year. Any amount required to be included in computing a Canadian Holder's income in respect of an Offered Share under these rules would be added to the adjusted cost base to the Canadian Holder of such Offered Share.

These rules are complex and their application depends, in part, on the reasons for a Canadian Holder acquiring or holding Offered Shares. Canadian Holders are urged to consult their own tax advisors regarding the application and consequences of these rules in their own particular circumstances.

None of the Offered Shares have been or will be registered under the U.S. Securities Act, or any state securities laws. Accordingly, the Offered Shares may not be offered or sold within the United States except in accordance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that, except as permitted by the Agency Agreement and as expressly permitted by applicable laws of the United States, it will not offer or sell any Offered Shares within the United States. The Agency Agreement permits the Agents through certain of their U.S. broker-dealer affiliates to (i) offer Offered Shares and the Company may sell Offered Shares to certain accredited investors as substituted purchasers in transactions that comply with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506 of Regulation D thereunder, and (ii) offer and resell Offered Shares purchased from the Company to qualified institutional buyers in accordance with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares offered under the Offering in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U. S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

CERTAIN UNITED STATES INCOME TAX CONSIDERATIONS FOR U.S. AND NON-U.S. RESIDENT HOLDERS

Certain Material U.S. Federal Income Tax Considerations

In the opinion of Hodgson Russ LLP, U.S. tax counsel to the Company, the following summary addresses certain material U.S. federal income tax considerations for “U.S. Holders” and “Non-U.S. Holders” (each as defined below) arising from and relating to ownership of the Common Shares of the Company. This summary does not address any U.S. federal income tax considerations of U.S. Holders and Non-U.S. Holders of Company securities (including warrants and options) other than the Common Shares. This summary is directed only to prospective purchasers of the Common Shares offered by this prospectus.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences of a U.S. Holder and a Non-U.S. Holder owning Common Shares. In addition, this summary does not take into account any particular circumstances of U.S. Holders and Non-U.S. Holders with respect to ownership of the Common Shares. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder or Non-U.S. Holder. This summary does not address U.S. state and local, U.S. federal estate and gift (except briefly below), or foreign tax consequences or the U.S. federal alternative minimum tax. **Each U.S. Holder and Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal income, U.S. state and local, U.S. federal estate and gift, and foreign tax consequences arising from and relating to the acquisition and ownership of the Common Shares**.

CIRCULAR 230 DISCLOSURE

ANY STATEMENT MADE HEREIN REGARDING ANY U.S. FEDERAL TAX ISSUE IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR PURPOSES OF AVOIDING ANY PENALTIES. ANY SUCH STATEMENT HEREIN IS WRITTEN IN CONNECTION WITH THE MARKETING OR PROMOTION OF THE TRANSACTION TO WHICH THE STATEMENT RELATES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “**Code**”); U.S. Treasury Regulations (whether final, temporary, or proposed); Internal Revenue Service (“**IRS**”) rulings and official pronouncements; and judicial decisions, all as in effect and available, as of the date of this prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation (including, but not limited to, changes in rates of taxation) that, if enacted, could be applied at any time, including on a retroactive basis.

U.S. Holders

For purposes of this summary, a "U.S. Holder" is a beneficial owner of the Common Shares purchased in this Offering that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the U.S., or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for

U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

This summary is limited to U.S. Holders who own Common Shares directly and not through an intermediary entity, such as a corporation, partnership, limited liability company or a trust.

Non-U.S. Holders

A Non-U.S. Holder for purposes of this summary is a beneficial owner of Common Shares who (i) is not a U.S. Holder as defined above, and (ii) is not a partnership or other pass through entity for United States federal income tax purposes.

U.S. Holders and Non-U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders and Non-U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) tax exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) dealers in securities or currencies or traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders and Non-U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders and Non-U.S. Holders that acquire the Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders and Non-U.S. Holders that hold the Common Shares other than as a capital asset within the meaning of Section 1221 of the Code; or (h) U.S. tax expatriates or former long-term residents of the U.S. U.S. Holders and Non-U.S. Holders that are subject to special provisions under the Code, including U.S. Holders and Non-U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the ownership and disposition of the Common Shares.

U.S. Holders

Distributions on the Common Shares

The gross amount of any distribution by the Company with respect to the Common Shares generally should be included in the gross income of a U.S. Holder as U.S. source dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of the Company, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds the Company’s current and accumulated earnings and profits for a taxable year, the distribution is treated as a tax-free return of capital to the extent of the U.S. Holder’s adjusted tax basis in the Common Shares. Then, to the extent that such distribution exceeds the U.S. Holder’s adjusted tax basis in the Common Shares, it is treated as gain from the sale or exchange of the U.S. Holder’s Common Shares (See “Dispositions of the Common Shares”, below). Dividends received by non-corporate U.S. Holders may be subject to United States federal income tax at lower rates (generally 15%) than other types of ordinary income in taxable years beginning on or before December 31, 2010, if certain conditions are met (including a holding period requirement). This preferential rate is scheduled to expire for tax years beginning on or after January 1, 2011, although it is possible that U.S. Congress may enact legislation which extends the lower rates in their current form or some modified form.

Dispositions of the Common Shares

Gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of the Common Shares generally is subject to United States federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Holder’s adjusted tax basis in the Common Shares and the amount realized on the disposition. Net capital gain (i.e., capital gain in excess of capital loss) recognized by a non-corporate U.S. Holder upon a sale or other disposition of Common Shares that have been held for more than one year is generally subject to a maximum United States federal income tax rate of 15% (which is scheduled to increase to a maximum rate of 20% on January 1, 2011). Deductions for capital losses are subject to limitations. There is no preferential United States federal capital gains rate for U.S. Holders that are corporations that dispose of the Common Shares.

Backup Withholding and Information Reporting

Noncorporate U.S. Holders are generally subject to certain information reporting requirements, on IRS Form 1099, with respect to (i) dividend payments or other taxable distributions made to such U.S. Holder within the United States, and (ii) the payment of proceeds to such U.S. Holder from the sale of the Common Shares effected at a United States office of a broker.

The Company may also be required to collect a backup withholding tax, if (i) a U.S. Holder fails to furnish or certify its correct taxpayer identification number to the Company in the manner required, (ii) the Company is notified by the IRS that the U.S. Holder has failed to report payments of dividends and interest properly, or (iii) under certain circumstances, the U.S. Holder fails to certify that the U.S. Holder has not been notified by the IRS that the U.S. Holder is subject to backup withholding for failure to report interest and dividend payments.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be returned or credited against the U.S. Holder’s United States federal income tax liability, as long as the required information is provided to the IRS.

Non-U.S. Holders

Distributions on the Common Shares

The gross amount of any distribution by the Company with respect to the Common Shares is treated first as dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of the Company, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds the Company’s current and accumulated earnings and profits for a taxable year, the distribution is treated as a tax-free return of capital to the extent of the Non-U.S. Holder’s adjusted tax basis in the Common Shares. Then, to the extent that such distribution exceeds the Non-U.S. Holder’s adjusted tax basis in the Common Shares, it is taxed as gain from the sale or exchange of the Non-U.S. Holder’s Common Shares (See “Dispositions of the Common Shares”, below). Any such distribution that constitutes a dividend is generally treated as United States source gross income for Non-U.S. Holders of Common Shares, and is subject to withholding under Section 1441 of the Code (unless it is treated as “effectively connected” income as described below). The withholding rate under the Code on dividends is generally 30%, but may be reduced pursuant to a treaty. If a Non-U.S. Holder qualifies for benefits under Article 10 of the Convention between the United States of America and Canada with respect to Taxes on Income and on Capital, as amended, the U.S. withholding tax rate on dividends will generally be reduced to 5% or 15%, depending on the particular facts and circumstances of the Non-U.S. Holder. Any dividend income that is “effectively connected” with a Non-U.S. Holder’s conduct of a U.S. trade or business (and, where a tax treaty applies, is attributable to a U.S. permanent establishment maintained by the Non-U.S Holder) will not be subject to the withholding tax described in this paragraph but instead will be taxed as described in the second bullet point and the remaining discussion under the heading “Dispositions of the Common Shares” below. Non-U.S. Holders will be required to provide specific documentation to claim a treaty exemption or reduced rate of withholding with respect to the distribution.

Dispositions of the Common Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the disposition of Common Shares unless:

- such Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year of disposition and certain other conditions are met;

- such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and, where a tax treaty applies, is attributable to a U.S. permanent establishment maintained by the Non-U.S Holder); or

- the Common Shares constitute a U.S. real property interest by reason of the Company's status as a "United States real property holding corporation" for U.S. federal income tax purposes ("**USRPHC**").

A Non-U.S. Holder described in the first bullet above is required to pay a flat 30% tax on the gain derived from the sale, which tax may be offset by U.S. source capital losses. A Non-U.S. Holder described in the second bullet above or if the third bullet applies is required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and corporate Non-U.S. Holders described in the second bullet above may also be subject to branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. Holders should consult any applicable income tax treaties that may provide for different results. It is expected that the Company will not be a USRPHC within the meaning of Section 897 of the Code for purposes of the third bullet point above.

U.S. Estate and Gift Tax Consequences of the Common Shares

The U.S. gift, estate, and generation-skipping transfer tax rules generally apply to a Non-U.S. Holder of the Common Shares. In general, the Common Shares may be considered a U.S.-situs asset for U.S. estate tax purposes and could be subject to U.S. estate tax at the death of a Non-U.S. Holder depending on the particular facts and circumstances of the Non-U.S. Holder. **Non-U.S Holders of the Common Shares should consult an independent tax advisor with respect to U.S. gift, estate, and generation-skipping transfer tax consequences applicable to the ownership of the Common Shares.**

Backup Withholding and Information Reporting

Generally, the company must report annually to the IRS and to Non-U.S. Holders the amount of dividends paid and the amount of tax, if any, withheld with respect to those payments. These information reporting requirements apply even if withholding is not required. Pursuant to tax treaties or other agreements, the IRS may make such information available to tax authorities in the Non-U.S. Holder's country of residence. The payment of proceeds from the sale of the Common Shares by a broker to a Non-U.S. Holder is generally not subject to information reporting if:

- the Non-U.S. Holder certifies his, her or its non-U.S. status under penalties of perjury by providing a properly executed IRS Form W-8BEN, or otherwise establish an exemption; or

- the sale of the Common Shares is effected outside the U.S. by a foreign office of a broker, unless the broker is (1) a U.S. person; (2) a foreign person that derives 50% or more of its gross income for certain periods from activities that are effectively connected with the conduct of a trade or business in the U.S.; (3) a "controlled foreign corporation" for U.S. federal income tax purposes; or (4) a foreign partnership more than 50% of the capital or profits interest of which is owned by one or more U.S. persons or which engages in a U.S. trade or business.

A backup withholding tax may apply to amounts paid to a Non-U.S Holder if the Non-U.S Holder fails to properly establish its foreign status on the applicable IRS Form W-8 or if certain other conditions are met. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S Holder's U.S. federal income tax liability, assuming the required information is timely provided to the IRS.

New U.S. Legislation

New U.S. legislation signed into law on March 18, 2010 (the Hiring Incentives to Restore Employment (HIRE) Act) substantially changes the withholding and reporting rules applicable to Non-U.S. Holders that are not individuals that receive certain U.S.-source income, generally effective for payments made after December 31, 2012. Certain changes made by the HIRE Act may, depending on how such changes are implemented by the U.S. Treasury, result in different U.S. federal income tax consequences for Non-U.S. Holders that are not individuals than those described above, including with respect to withholding and information reporting, and distributions on and dispositions of the Common Shares.

The HIRE Act imposes a 30% U.S. withholding tax on dividends on, or gross proceeds from the sale or other disposition of, the Common Shares paid to a Non-U.S. Holder that are foreign financial institutions ("**FFI**") or certain foreign non-financial entities ("**FNFE**"), unless (i) the FFI undertakes certain diligence and reporting obligations or (ii) the FNFE either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the Non-U.S. Holder is a FFI, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. **Prospective investors should consult an independent tax advisor with respect to this legislation.**

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Company has retained the Agents to act as its agents to offer for sale to the public in each of the provinces of British Columbia, Alberta and Ontario, and in other jurisdictions outside of Canada on the limited basis described below, on a commercially reasonable efforts agency basis, a minimum of 3,703,704 Offered Shares at the Issue Price for minimum gross proceeds of $5,000,000 and a maximum of 7,037,037 Offered Shares at the Issue Price for maximum gross proceeds of $9,500,000, subject to the conditions and in accordance with the terms of the Agency Agreement.

The Company has granted the Agents the Agents' Option, exercisable in whole or in part, assuming completion of the Maximum Offering, at any time in the sole discretion of the Agents, up to the Closing Date to arrange for the purchase and sale of up to an additional $1,425,000 of Additional Shares. The purchase price of each Additional Share will be equal to the Issue Price. The grant of the Agents' Option and the Additional Shares issuable on the exercise of the Agents' Option are qualified for distribution under this prospectus.

There is no market in Canada through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. The TSX has conditionally approved the listing of the Company's Common Shares (including the Offered Shares and the Additional Shares distributed under this prospectus). Listing will be subject to the Company fulfilling all of the listing requirements of the TSX and to the terms of the Offering. See "Risk Factors".

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities law. The Offered Shares will be deemed "restricted securities" as defined in Rule 144 of the U.S. Securities Act and will be subject to a six month distribution compliance period during which the Offered Shares may not be offered or sold to any person in the United States or any U.S. Person or person acquiring for the account or benefit of any U.S. Person or person in the United States. Hedging transactions may not be conducted except in compliance with the U.S. Securities Act. In addition, in the event that the Common Shares are listed on a recognized stock exchange in Canada, the Offered Shares are anticipated to be traded with a ".S" suffix to indicate that the Offered Shares are subject to trading restrictions under Regulation S. See "United States Securities Law Matters and Restrictions on Trading Shares".

Subject to applicable law and the terms of the Agency Agreement, the Agents may offer the Offered Shares in jurisdictions outside of Canada and the United States where the offer and sale of the Offered Shares will not require the qualification or registration of such Offered Shares.

The Issue Price was determined by negotiation between the Company and the Lead Agent based on several factors and may bear no relationship to the price that will prevail in the public market. The Agents have agreed to use their commercially reasonable efforts to secure subscriptions for the Offered Shares offered under this prospectus and pursuant to the Agency Agreement on behalf of the Company, but are not obligated to buy any Offered Shares that are not sold. The obligations of the Agents under the Agency Agreement may be terminated at the discretion of the Agents and the Agents may withdraw subscriptions for Offered Shares on behalf of subscribers on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events, including, without limitation, any material adverse change in the business or financial condition of the Company. The Agents may offer selling group participation to other registered dealers, with compensation to be negotiated between the Agents and such selling group participants, but at no additional cost to the Company.

For the services provided by the Agents in connection with the Offering, the Agency Agreement provides for the Agents' Commission, being a cash payment by the Company to the Agents of an amount equal to 6.5% of the gross proceeds from the Offering (including any proceeds received pursuant to the exercise of the Agents' Option). Assuming completion of the Minimum Offering, the total price to the public for the Offered Shares will be $5,000,000, the Agents' Commission will be $325,000 and the net proceeds to the Company (after deducting the expenses of the Offering, estimated to be $350,000) will be $4,325,000. Assuming completion of the Maximum Offering (but not including exercise of the Agents' Option), the total price to the public for the Offered Shares will be $9,500,000, the Agents' Commission will be $617,500 and the net proceeds to the Company (after deducting the expenses of the Offering, estimated to be $350,000) will be $8,532,500. If the Agents' Option is exercised in full (and assuming completion of the Maximum Offering), the total price to the public for the Offered Shares will be $9,864,875, the Agents' Commission will be $710,125 and the net proceeds to the Company (after deducting the expenses of the Offering, estimated to be $350,000) will be $9,864,875. The Company has also agreed to pay all reasonable expenses of the Agents incurred in connection with the Offering, whether or not the Offering is completed, including the reasonable fees and disbursements of the Agents' legal counsel. In addition, the Agents will receive the Broker Warrants exercisable to purchase that number of Broker Shares equal to 7.0% of the number of Offered Shares issued and sold under the Offering (including any Additional Shares issued and sold pursuant to the exercise of the Agents' Option). Each Broker Warrant will entitle the holder thereof to acquire a Broker Share at a price equal to the Issue Price until the date which is 24 months following the Closing Date. The issuance of the Broker Warrants is qualified by this prospectus.

Subscriptions for the Offered Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing is conditional upon all conditions of closing specified in the Agency Agreement having been satisfied or waived. The completion of the sale of the Offered Shares pursuant to the Offering is expected to occur on or about November 23, 2010 or such other date or dates as may be agreed to by the Company and the Agents. The Offering will not continue for a period of more than 90 days after the date or dates of the receipt for the (final) prospectus in respect of the Offering, unless an amendment to the (final) prospectus is filed and a receipt obtained therefor by the Company in accordance with applicable securities laws, provided that the total period of distribution under the Offering shall not exceed 180 days from the date of the receipt for the (final) prospectus.

The Offered Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws. Accordingly, the Offered Shares may not be offered or sold within the United States except in accordance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that, except as permitted by the Agency Agreement and as expressly permitted by United States federal and state securities laws, it will not offer or sell any Offered Shares within the United States. The Agency Agreement permits the Agents through certain of their U.S. broker-dealer affiliates to (i) offer Offered Shares for sale by the Company to "accredited investors" in transactions that comply with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 506 of Regulation D thereunder, and (ii) offer and resell Offered Shares purchased from the Company to "qualified institutional buyers" in accordance with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares offered under the Offering in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U. S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

Except as may be otherwise agreed by the Company and the Agents, other than securities sold in the United States or to or for the account or benefit of U.S. Persons, which will be represented by individual certificates, it is expected that the Offered Shares to be issued to purchasers pursuant to the Offering will be issued in registered form to DTCC or its nominee, Cede & Co., and will be deposited with DTCC on the Closing Date. Purchasers of Offered Shares registered in the name of DTCC or its nominee, Cede & Co., will receive only a customer confirmation from the registered dealer through which the Offered Shares are purchased. For all Offered Shares sold within the United States or to, or for the account or benefit of, U.S. Persons, definitive certificates evidencing the Offered Shares will be registered in such name or names as the Agents may direct and will be available for delivery on the Closing Date.

The Agency Agreement provides that the Company will indemnify the Agents against certain liabilities (including liabilities under applicable Canadian securities legislation) and contribute to payments that the Agents may be required to make in respect thereof.

The Agents have performed investment banking services for the Company from time to time for which they have received customary fees and expenses. The Agents may, from time to time, engage in transactions with and perform services for the Company in the ordinary course of their business.

UNITED STATES SECURITIES LAW MATTERS AND RESTRICTIONS ON TRADING SHARES

General

The Company is incorporated under the laws of the State of Nevada and is a reporting company under United States securities laws. Offers and sales of securities of such issuers which are made outside the United States and which are not registered under the U.S. Securities Act are subject to restrictions imposed by the U.S. Securities Act and regulations thereunder. The following discussion is not intended to be, nor should it be construed to be, legal advice to any particular person who acquires Offered Shares distributed under this prospectus or in the secondary market through the facilities of a recognized exchange in Canada. Each person acquiring Offered Shares should consult with its legal counsel regarding the application of such laws.

The Offered Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. Persons unless the Offered Shares are registered under the U.S. Securities Act or such offers and sales are exempt from or not subject to the registration requirements of the U.S. Securities Act. In addition, hedging transactions involving the Offered Shares may not be conducted unless in compliance with the U.S. Securities Act. For purposes of this and the following discussion, "United States" or "U.S." means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia. "U.S. Person" means "U.S. person" as defined in Rule 902(k) of Regulation S under the U.S. Securities Act, and includes, subject to certain exceptions, any natural person resident in the United States; any partnership or corporation organized or incorporated under the laws of the United States; any estate of which any executor or administrator is a U.S. Person, or any trust of which any trustee is a U.S. Person; any agency or branch of a foreign entity located in the United States; any non-discretionary account held by a dealer or other fiduciary for the benefit or account of a U.S. Person; any discretionary account held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; and any foreign partnership or corporation formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by "accredited investors" (as defined in Rule 501(a) of Regulation D under the U.S. Securities Act) who are not natural persons, estates or trusts. The Company will offer and sell the Offered Shares within the United States or to or for the account or benefit of U.S. Persons only pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act. Offers and sales of the Offered Shares outside the United States will be made only to persons other than U.S. Persons pursuant to the exemption from registration provided by Regulation S under the U.S. Securities Act.

Offers and Sales of the Offered Shares within the United States or to U.S. Persons

With respect to offers and sales within the United States or to U.S. Persons, the Company will offer and sell Offered Shares within the United States only in accordance with an applicable exemption from the registration requirements of the U.S. Securities Act. In addition, until six months after the closing of the distribution of Offered Shares pursuant to this prospectus, an offer or sale of the Offered Shares within the United States by any dealer (whether or not participating in the distribution) may violate the registration requirements of the U.S. Securities Act.

Offers and Sales of the Offered Shares Outside the United States to Persons other than U.S. Persons

With respect to offers and sales of Offered Shares by the Company or any of its affiliates outside the United States to persons other than U.S. Persons in the Offering, the acquisition of Offered Shares by any such person may require the certification and agreement by such person that: (a) it is not a U.S. Person; (b) it is not purchasing the Offered Shares for the account of or benefit of a person in the United States or any U.S. Person; (c) it was not offered the Offered Shares in the United States and was outside of the United States at the time the buy order was originated or the certificate was executed; (d) such person agrees to resell such Offered Shares only: (i) outside the United States in accordance with Regulation S; (ii) pursuant to an effective registration statement under the U.S. Securities Act; or (iii) pursuant to another available exemption from such registration; and (e) such person agrees not to engage in hedging transactions with respect to such Offered Shares unless in compliance with the U.S. Securities Act.

The Offered Shares may be resold only: (a) outside the United States pursuant to the exemption from registration provided by Regulation S, (b) pursuant to another exemption from registration under the U.S. Securities Act, or (c) pursuant to an effective registration statement under the U.S. Securities Act. A resale of the Offered Shares will generally comply with Regulation S if: (i) the offer relating to such resale is not made to a person in the United States; (ii) neither the seller, an affiliate of the seller, nor any other person acting on their behalf engaged in "directed selling efforts" (as such term is defined in Rule 902(c) under Regulation S) within the United States; and (iii) either (A) at the time the buy order is originated, the buyer is outside the United States or the seller and any person acting on its behalf reasonably believe that the buyer is outside the United States, or (B) the resale transaction is executed in, on or through the facilities of a "designated offshore securities market" as specified in Rule 902 under Regulation S, and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States. The provisions of Regulation S impose additional restrictions on resales by the Company, distributors and affiliates of the Company or the distributors, as well as on dealers and persons receiving a selling commission, fee or other remuneration with respect to such resales. In addition, under Regulation S, the Offered Shares are deemed to be "restricted securities" as defined in Rule 144 under the U.S. Securities Act and continue to be deemed to be "restricted securities", notwithstanding that they are acquired in a resale transaction made pursuant to Rule 901 or 904 of Regulation S. As a result, persons acquiring Offered Shares pursuant to Regulation S may not assume the availability of the exemption set forth in Section 4(1) of the U.S. Securities Act with respect to resales of Offered Shares in the United States or to U.S. Persons. Holders should consult with their counsel as to the impact of the characterization of the Offered Shares as "restricted securities" for purposes of Rule 144 and as to the availability of the exemption set forth in Section 4(1) of the U.S. Securities Act and Rule 144 thereunder.

The Company and the Transfer Agent are required by contract to refuse any transfer of Offered Shares not made in accordance with Regulation S, unless registered or exempt from registration under the U.S. Securities Act.

There is no market in Canada through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. The TSX has conditionally approved the listing of the Company's Common Shares (including the Offered Shares and the Additional Shares and distributed under this prospectus). Listing will be subject to the Company fulfilling all of the listing requirements of the TSX and to the terms of the Offering. See "Plan of Distribution" and "Risk Factors".

In the event that the Offered Shares are approved for listing on a recognized stock exchange in Canada, the trading symbol of the Company will include the suffix ".S". The ".S" suffix is intended to indicate that the Offered Shares are subject to restrictions under Regulation S under the U.S. Securities Act. It is to be expected that a recognized stock exchanges in Canada will notify its participating organizations that:

- they may not execute a transaction in these shares if the participating organization knows that the purchaser is in the United States or a U.S. Person or is acting for the account or benefit of a U.S. Person;
- they must make reasonable efforts to ascertain whether a purchaser is in the United States or is a U.S. Person or is acting for the account or benefit of a U.S. Person;
- they must implement measures designed to assure reasonable compliance with this requirement;
- if they have direct market access clients in the United States or who are U.S. Persons, those clients must be notified that they cannot buy these shares, and if they do the trade will be reversed; and
- they must include on all confirmations a legend that states that sales in the United States or to U.S. Persons are prohibited.

The Company expects that this ".S" trading market will be maintained until such time as all shares trading thereon may be sold to the public in the United States by persons (other than affiliates of the Company as defined in Rule 144 under the U.S. Securities Act) without registration under the U.S. Securities Act and without restriction. That may not occur, under existing U.S. securities law principles, until at least six months from the issuance of the Offered Shares and possibly later.

In addition, upon initial issuance, certificates representing the Offered Shares will bear a legend to the effect, among other things, that these shares have not been registered under the U.S. Securities Act and that transfer of these shares is prohibited except for transfers outside the United States pursuant to Regulation S or transfers pursuant to another exemption from registration under the U.S. Securities Act or pursuant to an effective registration statement under the U.S. Securities Act. As a general matter, this legend would continue to be used as long as the ".S" trading market is maintained.

The legends will also indicate that hedging transactions involving the Offered Shares may not be conducted unless in compliance with the U.S. Securities Act.

RISK FACTORS

AN INVESTMENT IN THE SECURITIES OFFERED HEREBY IS SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. THE FOLLOWING FACTORS ARE BELIEVED BY MANAGEMENT TO BE THE MATERIAL RISKS THAT SHOULD BE CAREFULLY CONSIDERED BY INVESTORS BEFORE PURCHASING OFFERED SHARES.

The Company is currently in the exploration stage with respect to all its Projects. The chance of ever reaching the production stage at the Projects is uncertain. The Company cannot predict whether it will successfully effectuate the Company's current business plan. Each prospective investor is encouraged to carefully analyze the risks and merits of an investment in the Offered Shares and should take into consideration when making such analysis, among others, the risk factors discussed below.

If the Company does not obtain new financings, the amount of funds available to the Company to pursue its exploration activities at the Kibi Project and to pursue further exploration of the Company's Other Projects will be reduced and the Company's plan of operations may be adversely affected.

The Company has relied on recent private placement financings in order to fund exploration programs, including its drilling programs at the Kibi Project. The Company will continue to require additional financing to complete its plan of operations including the Company's phase III drill program at the Kibi Project and to carry out any exploration activities on the Company's other mineral Projects. Any impairment in the Company's ability to raise additional funds through financings would reduce the available funds for the Company's phase III drill program at the Kibi Project, with the result that the Company's plan of operations may be adversely affected.

Substantial additional capital is required to continue exploration activities at all of the Projects. If the Company cannot raise additional capital as needed, its ability to execute its business plan and fund its ongoing operations will be in jeopardy.

The Company is exploring various financing alternatives to meet its projected costs and expenses. The Company cannot assure investors that it will be able to obtain the necessary financing for its Projects on favorable terms or at all. Additionally, if the actual costs to execute the Company's business plan are significantly higher than expected, the Company may not have sufficient funds to cover these costs and it may not be able to obtain other sources of financing. The failure to obtain all necessary financing would prevent the Company from executing its business plan and would impede the Company's ability to sustain operations or become profitable, and the Company could be forced to cease its operations.

In connection with future share offerings, the value of the Company's Common Shares may become diluted as more Common Shares are issued and outstanding.

The Company may undertake in the future additional offerings of Common Shares or of securities convertible into Common Shares. The increase in the number of Common Shares issued and outstanding and the possibility of sales of such Common Shares may depress the price of the Common Shares. In addition, as a result of such additional Common Shares, the voting power of the Company's existing shareholders will be diluted.

The Company will continue to incur operating losses and there is no guarantee that it will achieve operating profits.

The Company has incurred operating losses on an annual basis for a number of years, primarily arising out of the costs related to continued exploration and development of mineral resource properties, including costs written off on properties no longer being pursued by the Company. As of June 30, 2010, the Company had an accumulated deficit of $10,303,017. It is anticipated that the Company will continue to experience operating losses for fiscal 2010 and until the Company discovers economically mineable mineralization and successfully develops a mine. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

The price of the Common Shares is likely to be highly volatile and possibly illiquid, which could cause the value of investments to decline.

The market price of the Common Shares may be highly volatile and possibly illiquid. Investors may not be able to resell the Offered Shares following periods of volatility because of the market's adverse reaction to volatility. Factors that could cause such volatility may include, among other things:

- actual or anticipated fluctuations in our quarterly operating results;
- large purchases or sales of Common Shares;
- additions or departures of key personnel;
- investor perception of the Company's business prospects;
- conditions or trends in other industry related companies;
- changes in the market valuations of publicly traded companies in general and other industry-related companies; and
- world-wide political, economic and financial conditions.

The Company's Projects are in the exploration stage and may not result in the discovery of commercial bodies of mineralization which would result in the Company discontinuing that Project. Substantial expenditures are required to determine if a Project has economically mineable mineralization.

The Company's Projects are all n the exploration stage. Mineral exploration involves a high degree of risk and few properties which are explored are developed into producing mines. The exploration efforts of the Company on its Projects may not result in the discovery of commercial bodies of mineralization which would require the Company to discontinue that Project. Substantial expenditures are required to determine if a Project has economically mineable mineralization. It could take several years to establish proven and probable mineral resources or reserves. Due to these uncertainties, there can be no assurance that current and future exploration programs will result in the discovery of mineral resources or reserves.

The Company currently depends significantly on a limited number of Projects.

The Company's activities are currently focused on the Kibi Project. The Company will as a consequence be exposed to some heightened degree of risk due to the lack of property diversification. Adverse changes or developments affecting the Kibi Project would have a material and adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company may fail to achieve and maintain the adequacy of disclosure controls and procedures and internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act which could materially adversely affect our financial condition.

The Company has documented and tested, during the current fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act ("Sarbanes-Oxley"). Sarbanes-Oxley requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting. Management concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2009 because our Chief Executive Officer is not a financial or accounting professional, and we lack any accounting staff who are sufficiently trained in the application of U.S. generally accepted accounting principles. Until such time as we hire a chief financial officer or similarly titled person with the requisite experience in the application of U.S. GAAP, there is a likelihood that we may experience material weaknesses in our disclosure controls that may result in errors in our financial statements in future periods. For the same reason, we concluded that our disclosure controls and procedures were not effective at a reasonable assurance level. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting, as such standards are modified, supplemented, or amended from time to time, the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of Sarbanes-Oxley. The Company's failure to satisfy the requirements of Section 404 of Sarbanes-Oxley on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of its common shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations.

The Company is subject to factors beyond its control which may impact the Company's title in its Projects.

Although the Company has obtained title opinions with respect to all its Projects and has taken other reasonable measures to ensure proper title to these Projects there is no guarantee that title to any of the Projects will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests. The Projects may be subject to prior unregistered liens, agreements, transfers or claims and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its Projects as permitted or to enforce its rights with respect to its Projects.

The Company's activities are and will be subject to complex laws, significant government regulations and accounting standards that may delay or prevent operations at the Projects and can adversely affect the Company's operating costs, the timing of the Company's operations, ability to operate and financial results.

Business, exploration activities and any future development activities and mining operations are and will be subject to extensive Ghanaian, United States, Canadian and other foreign, federal, state, territorial and local laws and regulations and also exploration, development, production, exports, taxes, labor standards, waste disposal, protection of the environment, reclamation, historic and cultural resource preservation, mine safety and occupational health, reporting and other matters, as well as accounting standards. Compliance with these laws, regulations and standards or the imposition of new such requirements could adversely affect the Company's operating and future development costs, the timing of the Company's operations, ability to operate and financial results. These laws and regulations governing various matters include:

- environmental protection;
- management of natural resources;
- exploration, development of mines, production and post-closure reclamation;
- export and import controls and restrictions;
- price controls;
- taxation;
- labour standards and occupational health and safety, including mine safety;
- historic and cultural preservation; and
- generally accepted accounting principles.

The costs associated with compliance with these laws and regulations may be substantial and possible future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of the Projects. These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. In addition, the Company's failure to comply strictly with applicable laws, regulations and local practices relating to permitting applications or reporting requirements could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners. Any such loss, reduction, expropriation or imposition of partners could have a materially adverse effect on the Company's operations or business.

The Company may not be able to obtain, renew or continue to comply with all of the permits necessary to develop each of the Projects which would force the Company to discontinue development, if any, on that Project.

Pursuant to Ghanaian law, in the event that the Company discovers economically mineable mineralization, pursuant to Ghanaian law, it must obtain various approvals, licenses or permits pertaining to environmental protection and use of water resources in connection with the development, if any, of the Projects. In addition to requiring permits for the development of its mineral concessions located at each of the Projects, the Company may need to obtain other permits and approvals during the life of these Projects. Obtaining, renewing and continuing to comply with the necessary governmental permits and approvals can be a complex and time-consuming process. The failure to obtain or renew the necessary permits or licenses or continue to meet their requirements could delay future development and could increase the costs related to such activities.

The development of all the Company's Projects may be delayed due to delays in receiving regulatory permits and approvals, which could impede the Company's ability to develop its Projects which, absent raising additional capital, could cause it to curtail or discontinue development, if any.

In the event that the Company discovers economically mineable mineralization, the Company may experience delays in developing its Projects. The timing of development at the Projects depends on many factors, some of which are beyond our control, including:

- the timely issuance of permits; and
- the acquisition of surface land and easement rights required to develop and operate the Projects, (in particular, the Company is required to acquire surface land through expropriation in connection with its mineral concessions).

These delays could increase development costs of the Projects, affect the Company's economic viability, or prevent the Company from completing the development of the Projects.

The Company's activities are subject to environmental laws and regulations that may increase the Company's costs of doing business and may restrict its operations.

All of the Company's exploration activities in Ghana are subject to regulation by governmental agencies under various environmental laws. To the extent the Company conducts exploration activities or undertakes new exploration or future mining activities in other foreign countries, the Company will also be subject to environmental laws and regulations in those jurisdictions. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations. Environmental legislation in many countries is evolving and the trend has been towards stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays and may cause material changes or delays in the Company's intended activities. The Company cannot assure investors that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

In addition, the Company may be exposed to potential environmental impacts during any full scale mining operation. At such time of commencement of full scale mining, if ever, the Company plans to negotiate posting of a reclamation bond to quantify the reclamation costs. The Company anticipates that the dollar amount of reserves established for exposure to environmental liabilities will be $150,000, as estimated by the Ghana EPA, however, the Company is currently unable to predict the ultimate cost of compliance or the extent of liability risks.

The Company is not able to predict the remediation costs for potential environmental liabilities.

The costs of remediation may exceed the provision that the Company has made for such remediation by a material amount. Whenever a previously unrecognized remediation liability becomes known, or a previously estimated cost is increased, the amount of that liability or additional cost could adversely affect the Company's exploration activities and its financial condition.

There may be instances where certain events occur that the Company is not insured against.

The Company maintains insurance policies to protect itself against certain risks related to its operations. This insurance is maintained in amounts that the Company believes to be reasonable depending upon the circumstances surrounding each identified risk. However, the Company may elect not to have insurance for certain risks because of the high premiums associated with insuring those risks or for various other reasons; in other cases, insurance may not be available for certain risks. Some concern always exists with respect to investments in parts of the world where civil unrest, war, nationalist movements, political violence or economic crisis are possible. These countries may also pose heightened risks of expropriation of assets, business interruption, increased taxation and a unilateral modification of concessions and contracts. The Company does not maintain insurance policies against political risk. Occurrence of events for which the Company is not insured could adversely affect the Company's exploration activities and its financial condition.

While the Company intends to allocate the proceeds of the Offering as set forth in this prospectus, situations may arise whereby management determines, in its sole discretion, that the proceeds should be applied otherwise.

Management will have discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

The Company is subject to the potential of legal claims and the associated costs of defense and settlement.

The Company is subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's project development operations.

The Company is subject to fluctuations in currency exchange rates, which could materially adversely affect its financial position.

The Company's primary currency for operations is the United States dollar and, to a lesser extent, the "Cedi", the Ghanaian currency. The Company maintains most of its working capital in United States dollars. The Company converts its United States funds to foreign currencies as certain payment obligations become due. Accordingly, the Company is subject to fluctuations in the rates of currency exchange between the United States dollar and these foreign currencies and these fluctuations, which are beyond its control, could materially affect the Company's financial position and results of operations. A significant portion of the operating costs of the Projects are in Cedi. The Company obtains services and materials and supplies from providers in West Africa. The costs of goods and services could increase or decrease due to changes in the value of the United States dollar or the Cedi or other currencies. Consequently, exploration and development of the Projects could be more costly than anticipated.

The Company's business is impacted by any instability and fluctuations in global financial systems.

The recent credit crisis and related instability in the global financial system, although somewhat abated, has had, and may continue to have, an impact on the Company's business and the Company's financial condition. The Company may face significant challenges if conditions in the financial markets do not continue to improve. The Company's ability to access the capital markets may be severely restricted at a time when the Company wishes or needs to access such markets, which could have a materially adverse impact on the Company's flexibility to react to changing economic and business conditions or carry on its operations.

The Company is subject to the effects that historically high inflation rate may have on its results.

The Company's mineral properties are located in Ghana, which has historically experienced relatively high rates of inflation. High inflation rates in Ghana could cause the prices of materials obtained within Ghana to be slightly higher. As the Company maintains its funds in US and/or Canadian currency, the effect due to Ghanaian currency fluctuations is minimal.

The Government of Ghana has the right to increase its current ownership interest of 10% in the Company's subsidiary, XG Mining, through which the Company holds, among other things, its interest in the Kibi Project, for a consideration agreed upon by the parties or by arbitration and has a right of pre-emption to purchase all minerals produced by XG Mining. If the Government of Ghana were to exercise any of its rights, the Company's results of operations in future periods could be adversely impacted.

The Government of Ghana currently has a 10% free carried interest in XG Mining, one of the Ghanaian subsidiaries that holds the Apapam ML. The Government of Ghana also has: (a) the right to acquire an additional interest in XG Mining for a price to be determined by agreement or arbitration; (b) the right to acquire a special share (as defined in the Mining Act (Ghana)) in XG Mining at any time for such consideration as the Government of Ghana and XG Mining might agree; and (c) a right of pre-emption to purchase all minerals raised, won or obtained in Ghana. While the Company is not aware of the Government of Ghana having ever exercised such right of pre-emption, the Company cannot assure investors that the Government of Ghana would not seek to exercise one or more of these rights which, if exercised, could have an adverse affect on the Company's results of operations in future periods. If the Government of Ghana should exercise its right to either acquire the additional interest in XG Mining or its right to acquire the special share, any profit that might otherwise be reported from XG Mining's operations would be proportionally reduced in the same percentage as the minority interest attributable to the Government of Ghana in that subsidiary would be increased. If the Government of Ghana should exercise its right to purchase all gold and other minerals produced by XG Mining, the price it would pay may be lower than the price the Company could sell the gold or other minerals for in transactions with third parties and it could result in a reduction in any revenues the Company might otherwise report from XG Mining's operations.

The Company currently relies on the continued services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. The loss of their services may delay the Company's exploration activities or adversely affect its business and future operations.

Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may lead to the Company having to delay its exploration activities or adversely affect its business and future operations.

The Company may experience difficulty in engaging the services of qualified personnel in connection with its technical operations at the Projects.

In the event of the loss of any of the Company's key technical personnel at any of its Projects, the Company may have difficulty finding qualified replacements. The Company's inability to hire and retain the services of qualified persons for these positions in a timely manner could impede the Company's exploration activities at any of the Projects which would have a material adverse effect on the Company's ability to conduct business.

The Company is subject to changes in political stability in West Africa.

The Company conducts exploration and development activities in Ghana, West Africa. The Company's Projects in Ghana may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other government levies as well as other legislation) may impact the profitability and viability of its properties. The effect of unrest and instability on political, social or economic conditions in Ghana could result in the impairment of exploration, development and mining operations. Any such changes are beyond the control of the Company and may adversely affect its business.

In addition, local tribal authorities in West Africa exercise significant influence with respect to local land use, land labour and local security. From time to time, the Government of Ghana has intervened in the export of mineral concentrates in response to concerns about the validity of export rights and payment of duties. No assurances can be given that the co-operation of such authorities, if sought by the Company, will be obtained, and if obtained, maintained.

The government of Ghana also recently announced that it will be engaging companies to address the issue of dividend payment, exemptions and the mining sector fiscal regime, generally. As a result of these discussions, the Government of Ghana could amend the Mining Act (Ghana) or other regulations resulting in a material adverse impact on the Company including increases in operating costs, capital expenditures or abandonment or delays in development of mining properties.

The mining industry is a competitive industry and the Company may compete with larger, more established competitors for gold acquisition opportunities.

Significant and increasing competition exists for the limited number of gold acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

The marketability of the Company's minerals may be influenced by various industry conditions.

The marketability of minerals, if any, which may be acquired or discovered by the Company, will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of mineral markets and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The probability of the Company not receiving an adequate return on invested capital will be, to a significant extent, dependent upon the market price for gold. Gold prices fluctuate dramatically and are affected by numerous industry factors, such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand for precious metals, forward selling by producers, central bank sales and purchases of gold, production and cost levels in major gold producing regions and the political and economic conditions of major gold, copper or other mineral-producing countries throughout the world. Moreover, gold prices are also affected by macro-economic factors such as expectations for inflation, interest rates, currency exchange rates and global or regional political and economic situations. The current demand for, and supply of, gold affects gold prices, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. The potential supply of gold consists of new gold mine production plus existing stocks of bullion and fabricated gold held by governments, financial institutions, industrial organizations and individuals. Since mine production in any single year constitutes a very small portion of the total potential supply of gold, normal variations in current production do not necessarily have a significant effect on the supply of gold or its price.

PROMOTERS

Paul Zyla, the President, Chief Executive Officer and a director of the Company, is a promoter of the Company within the meaning of relevant Canadian securities legislation. Mr. Zyla beneficially owns, or controls or directs, directly or indirectly, 267,500 Common Shares of the Company, representing approximately 0.76% of the issued and outstanding Common Shares as of the date hereof. Mr. Zyla also holds options to acquire an additional 108,000 Common Shares and warrants exercisable for 7,500 Common Shares. Mr. Zyla has indicated that he intends to purchase 125,000 Common Shares pursuant to the Offering, and on that basis will hold up to approximately 1.2% (assuming exercise of warrants and options) of the issued and outstanding Common Shares following the completion of the Offering (assuming completion of the Maximum Offering but no exercise of the Agents' Option). Other than as disclosed in this prospectus, Mr. Zyla has not received anything of material value from the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

XG Mining, a subsidiary of the Company, was the defendant in a lawsuit brought by Kingsley Osei Asare, filed in the High Court of Justice, Commercial Division, Accra, pertaining to payment for excavation services provided by a subcontractor. During the quarter ended March 31, 2010, the Company settled the lawsuit by paying the subcontractor US$108,000 in return for the Common Shares previously issued to the contractor. The shares were subsequently cancelled.

Other than as disclosed above, there are no legal proceedings to which the Company or its subsidiaries or properties are or were subject to, since the beginning of the most recently completed financial year ended December 31, 2009 and the Company is not aware of any such contemplated legal proceedings.

No penalties or sanctions have been imposed against the Company by a court, nor has the Company entered into any settlement agreements before a court, relating to provincial and territorial securities legislation or by a securities regulatory authority within the last three years prior to the date hereof, nor has a court or regulatory body imposed any other penalties or sanctions against the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus, within the three years prior to the date of this prospectus, no director, executive officer, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or any associate or affiliate thereof, of the Company has or has had any material interest, directly or indirectly, in any transaction that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Davidson & Company LLP, located at 1200-609 Granville Street, Vancouver, British Columbia. The Company's Canadian registrar and transfer agent is Olympia Transfer Services Inc., located at 120 Adelaide Street West, Suite 920, Toronto, Ontario. The Company's U.S.

registrar and transfer agent is Olde Monmouth Stock Transfer Co., Inc., located at 200 Memorial Parkway, Atlantic Highlands, New Jersey.

MATERIAL CONTRACTS

There are no material contracts entered into by the Corportion and currently in effect or entered into as of January 1, 2009 other than as follows:

1. the Agency Agreement described in the section "Plan of Distribution" herein; and

2. the Escrow Agreement described in the section "Escrowed Securities" herein.

EXPERTS

Information of an economic, scientific or technical nature in respect of the Kibi Project is included in this prospectus based upon the Technical Report dated July 12, 2010 prepared by Simon Meadows Smith (IOM3) and Joe Amanor (AUSIMM) of SEMS Exploration Services Ltd. Messrs. Meadows Smith and Amanor are "qualified persons" and "independent" as such terms are defined in NI 43-101. As of the date hereof, the aforementioned individuals, beneficially owned, directly or indirectly, less than 1% of the issued and outstanding Common Shares.

Davidson & Company LLP, Chartered Accountants (the auditors of the Company) prepared an auditors' report to the directors of the Company on the balance sheet of the Company for the years ended December 31, 2009, 2008 and 2007 and the statements of operations and deficit and cash flows for years ended December 31, 2009 and 2008. Davidson & Company LLP have advised the Company that they are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

LEGAL MATTERS

Certain legal matters relating to the distribution of the securities offered hereby will be passed upon on behalf of the Company by Peterson Law Professional Corporation and on behalf of the Agents by Fraser Milner Casgrain LLP. As of the date hereof, the partners and associates of Peterson Law Professional Corporation as a group, and the partners and associates of Fraser Milner Casgrain LLP as a group, each beneficially owned, directly or indirectly, less than 1% of the issued and outstanding Common Shares.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission, revisions of the price or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
(unaudited)
AS AT

	June 30, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents	$ 1,571,178	$ 622,670
Investment in trading securities, at fair value (cost of $539,888 (December 31, 2009 - $1,636,628) (Note 4))	666,939	1,781,594
Receivables and other	57,674	46,462
Deposit for equipment	—	151,506
Total current assets	2,295,791	2,602,232
Equipment	682,903	244,508
Deferred financing costs	—	1,283
Oil and gas investment (Note 5)	—	40,000
Mineral properties (Note 6)	1,662,564	1,662,564
TOTAL ASSETS	$ 4,641,258	$ 4,550,587
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 169,079	$ 233,073
Convertible debentures (Note 7)	—	250,000
Total current liabilities	169,079	483,073
Asset retirement obligation	75,502	71,906
Total liabilities	244,581	554,979
Stockholders' equity		
Capital stock (Note 8)		
Authorized		
250,000,000 common shares with a par value of $0.001		
Issued and outstanding		
34,488,586 common shares (December 31, 2009 –33,231,477 common shares)	34,489	33,231
Additional paid in capital	16,197,744	14,771,222
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	(10,303,017)	(9,304,452)
Total Xtra-Gold Resources Corp. stockholders' equity	4,501,452	4,072,237
Non-controlling interest	(104,775)	(76,629)
Total stockholders' equity	4,396,677	3,995,608
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,641,258	$ 4,550,587

History and organization of the Company (Note 1)
Contingency and commitments (Note 12)
Subsequent events (Note 13)

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

APPROVED ON BEHALF OF THE BOARD

"Peter C. Minuk", Director

"Robert H. Montgomery", Director

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
EXPENSES					
Amortization	$ 206,279	$ 9,881	$ 17,014	$ 20,634	$ 34,062
Exploration	12,471,481	255,362	64,583	437,269	104,537
General and administrative	5,705,150	485,724	215,054	719,917	277,416
Write-off of mineral property	26,000	—	—	—	—
LOSS BEFORE OTHER ITEMS	(18,408,910)	(750,967)	(296,651)	(1,177,820)	(416,015)
OTHER ITEMS					
Foreign exchange gain (loss)	377,238	(38,203)	155,867	6,710	130,270
Interest expense	(241,936)	(642)	(641)	(1,283)	(1,283)
Realized gains (losses) on sales of trading securities	158,721	51,942	(72,575)	135,141	(89,952)
Net unrealized gain (loss) on trading securities	(84,874)	(170,586)	285,100	(18,301)	190,683
Other income	851,574	10,851	23,237	28,842	73,042
Recovery of gold	6,843,965	—	—	—	11,603
Gain on disposal of property	96,430	—	—	—	—
	8,001,118	(146,638)	390,988	151,109	314,363
Consolidated income (loss) for the period	(10,407,792)	(897,605)	94,337	(1,026,711)	(101,652)
Net loss attributable to non-controlling interest	104,775	11,238	—	28,146	—
Income (loss) for the period	$ (10,303,017)	$ (886,367)	$ 94,337	$ (998,565)	$ (101,652)
Basic and diluted income (loss) per common share		$ (0.03)	$ 0.00	$ (0.03)	$ 0.00
Basic and diluted weighted average number of common shares outstanding		34,115,817	32,042,536	33,725,082	31,686,602

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	$ (10,407,792)	$ (1,026,711)	$ (101,652)
Items not affecting cash:			
Amortization	206,279	20,634	34,062
Amortization of deferred financing costs	46,202	1,283	1,283
Accretion of asset retirement obligation	20,667	3,596	3,268
Shares issued for services	202,365	—	—
Stock-based compensation	1,378,811	311,629	52,430
Unrealized foreign exchange gain	(447,167)	(17,378)	(85,182)
Realized (gains) losses on sale of trading securities	(158,721)	(135,141)	89,952
Purchase of trading securities (Note 4)	(11,564,690)	—	(570,843)
Proceeds on sale of trading securities (Note 4)	11,418,765	1,248,873	661,115
Unrealized (gains) losses on trading securities	84,874	18,301	(190,683)
Gain on disposal of property	(95,342)	—	—
Write-off of mineral property	26,000	—	—
Expenses paid by stockholders	2,700	—	—
Changes in non-cash working capital items:			
(Increase) decrease in receivables and other	(39,299)	(1,212)	56,786
Increase (decrease) in accounts payable and accrued liabilities	158,387	(63,994)	(308,628)
Increase in due to related party	50,000	—	—
Net cash provided by (used in) operating activities	(9,117,961)	359,880	(358,092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of convertible debentures	900,000	—	—
Deferred financing costs	(46,202)	—	—
Repurchase of capital stock	(165,000)	(108,000)	(50,000)
Issuance of capital stock, net of financing costs	10,816,583	974,151	677,040
Net cash provided by financing activities	11,505,381	866,151	627,040

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Continued ...			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	(741,499)	(307,523)	—
Deposit on equipment	(151,506)	—	—
Oil and gas property expenditures	(250,137)	—	—
Acquisition of cash on purchase of subsidiary	11,510	—	—
Acquisition of subsidiary	(25,000)	—	—
Proceeds on disposal of assets	340,390	30,000	—
Net cash used in investing activities	(816,242)	(277,523)	—
Change in cash and cash equivalents during the period	1,571,178	948,508	268,948
Cash and cash equivalents, beginning of the period	—	622,670	271,573
Cash and cash equivalents, end of the period	$ 1,571,178	$ 1,571,178	$ 540,521

Supplemental disclosure with respect to cash flows (Note 10)

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)
(unaudited)

	Capital Stock						
	Number of Shares	Amount	Additional Paid in Capital	Deficit	Non-Controlling Interest	Deficit Accumulated During the Exploration Stage	Total
Balance, December 31, 2009	33,231,477	$ 33,231	$ 14,771,222	$ (1,427,764)	$ (76,629)	$ (9,304,452)	$ 3,995,608
February, 2010 – Conversion of debentures at $1.00 per share	250,000	250	249,750	—	—	—	250,000
March, 2010 – Repurchase and cancellation of shares at $1.34 per share	(80,891)	(80)	(107,920)	—	—	—	(108,000)
April, 2010 – Private placement at $1.00 per unit	838,000	838	837,162	—	—	—	838,000
April, 2010 – Finders' warrants on private placement	—	—	40,516	—	—	—	40,516
June, 2010 – Private placement at $1.00 per unit	250,000	250	249,750	—	—	—	250,000
June, 2010 – Finders' warrants on private placement	—	—	15,091	—	—	—	15,091
Share issuance costs	—	—	(169,456)	—	—	—	(169,456)
Stock-based compensation	—	—	311,629	—	—	—	311,629
Loss for the period	—	—	—	—	(28,146)	(998,565)	(1,026,711)
Balance, June 30, 2010	34,488,586	$ 34,489	$ 16,197,744	$ (1,427,764)	$ (104,775)	$ (10,303,017)	$ 4,396,677

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

1. HISTORY AND ORGANIZATION OF THE COMPANY

Silverwing Systems Corporation (the "Company"), a Nevada corporation, was incorporated on September 1, 1998. On June 23, 1999, the Company completed the acquisition of Advertain On-Line Canada Inc. ("Advertain Canada"), a Canadian company operating in Vancouver, British Columbia, Canada. The Company changed its name to Advertain On-Line Inc. ("Advertain") on August 19, 1999. Advertain Canada's business was the operation of a web site, "Advertain.com", whose primary purpose was to distribute entertainment advertising on the Internet.

In May 2001, the Company, being unable to continue its funding of Advertain Canada's operations, decided to abandon its interest in Advertain Canada. On June 15, 2001, the Company sold its investment in Advertain Canada back to Advertain Canada's original shareholder. On June 18, 2001, the Company changed its name from Advertain to RetinaPharma International, Inc. ("RetinaPharma") and became inactive.

In 2003, the Company became a resource exploration company. On October 31, 2003, the Company acquired 100% of the issued and outstanding common stock of Xtra-Gold Resources, Inc. ("XGRI"). XGRI was incorporated in Florida on October 24, 2003. On December 19, 2003, the Company changed its name from RetinaPharma to Xtra-Gold Resources Corp.

In 2004, the Company acquired 100% of the issued and outstanding capital stock of Canadiana Gold Resources Limited ("Canadiana") and 90% of the issued and outstanding capital stock of Goldenrae Mining Company Limited ("Goldenrae"). Both companies are incorporated in Ghana and the remaining 10% of the issued and outstanding capital stock of Goldenrae is held by the Government of Ghana.

On October 20, 2005, XGRI changed its name to Xtra Energy Corp. ("Xtra Energy").

On October 20, 2005, the Company incorporated Xtra Oil & Gas Ltd. ("XOG") in Alberta, Canada.

On December 21, 2005, Canadiana changed its name to Xtra-Gold Exploration Limited ("XG Exploration").

On January 13, 2006, Goldenrae changed its name to Xtra-Gold Mining Limited ("XG Mining").

On March 2, 2006, the Company incorporated Xtra Oil & Gas (Ghana) Limited ("XOGG") in Ghana.

2. GOING CONCERN

The Company is in the exploration stage with respect to its resource properties, incurred a loss of $998,565 for the six months ended June 30, 2010 and has accumulated a deficit during the exploration stage of $10,303,017. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management of the Company ("Management") is of the opinion that sufficient financing will be obtained from external financing and further share issuances to meet the Company's obligations. At June 30, 2010, the Company has working capital of $2,126,712.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited financial statements have been prepared by the Company in conformity with accounting principles generally accepted in the United States of America applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2009, included in the Company's Form 10-K, filed with the Securities and Exchange Commission. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Recent accounting pronouncements

In April 2010, the FASB issued *ASU 2010-13, Compensation – Stock (Topic 718),* amending ASC 718, ASU 2010-13 clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which the entity's equity securities trade should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 also improves GAAP by improving consistency in financial reporting by eliminating diversity in practice. ASU 2010-13 is effective for interim and annual reporting periods beginning after December 15, 2010. The Company is currently evaluating the impact of ASU 2010-13, but does not expect its adoption to have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued authoritative guidance related to non-controlling interests in consolidated financial statements, which was an amendment of ARB No. 51. This guidance is set forth in ASC 810, *Consolidation*. ASC 810 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This accounting standard is effective for fiscal years beginning on or after December 15, 2008, which for the Company was the fiscal year beginning January 1, 2009. The Company adopted ASC 810 at January 1, 2009, which has resulted in $76,629 allocated to the non-controlling interest for the year ended December 31, 2009.

In October 2009, the FASB issued ASU 2009-13, *Revenue Recognition (Topic 605), Multiple-Deliverable Revenue Arrangements* amending ASC 605. ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. ASU 2009-13 eliminates the residual method of revenue allocation and requires revenue to be allocated using the relative selling price method. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of ASU 2009-13, but does not expect its adoption to have a material impact on the Company's financial position or results of operations.

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements (cont'd...)

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements,* amending ASC 820. ASU 2010-06 requires entities to provide new disclosures and clarify existing disclosures relating to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company has adopted ASU 2010-06, which did not have a material impact on the Company's financial position or results of operations.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events (Topic 855),* amending ASC 855. ASU 2010-09 removes the requirement for an SEC filer to disclose a date relating to its subsequent events in both issued and revised financial statements. ASU 2010-09 also eliminates potential conflicts with the SEC's literature. Most of ASU 2010-09 is effective upon issuance of the update. The Company adopted ASU 2010-09 in February 2010, and its adoption did not have a material impact on the Company's financial reporting and disclosures.

4. INVESTMENTS IN TRADING SECURITIES

At June 30, 2010, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of June 30, 2010, the fair value of trading securities was $666,939 (December 31, 2009 – $1,781,594).

5. OIL AND GAS INVESTMENT

In April 2008, XOG purchased an 18.9% participating interest in a petroleum and natural gas lease at an Alberta Crown Land sale. The lease has a five year term, but may be held by continuous production of petroleum and natural gas commencing prior to the expiry of the five year term. During the six months ended June 30, 2010, the Company sold its 18.9% participating interest for $40,000.

6. MINERAL PROPERTIES

	June 30, 2010	December 31, 2009
Acquisition costs	$ 1,607,729	$ 1,607,729
Asset retirement obligation	54,835	54,835
Total	$ 1,662,564	$ 1,662,564

Kwabeng, Pameng and Kibi Projects

The Company holds three mining leases in Ghana. These mining leases grant the Company mining rights to produce gold in the leased areas until July 26, 2019 with respect to the Kwabeng and Pameng Projects and until December 17, 2015 with respect to the Kibi Project (formerly known as the Apapam Project), the latter of which can be renewed for a further 30 year term on application and payment of applicable fees to the Minerals Commission. All gold production will be subject to a 3% production royalty of the net smelter returns ("NSR").

6. MINERAL PROPERTIES (cont'd…)

Banso and Muoso Project

The Company holds a prospecting license on its Banso and Muoso Project in Ghana. This license grants the Company the right to conduct exploratory work to determine whether there are mineable reserves of gold or diamonds in the licensed areas, and currently has been renewed for a further one year term (to December 21, 2010) and is further renewable on application and payment of applicable renewal fees to the Minerals Commission. If mineable reserves of gold or diamonds are discovered, the Company will have the option to acquire a mining lease.

Option agreement on Edum Banso Project

In October, 2005, XG Exploration entered into an option agreement (the "Option Agreement") with Adom Mining Limited ("Adom") to acquire 100% of Adom's right, title and interest in and to a prospecting license on the Edum Banso concession (the "Edum Banso Project") located in Ghana. Adom further granted XG Exploration the right to explore, develop, mine and sell mineral products from this concession. The renewal date was July 14, 2009 and the Company has been granted an extension by the Minerals Commission to December 1, 2010.

The consideration paid was $15,000 with additional payments of $5,000 to be paid on the anniversary date of the Option Agreement in each year during the term. Upon the commencement of gold production, an additional $200,000 is to be paid, unless proven and probable reserves are less than 2,000,000 ounces, in which case the payment shall be reduced to $100,000.

Upon successful transfer of title from Adom to XG Exploration, a production royalty (the "Royalty") of 2% of the net smelter returns shall be paid to Adom; provided, however that in the event that less than 2,000,000 ounces of proven and probable reserves are discovered, then the Royalty shall be 1%. The Royalty can be purchased by XG Exploration for $2,000,000; which will be reduced to $1,000,000 if proven and probable reserves are less than 2,000,000 ounces.

Mining lease and prospecting license commitments

The Company is committed to expend, from time to time to the Minerals Commission for an extension of an expiry date of a prospecting license (currently $15,000 for each occurrence) or a mining lease and the Environmental Protection Agency ("EPA") (of Ghana) for processing and certificate fees with respect to EPA permits, an aggregate of less than $500 in connection with annual or ground rent and mining permits to enter upon and gain access to the areas covered by the Company's mining leases and prospecting licenses.

7. CONVERTIBLE DEBENTURES

During the year ended December 31, 2005, the Company completed a convertible debenture financing for gross proceeds of $900,000. The debentures bore interest at 7% per annum, payable quarterly, and the principal balance was repayable by June 30, 2010. Debenture holders had the option to convert any portion of the outstanding principal into common shares at the conversion rate of $1 per share. During the year ended December 31, 2008, convertible debentures totalling $650,000 were converted into 650,000 common shares. During the six months ended June 30, 2010, the convertible debenture of $250,000 was converted into 250,000 common shares.

(Expressed in U.S. Dollars)

8. CAPITAL STOCK

Cancellation of shares

During the six months ended June 30, 2010, in settlement of a lawsuit, the Company paid $108,000 for the return of 80,891 common shares which were subsequently cancelled.

Private placements

In June 2010, the Company completed a private placement financing and, on closing of this transaction (the "Closing"), issued 250,000 units at $1.00 per unit for gross proceeds of $250,000. Each unit consisted of one common share and one half of one common stock purchase warrant ("Warrant"). One whole Warrant enables the holder to acquire an additional common share at a price of $1.50 expiring 18 months from the Closing, subject to a forced conversion provision whereby if, at any time after 12 months from the Closing, the Company's closing share price for 10 consecutive trading days equals or exceeds $2.50 per share, the Company shall have the option to give notice to the Warrant holders that they must exercise their remaining unexercised Warrants within a period of 30 days from the date of receipt of the notice. Any Warrants remaining unexercised after the expiration of the 30-day notice period will be cancelled and will thereafter be of no force or effect. The Company also issued finder's warrants with a fair value of $15,090 enabling the holders to acquire up to 25,000 common shares at the same terms as the Warrants. The fair value of finder's warrants was calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 2.17%, volatility of 100% and a dividend rate of 0%.

In April 2010, the Company completed a private placement financing and, on closing of this transaction (the "Closing"), issued 838,000 units at $1.00 per unit for gross proceeds of $838,000. Each unit consisted of one common share and one half of one common stock purchase warrant ("Warrant"). One whole Warrant enables the holder to acquire an additional common share at a price of $1.50 expiring 18 months from the Closing, subject to a forced conversion provision whereby if, at any time after 12 months from the Closing, the Company's closing share price for 10 consecutive trading days equals or exceeds $2.50 per share, the Company shall have the option to give notice to the Warrant holders that they must exercise their remaining unexercised Warrants within a period of 30 days from the date of receipt of the notice. Any Warrants remaining unexercised after the expiration of the 30-day notice period will be cancelled and will thereafter be of no force or effect. The Company also issued finder's warrants with a fair value of $40,516 enabling the holders to acquire up to 73,800 common shares at the same terms as the Warrants. The fair value of finder's warrants was calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 2.39%, volatility of 109% and a dividend rate of 0%.

Stock options

The number of shares reserved for issuance under the Company's equity compensation option plan is 3,000,000. The terms and conditions of any options granted, including the number and type of options, the exercise period, the exercise price and vesting provisions, are determined by the board of directors.

At June 30, 2010, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
324,000	$0.70	May 1, 2013
270,000	$0.75	May 1, 2013
270,000	$0.75	May 1, 2013
110,000	$1.00	February 15, 2011
108,000	$1.00	January 1, 2013
216,000	$1.00	February 1, 2013
70,000	$1.05	May 1, 2013
270,000	$1.00	May 1, 2013

Stock option transactions and the number of stock options outstanding are summarized as follows:

(Expressed in U.S. Dollars)

8. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

	June 30, 2010		December 31, 2009	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	972,000	$ 0.73	1,080,000	$ 0.73
Granted	774,000	$ 1.00	—	—
Exercised	—	—	—	—
Cancelled/Expired	(108,000)	$ 0.70	(108,000)	0.70
Outstanding, end of period	1,638,000	$ 0.86	972,000	$ 0.73
Exercisable, end of period	1,354,500	$ 0.83	972,000	$ 0.73

The aggregate intrinsic value for options vested as of June 30, 2010 is approximately $474,000 (June 30, 2009 - $Nil) and for total options outstanding is approximately $523,540 (June 30, 2009 - $Nil).

Stock-based compensation

The fair value of stock options granted during the six months ended June 30, 2010 totaled $519,765 (June 30, 2009 - $Nil). During the six months ended June 30, 2010, $311,629 (June 30, 2009 - $52,430) was expensed and included in general and administrative expenses for options that were vested. The remaining $208,136 (June 30, 2009 - $31,440) will be expensed in future periods.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the six month periods ended June 30, 2010 and 2009:

	June 30, 2010	**June 30, 2009**
Risk-free interest rate	1.58%	—
Expected life	3 years	—
Annualized volatility	101%	—
Dividend rate	—	—

The weighted average fair value of options granted was $0.67 (June 30, 2009 - $Nil).

Warrants

At June 30, 2010, the following warrants were outstanding:

(Expressed in U.S. Dollars)

8. CAPITAL STOCK (cont'd…)

Warrants (cont'd…)

Number of Warrants	Exercise Price	Expiry Date
350,000	$1.00	April 1, 2011
360,000	$1.00	April 16, 2011
308,000	$1.00	May 19, 2011
188,438	$1.00	August 5, 2011
403,600	$1.50	June 16, 2011
492,800	$150	October 19, 2011
150,000	$1.50	December 11, 2011

Warrant transactions and the number of warrants outstanding are summarized as follows:

	June 30, 2010	December 31, 2009
Balance, beginning of period	1,610,038	1,514,471
Issued	642,800	1,610,038
Exercised	—	—
Expired	—	(1,514,471)
Balance, end of period	2,252,838	1,610,038

9. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2010 and 2009, the Company entered into the following transactions with related parties:

(a) Paid or accrued consulting fees of $115,939 (2009 – $45,848) to officers of the Company or companies controlled by such officers.

(b) Paid or accrued directors' fees of $15,799 (2009 – $5,822) to directors of the Company or companies controlled by directors.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

(Expressed in U.S. Dollars)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010	2010	2009
Cash paid during the period for:			
Interest	$ 187,362	$ —	$ —
Income taxes	$ —	$ —	$ —

The significant non-cash transactions during the six months ended June 30, 2010 was the conversion of $250,000 of a convertible debenture into 250,000 common shares and the issuance of 98,800 finders' warrants valued at $55,607 pursuant to private placements. Included in accounts receivable is $10,000 related to the sale of an oil and gas interest for a total of $40,000.

There were no significant non-cash transactions during the six months ended June 30, 2009.

11. SEGMENTED INFORMATION

The Company has one reportable segment, being the exploration and development of resource properties.

Geographic information is as follows:

	June 30, 2010	December 31, 2009
Capital assets:		
Canada	$ 12,679	$ 94,751
Ghana	2,332,788	1,852,321
Total capital assets	$ 2,345,467	$ 1,947,072

12. CONTINGENCY AND COMMITMENTS

(a) Effective September 1, 2009, the Company has paid CAD$10,000 (USD10,192) per month to its Vice President, Exploration for providing the majority of his time in consulting services to the Company). In the event of termination, without cause, 18 months of fees will be payable. A new management consulting agreement is currently being negotiated.

(b) The Company leases its corporate office space located at Suite 301, 360 Bay Street, Toronto, Ontario. The lease has a 66 month term commencing May 1, 2007, at approximately CAD$3,868 (USD$4,028) per month.

13. SUBSEQUENT EVENTS

(a) The Company executed a letter of intent with Verbina Resources Inc. ("Verbina") on July 21, 2010 whereby Verbina can acquire an undivided 55% interest in the Company's interest in the mineral rights of the Company's Banso and Muoso concessions ("Concessions") upon completion by Verbina of (i) a cash payment to the Company of $100,000 upon the date of execution of a definitive binding agreement to be entered into between the parties (the "Effective Date"); (ii) a cash payment to the Company of $200,000 within 90 days of the Effective Date; (iii) the issuance of 1,000,000 fully paid and non-assessable common shares of Verbina to the Company upon the Effective Date; and (iv) Verbina incurring $4,500,000 in exploration expenditures ("Expenditures") on the Concessions with five years of the Effective Date, as to (A) $500,000 being incurred in the first year from the Effective Date; and (B) $1,000,000 being incurred in each year thereafter. Verbina shall have the right to accelerate the Expenditures at any time.

The Company is to be paid a further $50,000 by Verbina on the Effective Date whereby Verbina will acquire an immediate 55% interest in the alluvial rights to the Concessions, such purchase being subject to a definitive agreement to be entered into between the parties on or before the Effective Date.

(b) On July 1, 2010, the Company granted 90,000 stock options to an officer of the Company. The options are exercisable at a price of $1.15 per share for three years and will vest as to 2,500 options per month.

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)

DECEMBER 31, 2009

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors of
Xtra-Gold Resources Corp. and subsidiaries
(an Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of Xtra-Gold Resources Corp. and subsidiaries (an Exploration Stage Company) as at December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2009. These consolidated 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 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above 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 the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2009 in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are discussed in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada Chartered Accountants

March 30, 2010 (except as to Note 17, which is as of November 8, 2010)

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
AS AT DECEMBER 31

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	$ 622,670	$ 271,573
Investment in trading securities, at fair value (cost of $1,636,628 (2008 - $2,208,373)) (Note 4)	1,781,594	1,470,382
Receivables and other	46,462	92,942
Deposit for equipment (Note 5)	151,506	—
Total current assets	2,602,232	1,834,897
Equipment (Note 5)	244,508	312,300
Deferred financing costs (Note 6)	1,283	3,850
Oil and gas investment (Note 7)	40,000	40,000
Mineral properties (Note 8)	1,662,564	1,662,564
TOTAL ASSETS	$ 4,550,587	$ 3,853,611
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 233,073	$ 535,272
Convertible debentures (Note 9, 17)	250,000	—
Total current liabilities	483,073	535,272
Convertible debentures (Note 9, 17)	—	250,000
Asset retirement obligation (Note 10)	71,906	65,369
Total liabilities	554,979	850,641
Stockholders' equity		
Capital stock (Note 11)		
Authorized		
250,000,000 common shares with a par value of $0.001		
Issued and outstanding		
33,231,477 common shares (2008 – 31,330,602 common shares)	33,231	31,331
Additional paid in capital	14,771,222	12,742,360
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	(9,304,452)	(8,342,957)
Total Xtra-Gold Resources Corp. stockholders' equity	4,072,237	3,002,970
Non-controlling interest	(76,629)	—
Total stockholders' equity	3,995,608	3,002,970
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,550,587	$ 3,853,611

History and organization of the Company (Note 1)
Contingency and commitments (Note 16)
Subsequent events (Note 17)

APPROVED ON BEHALF OF THE BOARD

"Peter C. Minuk", Director

"Robert H. Montgomery", Director

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008
EXPENSES			
Amortization	$ 185,645	$ 67,792	$ 63,674
Exploration	12,034,212	1,080,488	5,140,679
General and administrative	4,975,034	957,332	1,035,369
Write-off of mineral property	26,000	—	—
LOSS BEFORE OTHER ITEMS	(17,231,090)	(2,105,612)	(6,239,722)
OTHER ITEMS			
Foreign exchange gain (loss)	370,528	303,243	(424,559)
Interest expense	(240,653)	(2,567)	(49,113)
Realized gains (losses) on sales of trading securities	23,580	(172,638)	2,585
Net unrealized gain (loss) on trading securities	(66,573)	789,934	(857,980)
Other income	822,732	138,558	196,621
Recovery of gold	6,843,965	10,958	4,140,765
Gain (loss) on disposal of property	96,430	—	—
	7,850,009	1,067,488	3,008,319
Consolidated loss for the period	(9,381,081)	(1,038,124)	(3,231,403)
Net loss attributable to non-controlling interest	76,629	76,629	—
Net loss attributable to Xtra-Gold Resources Corp.	$ (9,304,452)	$ (961,495)	$ (3,231,403)
Basic and diluted loss attributable to common shareholders per common share		$ (0.03)	$ (0.11)
Basic and diluted weighted average number of common shares outstanding		32,101,330	30,389,400

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (9,381,081)	$ (1,038,124)	$ (3,231,403)
Items not affecting cash:			
Amortization	185,645	67,792	63,674
Amortization of deferred financing costs	44,919	2,567	19,251
Accretion of asset retirement obligation	17,071	6,537	—
Shares issued for services	202,365	—	196,865
Stock-based compensation	1,067,182	468,052	156,444
Unrealized foreign exchange (gain) loss	(429,789)	(247,155)	385,947
Realized (gain) losses on sale of trading securities	(23,580)	172,638	(2,585)
Purchase of trading securities	(11,564,690)	(778,387)	(2,088,467)
Proceeds on sale of trading securities	10,169,892	1,331,626	1,544,484
Unrealized (gain) loss on trading securities	66,573	(789,934)	857,980
Gain on disposal of property	(95,342)	—	—
Write-off of mineral property	26,000	—	—
Expenses paid by stockholders	2,700	—	—
Changes in non-cash working capital items:			
(Increase) decrease in receivables and other	(38,087)	46,480	(38,433)
Increase (decrease) in accounts payable and accrued liabilities	222,381	(302,199)	(259,959)
Increase in due to related party	50,000	—	—
Net cash used in operating activities	(9,477,841)	(1,060,107)	(2,396,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of convertible debentures	900,000	—	—
Deferred financing costs	(46,202)	—	—
Repurchase of capital stock	(57,000)	(50,000)	—
Issuance of capital stock, net of financing costs	9,842,432	1,612,710	2,489,460
Net cash provided by financing activities	10,639,230	1,562,710	2,489,460

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008
Continued ...			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	(433,976)	—	(115,950)
Deposit on equipment	(151,506)	(151,506)	—
Oil and gas property expenditures	(250,137)	—	(40,000)
Acquisition of cash on purchase of subsidiary	11,510	—	—
Acquisition of subsidiary	(25,000)	—	—
Proceeds on disposal of assets	310,390	—	—
Net cash used in investing activities	(538,719)	(151,506)	(155,950)
Change in cash and cash equivalents during the period	622,670	351,097	(62,692)
Cash and cash equivalents, beginning of the period	—	271,573	334,265
Cash and cash equivalents, end of the period	$ 622,670	$ 622,670	$ 271,573

Supplemental disclosure with respect to cash flows (Note 13)

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock					Deficit Accumulated During the Exploration Stage	
	Number of Shares	Amount	Additional Paid in Capital	Deficit	Non-Controlling Interest		Total
Balance, December 31, 2002	12,364,085	$ 12,364	$ 1,412,842	$ (1,427,764)	$ —	$ —	$ (2,558)
Paid on behalf of the Company	—	—	5,258	—	—	—	5,258
October 31, 2003, issuance of stock for acquisition of subsidiary	50,350,000	50,350	(50,350)	—	—	—	—
Loss for the year	—	—	—	—	—	(2,700)	(2,700)
Balance, December 31, 2003	62,714,085	62,714	1,367,750	(1,427,764)	—	(2,700)	—
March, 2004 - private placement at $0.35 per share	2,000,000	2,000	698,000	—	—	—	700,000
May, 2004 - private placement at $0.35 per share	2,129,400	2,129	743,161	—	—	—	745,290
December, 2004 - acquisition of subsidiary via issuance of common stock	2,698,350	2,699	1,616,311	—	—	—	1,619,010

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
Share issuance costs	—	—	(76,298)	—	—	—	(76,298)
Loss for the year	—	—	—	—	—	(398,533)	(398,533)
Balance, December 31, 2004	69,541,835	69,542	4,348,924	(1,427,764)	—	(401,233)	2,589,469
May, 2005 – cancellation of shares	(47,000,000)	(47,000)	47,000	—	—	—	—
June 2005 – for services	10,000	10	5,490	—	—	—	5,500
June, 2005 – private placement at $0.55 per share	536,218	536	294,384	—	—	—	294,920
August, 2005 – private placement at $0.55 per share	300,000	300	164,700	—	—	—	165,000
November, 2005 – private placement at $0.55 per share	1,549,354	1,550	850,595	—	—	—	852,145

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
Share issuance costs	—	—	(130,714)	—	—	—	(130,714)
Stock-based compensation	—	—	41,022	—	—	—	41,022
Loss for the year	—	—	—	—	—	(272,572)	(272,572)
Balance, December 31, 2005	24,937,407	24,938	5,621,401	(1,427,764)	—	(673,805)	3,544,770
February, 2006 – conversion of promissory note at $0.55 per share	90,909	91	49,909	—	—	—	50,000
March, 2006 – exercise of warrants at $0.75 per share	108,500	108	81,267	—	—	—	81,375
March, 2006 - private placement at $0.70 per share	792,029	792	553,628	—	—	—	554,420
April, 2006 – exercise of warrants at $0.75 per share	177,200	177	132,723	—	—	—	132,900

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	Amount	Additional Paid in Capital	Deficit	Non-Controlling Interest	Deficit Accumulated During the Exploration Stage	Total
Continued ...							
June, 2006 – cancellation of shares	(10,000)	(10)	(6,990)	—	—	—	(7,000)
June, 2006 – private placement at $0.90 per share	578,112	578	519,722	—	—	—	520,300
July, 2006 – private placement at $0.90 per share	1,132,000	1,132	1,017,668	—	—	—	1,018,800
October, 2006 – private placement at $1.10 per share	282,000	282	309,918	—	—	—	310,200
Share issuance costs	—	—	(240,616)	—	—	—	(240,616)
Stock-based compensation	—	—	206,041	—	—	—	206,041
Loss for the year	—	—	—	—	—	(2,562,992)	(2,562,992)
Balance, December 31, 2006	28,088,157	28,088	8,244,671	(1,427,764)	—	(3,236,797)	3,608,198

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
October, 2007 – Private placement at $1.35 per unit	668,202	668	901,405	—	—	—	902,073
Share issuance costs	—	—	(89,533)	—	—	—	(89,533)
Stock-based compensation	—	—	195,623	—	—	—	195,623
Loss for the year	—	—	—	—	—	(1,874,757)	(1,874,757)
Balance, December 31, 2007	28,756,359	28,756	9,252,166	(1,427,764)	—	(5,111,554)	2,741,604
February, 2008 – Private placement at $1.50 per unit	1,062,000	1,062	1,591,938	—	—	—	1,593,000
May, 2008 – Exercise of options at $0.75 per share	100,000	100	74,900	—	—	—	75,000
June, 2008 – Conversion of debentures at $1.00 per share	650,000	650	649,350	—	—	—	650,000

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock					Deficit	
	Number of Shares	Amount	Additional Paid in Capital	Deficit	Non-Controlling Interest	Deficit Accumulated During the Exploration Stage	Total
Continued ...							
July, 2008 – Exercise of warrants at $1.50 per share	631,000	631	945,869	—	—	—	946,500
December, 2008 – For services at $1.50 per share	131,243	132	196,733	—	—	—	196,865
Share issuance costs	—	—	(125,040)	—	—	—	(125,040)
Stock-based compensation	—	—	156,444	—	—	—	156,444
Loss for the year	—	—	—	—	—	(3,231,403)	(3,231,403)
Balance, December 31, 2008	31,330,602	31,331	12,742,360	(1,427,764)	—	(8,342,957)	3,002,970
April, 2009 – Private placement at $0.70 per unit	710,000	710	496,290	—	—	—	497,000
May, 2009 – Private placement at $0.70 per unit	308,000	308	215,292	—	—	—	215,600

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
May, 2009 – Repurchase and cancellation of shares at $0.25 per share	(200,000)	(200)	(49,800)	—	—	—	(50,000)
August, 2009 – Private placement at $0.80 per unit	376,875	376	301,124	—	—	—	301,500
December, 2009 – Private placement at $1.00 per unit	706,000	706	705,294	—	—	—	706,000
Share issuance costs	—	—	(107,390)	—	—	—	(107,390)
Stock-based compensation	—	—	468,052	—	—	—	468,052
Loss for the year	—	—	—	—	(76,629)	(961,495)	(1,038,124)
Balance, December 31, 2009	33,231,477	$ 33,231	$ 14,771,222	$ (1,427,764)	$ (76,629)	$ (9,304,452)	$ 3,995,608

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

1. HISTORY AND ORGANIZATION OF THE COMPANY

Silverwing Systems Corporation (the "Company"), a Nevada corporation, was incorporated on September 1, 1998. On June 23, 1999, the Company completed the acquisition of Advertain On-Line Canada Inc. ("Advertain Canada"), a Canadian company operating in Vancouver, British Columbia, Canada. The Company changed its name to Advertain On-Line Inc. ("Advertain") on August 19, 1999. Advertain Canada's business was the operation of a web site, "Advertain.com", whose primary purpose was to distribute entertainment advertising on the Internet.

In May 2001, the Company, being unable to continue its funding of Advertain Canada's operations, decided to abandon its interest in Advertain Canada. On June 15, 2001, the Company sold its investment in Advertain Canada back to Advertain Canada's original shareholder. On June 18, 2001, the Company changed its name from Advertain to RetinaPharma International, Inc. ("RetinaPharma") and became inactive.

In 2003, the Company became a resource exploration company. On October 31, 2003, the Company acquired 100% of the issued and outstanding common stock of Xtra-Gold Resources, Inc. ("XGRI"). XGRI was incorporated in Florida on October 24, 2003. On December 19, 2003, the Company changed its name from RetinaPharma to Xtra-Gold Resources Corp.

In 2004, the Company acquired 100% of the issued and outstanding capital stock of Canadiana Gold Resources Limited ("Canadiana") and 90% of the issued and outstanding capital stock of Goldenrae Mining Company Limited ("Goldenrae"). Both companies are incorporated in Ghana and the remaining 10% of the issued and outstanding capital stock of Goldenrae is held by the Government of Ghana.

On October 20, 2005, XGRI changed its name to Xtra Energy Corp. ("Xtra Energy").

On October 20, 2005, the Company incorporated Xtra Oil & Gas Ltd. ("XOG") in Alberta, Canada.

On December 21, 2005, Canadiana changed its name to Xtra-Gold Exploration Limited ("XG Exploration").

On January 13, 2006, Goldenrae changed its name to Xtra-Gold Mining Limited ("XG Mining").

On March 2, 2006, the Company incorporated Xtra Oil & Gas (Ghana) Limited ("XOGG") in Ghana.

2. GOING CONCERN

The Company is in the exploration stage with respect to its resource properties, incurred a loss of $1,038,124 for the year ended December 31, 2009 and has accumulated a deficit during the exploration stage of $9,381,081. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management of the Company ("Management") is of the opinion that sufficient financing will be obtained from external financing and further share issuances to meet the Company's obligations. At December 31, 2009, the Company has working capital of $2,119,159.

3. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP").

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Xtra Energy (from October 31, 2003), XG Exploration (from February 16, 2004), XOG (from October 20, 2005) and XOGG (from March 2, 2006) and its 90% owned subsidiary, XG Mining (from December 22, 2004). All significant intercompany accounts and transactions have been eliminated on consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2009 and 2008, cash and cash equivalents consisted of cash held at financial institutions.

Receivables

No allowance for doubtful accounts has been provided. Management has evaluated all receivables and believes they are all collectible.

Recovery of gold

Recovery of gold and other income is recognized when title and the risks and rewards of ownership to delivered bullion and commodities pass to the buyer and collection is reasonably assured.

Trading securities

The Company's trading securities are reported at fair value, with unrealized gains and losses included in earnings.

Non-Controlling Interest

The consolidated financial statements include the accounts of XG Mining (from December 22, 2004). All intercompany accounts and transactions have been eliminated upon consolidation. The Company records a non-controlling interest which reflects the 10% portion of the earnings (loss) of XG Mining allocable to the holders of the minority interest.

Oil and natural gas properties

The Company follows the full cost method of accounting for oil and natural gas operations. Under this method, all costs associated with the acquisition of, exploration for and development of oil and gas reserves are capitalized in cost centers on a country-by-country basis. Such costs include property acquisition costs, geological and geophysical studies, carrying charges on non-producing properties, costs of drilling productive wells, and overhead expenses directly related to these activities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Oil and natural gas properties (cont'd...)

Depletion is calculated for producing properties by using the unit-of-production method based on estimated proved reserves, before royalties, as determined by management of the Company or independent consultants. Sales or dispositions of oil and gas properties are credited to the respective cost centers and a gain or loss is recognized when all properties in a cost center have been disposed of, unless such sale or disposition significantly alters the relationship between capitalized costs and proved reserves of oil and gas attributable to the cost center. Costs of abandoned properties are accounted for as adjustments of capitalized costs and written off to expense.

Undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be determined.

A ceiling test is applied to the proven properties for each cost center and for the aggregate of all cost centers by comparing the net capitalized costs to the estimated future net revenues from production of estimated proved reserves without discount, plus the costs of unproved properties net of impairment. Any excess capitalized costs are written off to expense. Further, the ceiling test for the aggregate of all cost centers is required to include the effects of future removal and site restoration costs, general and administrative expenses, financing costs and income taxes. The calculation of future net revenues is based upon prices, costs and regulations in effect at each year end.

Unproved properties are assessed for impairment on an annual basis by applying factors that rely on historical experience. In general, the Company may write off any unproved property under one or more of the following conditions:

(a) there are no firm plans for further drilling on the unproved property;

(b) negative results were obtained from studies of the unproved properties;

(c) negative results were obtained from studies conducted in the vicinity of the unproved property; or

(d) the remaining term of the unproved property does not allow sufficient time for further studies or drilling.

Equipment

Equipment is recorded at cost and is being amortized over its estimated useful lives using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%
Vehicles	30%
Mining equipment	20%

Deferred financing costs

Deferred financing costs consist of expenses incurred to obtain funds pursuant to the issuance of the convertible debentures and are being amortized straight-line over the term of the debentures.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties and exploration and development costs

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral property is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral properties are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses).

Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

Stock-based compensation

The Company accounts for share-based compensation under the provisions of ASC 718, "Compensation-Stock Compensation". Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date for all stock-based awards to employees and directors and is recognized as an expense over the requisite service period, which is generally the vesting period. The Black-Scholes option valuation model is used to calculate fair value.

The Company accounts for stock compensation arrangements with non-employees in accordance with ASC 718 which require that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. Nonemployee stock-based compensation charges are amortized over the vesting period on a straight-line basis. For stock options granted to non-employees, the fair value of the stock options is estimated using a Black-Scholes valuation model.

Income taxes

The Company accounts for income taxes under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method. As of December 31, 2009, there were 1,610,038 warrants (2008 – 1,514,471); 972,000 stock options (2008 – 1,080,000) and convertible debentures exercisable into 250,000 common shares (2008 – 250,000) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

Foreign exchange

The Company's functional currency is the U.S. dollar. The Company does not have any significant non-monetary assets and liabilities that are in a currency other than the U.S. dollar. Any monetary assets and liabilities that are in a currency other than the U.S. dollar are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into U.S. dollars are included in current results of operations.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trading securities, receivables, accounts payable and accrued liabilities and convertible debentures. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in one commercial bank in Toronto, Ontario, Canada.

Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities based on GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Effective January 1, 2008, the Company adopted the provisions for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. Effective January 1, 2009, the Company adopted the provisions for non-financial assets and liabilities that are required to be measured at fair value.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities are carried at cost, which management believes approximates fair value due to the short term nature of these instruments. Investments in trading securities are classified as held for trading, with unrealized gains and losses being recognized in income.

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Fair value of financial assets and liabilities (cont'd...)

The following table presents information about the assets that are measured at fair value on a recurring basis as of December 31, 2009, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 622,670	$ 622,670	$ —	$ —
Marketable securities	$ 1,781,594	$ 1,781,594	$ —	$ —
Total	$ 2,404,264	$ 2,404,264	$ —	$ —

The fair values of cash and cash equivalents and marketable securities are determined through market, observable and corroborated sources.

Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of December 31, 2009 and 2008, the Company has exceeded the federally insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Recent accounting pronouncements

During the third quarter of 2009, the Company adopted the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles in accordance with FASB ASC Topic 105,"Generally Accepted Accounting Principles"(the Codification). The Codification has become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Effective with the Company's adoption on July 1, 2009, the Codification has superseded all prior non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative. As the adoption of the Codification only affected how specific references to GAAP literature have been disclosed in the notes to our condensed consolidated financial statements, it did not result in any impact on the Company's results of operations, financial condition, or cash flows.

In December 2007, the FASB issued authoritative guidance related to non-controlling interests in consolidated financial statements, which was an amendment of ARB No. 51. This guidance is set forth in ASC 810, *Consolidation*. ASC 810 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This accounting standard is effective for fiscal years beginning on or after December 15, 2008, which for the Company was the fiscal year beginning January 1, 2009. The Company adopted ASC 810 at January 1, 2009, which resulted in $76,629 allocated to the non-controlling interest.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements (cont'd...)

In September 2009, the FASB issued authoritative guidance regarding multiple-deliverable revenue arrangements. This guidance addresses how to separate deliverables and how to measure and allocate consideration to one or more units of accounting. Specifically, the guidance requires that consideration be allocated among multiple deliverables based on relative selling prices. The guidance establishes a selling price hierarchy of (1) vendor-specific objective evidence, (2) third-party evidence and (3) estimated selling price. This guidance is effective for annual periods beginning after June 15, 2010 but may be early adopted as of the beginning of an annual period. The Company is currently evaluating the effect that this guidance will have on consolidated financial position and results of operations.

ASC 855-10-20, "Subsequent Events" establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued and requires the disclosure of the date through which a company has evaluated subsequent events. This statement is effective for our third quarter ended September 30, 2009 and the adoption did not have an impact on the condensed consolidated financial statements. See Note 17 for the required disclosures.

In April 2009, the FASB issued ASC 820-10-65 formerly FASB Staff Position FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4"). This provides significant guidance for determining when a market has become inactive as well as guidance for determining whether transactions are not orderly. It also provides guidance on the use of valuation techniques and the use of broker quotes and pricing services. It reiterates that fair value is based on an exit price and also that fair value is market-driven and not entity-specific. The accounting standard of codification applies to all assets and liabilities within the scope of ASC 820 and is effective for all interim and annual periods ending after June 15, 2009. The adoption of ASC 820-10-65 did not have a material effect on the Company's results of operations, financial position, and cash flows.

In April 2009, the FASB issued ASC 320-10-65, formerly FASB Staff Position FAS 115-2, FAS 124-2 and EITF 99-20-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2"). This accounting standard provides guidance related to determining the amount of an other-than-temporary impairment (OTTI) of debt securities and prescribes the method to be used to present information about an OTTI in the financial statements. It is effective for all interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 did not have a material effect on the Company's results of operations, financial position, and cash flows.

In April 2009, the FASB issued ASC 825-10-65, formerly FASB Staff Position FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"), which increases the frequency of fair value disclosures to a quarterly basis instead of an annual basis. The guidance relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet at fair value. This ASC is effective for interim and annual periods ending after June 15, 2009. The adoption did not have a material effect on the Company's results of operations, financial position, and cash flows.

4. INVESTMENTS IN TRADING SECURITIES

At December 31, 2009, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of December 31, 2009, the fair value of trading securities was $1,781,594 (2008 – $1,470,382).

(Expressed in U.S. Dollars)

5. EQUIPMENT

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 12,416	$ 4,171	$ 8,245	$ 12,416	$ 2,110	$ 10,306
Computer equipment	24,864	17,800	7,064	24,864	14,772	10,092
Mining equipment	304,083	86,352	217,731	316,791	55,456	261,335
Vehicles	76,398	64,930	11,468	76,398	45,831	30,567
	$ 417,761	$ 173,253	$ 244,508	$ 430,469	$ 118,169	$ 312,300

As of December 31, 2009 the Company also had made a deposit of $151,506 to acquire mining equipment, which was delivered subsequent to year end.

6. DEFERRED FINANCING COSTS

	December 31, 2009	December 31, 2008
Balance, beginning of year	$ 3,850	$ 23,101
Costs incurred	—	—
Amortization	(2,567)	(19,251)
Balance, end of year	$ 1,283	$ 3,850

During the year ended December 31, 2005, the Company paid a finder's fee of $45,000 and other expenses of $1,202 relating to a convertible debenture financing (Note 9).

7. OIL AND GAS INVESTMENT

In April 2008, XOG purchased an 18.9% participating interest in a petroleum and natural gas lease at an Alberta Crown Land sale. The lease has a five year term, but may be held by continuous production of petroleum and natural gas commencing prior to the expiry of the five year term.

8. MINERAL PROPERTIES

	December 31, 2009	December 31, 2008
Acquisition costs	$ 1,607,729	$ 1,607,729
Asset retirement obligation (Note 10)	54,835	54,835
Total	$ 1,662,564	$ 1,662,564

8. MINERAL PROPERTIES (cont'd...)

Kwabeng, Pameng and Apapam Projects

The Company holds three mining leases in Ghana. These mining leases grant the Company mining rights to produce gold in the leased areas until July 26, 2019 with respect to the Kwabeng and Pameng Projects and until December 17, 2015 with respect to the Apapam Project, the latter of which can be renewed for a further 30 year term on application and payment of applicable fees to the Minerals Commission. All gold production will be subject to a 3% production royalty of the net smelter returns ("NSR").

Banso and Muoso Project

The Company holds a prospecting license on its Banso and Muoso Project in Ghana. This license grants the Company the right to conduct exploratory work to determine whether there are mineable reserves of gold or diamonds in the licensed areas, and currently has been renewed for a further one year term (to December 21, 2010) and is further renewable on application and payment of applicable renewal fees to the Minerals Commission. If mineable reserves of gold or diamonds are discovered, the Company will have the option to acquire a mining lease.

Option agreement on Edum Banso Project

In October, 2005, XG Exploration entered into an option agreement (the "Option Agreement") with Adom Mining Limited ("Adom") to acquire 100% of Adom's right, title and interest in and to a prospecting license on the Edum Banso concession (the "Edum Banso Project") located in Ghana. Adom further granted XG Exploration the right to explore, develop, mine and sell mineral products from this concession. The renewal date was July 14, 2009 and the Company has been granted an extension by the Minerals Commission to December 1, 2010.

The consideration paid was $15,000 with additional payments of $5,000 to be paid on the anniversary date of the Option Agreement in each year during the term. Upon the commencement of gold production, an additional $200,000 is to be paid, unless proven and probable reserves are less than 2,000,000 ounces, in which case the payment shall be reduced to $100,000.

Upon successful transfer of title from Adom to XG Exploration, a production royalty (the "Royalty") of 2% of the net smelter returns shall be paid to Adom; provided, however that in the event that less than 2,000,000 ounces of proven and probable reserves are discovered, then the Royalty shall be 1%. The Royalty can be purchased by XG Exploration for $2,000,000; which will be reduced to $1,000,000 if proven and probable reserves are less than 2,000,000 ounces.

Mining lease and prospecting license commitments

The Company is committed to expend, from time to time to the Minerals Commission for an extension of an expiry date of a prospecting license (currently $15,000 for each occurrence) or a mining lease and the Environmental Protection Agency ("EPA") (of Ghana) for processing and certificate fees with respect to EPA permits, an aggregate of less than $500 in connection with annual or ground rent and mining permits to enter upon and gain access to the areas covered by the Company's mining leases and prospecting licenses.

9. CONVERTIBLE DEBENTURES

During the year ended December 31, 2005, the Company completed a convertible debenture financing for gross proceeds of $900,000. The debentures bear interest at 7% per annum, payable quarterly, and the principal balance is repayable by June 30, 2010. Debenture holders have the option to convert any portion of the outstanding principal into common shares at the conversion rate of $1 per share. During the year ended December 31, 2008, convertible debentures totalling $650,000 were converted into 650,000 common shares. Subsequent to the year ended December 31, 2009, the convertible debenture of $250,000 was converted into 250,000 common shares (Note 17).

(Expressed in U.S. Dollars)

10. ASSET RETIREMENT OBLIGATION

	December 31, 2009	December 31, 2008
Balance, beginning of year	$ 65,369	$ 28,399
Change in obligation	—	36,970
Accretion expense	6,537	—
Balance, end of year	$ 71,906	$ 65,369

The Company has a legal obligation associated with its mineral properties for clean up costs when work programs are completed.

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $150,000 (2008 - $150,000). The obligation was calculated using a credit-adjusted risk free discount rate of 10% and an inflation rate of 2%. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred.

11. CAPITAL STOCK

Cancellation of shares

In May 2005, 47,000,000 common shares owned by two former directors were returned to treasury and cancelled.

In June 2006, 10,000 common shares were returned to the Company in settlement of a dispute and cancelled.

In May 2009, 200,000 common shares were repurchased for $50,000 and cancelled.

Issuance of shares for services

In December 2008, an aggregate of 131,243 common shares were issued to three vendors of the Company's subsidiary, XG Mining to settle outstanding accounts for services at a value of $1.50 per share.

Private placements

In December 2009, the Company issued 706,000 units at $1.00 per unit for gross proceeds of $706,000. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.50 expiring eighteen months from the date of issue. The Company also issued finder's warrants enabling the holders to acquire up to 50,600 common shares at the same terms as the unit warrants. The fair value of finder's warrants was $20,098 calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 2.05%, volatility of 109% and a dividend rate of 0%

In August 2009, the Company issued 376,875 units at $0.80 per unit for gross proceeds of $301,500. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.00 expiring two year from the date of issue.

In April and May 2009, the Company issued 1,018,000 units at $0.70 per unit for gross proceeds of $712,600. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire an additional common share at a price of $1.00 expiring two years from the date of issue.

11. CAPITAL STOCK (cont'd...)

Private placements (cont'd...)

In February 2008, the Company issued 1,062,000 units at $1.50 per unit for gross proceeds of $1,593,000. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire an additional common share at a price of $2.25 per share expiring on July 7, 2009. The Company also issued finder's warrants enabling the holder to acquire up to 84,960 common shares at the same terms as the unit warrants. The fair value of the finder's warrants was $15,136 and calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 4.88%, volatility of 33% and a dividend rate of 0%.

In October 2007, the Company issued 668,202 units at $1.35 per unit for gross proceeds of $902,073. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.75 for one year which expiry date was extended to January 13, 2009 (expired). The Company also issued finder's warrants enabling the holder to acquire up to 33,410 common shares at the same terms as the unit warrants (expired). The fair value of the finder's warrants was $2,015 and calculated using the Black-Scholes valuation method. The assumptions used were 1 year of expected life, risk free interest rate of 4.50%, volatility of 36% and a dividend rate of 0%.

In October 2006, the Company issued 282,000 common shares at $1.10 per share for gross proceeds of $310,200. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to April 23, 2008 which expiry date was extended to July 13, 2008 (65,000 exercised; 76,000 expired).

In July 2006, the Company issued 1,132,000 common shares at $0.90 per share for gross proceeds of $1,018,800. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to July 31, 2007 which expiry date was extended to July 13, 2008 (566,000 exercised).

In June 2006, the Company issued 578,112 common shares at $0.90 per share for gross proceeds of $520,300. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to June 16, 2007 (expired).

In March 2006, the Company issued 792,029 common shares at $0.70 per share for gross proceeds of $554,420.

In November 2005, the Company issued 1,549,354 common shares at $0.55 per share for gross proceeds of $852,145.

In August 2005, the Company issued 300,000 common shares at $0.55 per share for gross proceeds of $165,000. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $0.75 to August 31, 2006 (expired).

In June 2005, the Company issued 536,218 common shares at $0.55 per share for gross proceeds of $294,920. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $0.75 to April 30, 2006 (177,200 exercised; 90,910 expired).

Acquisition of subsidiary

Effective December 22, 2004, the Company acquired 90% of the outstanding shares of XG Mining in exchange for 2,698,350 shares of common stock. In connection with this acquisition, 47,000,000 shares owned by two former officers and directors of the Company were returned to treasury and cancelled.

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd...)

Stock options

The number of shares reserved for issuance under the Company's equity compensation option plan is 3,000,000. The terms and conditions of any options granted, including the number and type of options, the exercise period, the exercise price and vesting provisions, are determined by the board of directors.

At December 31, 2009, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
432,000	$0.70	May 1, 2013
270,000	$0.75	May 1, 2013
270,000	$0.75	May 1, 2013

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,080,000	$ 0.72	1,480,000	$ 0.75
Granted	—	—	—	—
Exercised	—	—	(100,000)	0.75
Cancelled/Expired	(108,000)	0.70	(300,000)	0.80
Outstanding, end of year	972,000	$ 0.73	1,080,000	$ 0.73
Exercisable, end of year	972,000	$ 0.73	783,000	$ 0.72

The aggregate intrinsic value for options vested as of December 31, 2009 is approximately $272,000 (2008 - $Nil) and for total options outstanding is approximately $284,000 (2008 - $Nil).

Stock-based compensation

The fair value of stock options granted during the year ended December 31, 2009 totalled $Nil (2008 - $Nil). During the year ended December 31, 2009, the Company extended the life of the options to May 1, 2013 which resulted in an expense of $468,052 (2008 - $156,444) which was included in general and administrative expenses. The remaining $Nil (2008 - $83,870) will be expensed in future periods.

The following assumptions were used for the Black-Scholes valuation of stock options granted or extended during the years ended December 31, 2009 and 2008:

	2009	2008
Risk-free interest rate	2%	—
Expected life	4 years	—
Annualized volatility	108.16	—
Dividend rate	—	—

The weighted average fair value of options granted was $Nil (2008 - $Nil).

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd...)

Warrants

At December 31, 2009, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
350,000	$1.00	April 1, 2011
360,000	$1.00	April 16, 2011
308,000	$1.00	May 19, 2011
188,438	$1.00	August 5, 2011
403,600	$1.50	June 16, 2011

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2009	2008
Balance, beginning of year	1,514,471	1,074,511
Issued	1,610,038	1,146,960
Exercised	—	(631,000)
Expired	(1,514,471)	(76,000)
Balance, end of year	1,610,038	1,514,471

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the Company entered into the following transactions with related parties:

(a) Paid or accrued consulting fees of $160,927 (2008 - $169,957) to officers of the Company or companies controlled by such officers.

(b) Paid or accrued directors' fees of CAD$21,000 (USD$18,486) (2008 – CAD30,335 (USD$28,639)) to directors of the Company or companies controlled by directors.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

(Expressed in U.S. Dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	2009	2008
Cash paid during the period for:			
Interest	$ 187,362	$ —	$ 29,862
Income taxes	$ —	$ —	$ —

The significant non-cash transaction during the year ended December 31, 2009 was the issuance of 50,600 finder's warrants with a value of $20,098 in connection with a private placement (Note 11).

The significant non-cash transactions during the year ended December 31, 2008 were the issuance of 84,960 finder's warrants with a value of $15,136 in connection to a private placement, the conversion of $650,000 of convertible debentures into 650,000 common shares and the issuance of 131,243 common shares for services rendered with a value of $196,865.

14. DEFERRED INCOME TAXES

Income tax benefits attributable to losses from United States of America operations was $Nil for the years ended December 31, 2009 and 2008, and differed from the amounts computed by applying the United States of America federal income tax rate of 34% to pretax losses from operations as a result of the following:

	2009	2008
Loss for the year	$ (1,038,124)	$ (3,231,403)
Computed "expected" tax (benefit) expense	$ (352,962)	$ (1,098,677)
Non deductible (taxable) items	(130,796)	487,376
Lower effective income tax rate on loss of foreign subsidiaries	68,966	55,690
Valuation allowance	414,792	555,611
Net expected tax (benefit) expense	$ —	$ —

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities are presented below:

	2009	2008
Deferred tax assets (liabilities):		
Net operating loss carryforwards - US	$ 1,278,492	$ 1,279,002
Trading securities	(49,288)	250,917
Net operating loss carryforwards - Ghana	1,038,366	898,094
Valuation allowance	(2,267,570)	(2,428,013)
Total deferred tax assets	$ —	$ —

(Expressed in U.S. Dollars)

14. DEFERRED INCOME TAXES (cont'd...)

The valuation allowance for deferred tax assets as of December 31, 2009 and 2008 was $(2,267,570) and $(2,428,013) respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the realizability of deferred tax assets. In order to fully realize the deferred tax asset attributable to net operating loss carryforwards, the Company will need to generate future taxable income of approximately $7,620,000 prior to the expiration of the net operating loss carryforwards. Of the $7,620,000 of operating loss carryforwards, $4,566,000 is attributable to the US, and expires between 2020 and 2029, and the balance of $3,054,000 is attributable to Ghana and expires between 2010 and 2013.

15. SEGMENTED INFORMATION

The Company has one reportable segment, being the exploration and development of resource properties.

Geographic information is as follows:

	2009	2008
Capital assets:		
Canada	$ 94,751	$ 61,307
Ghana	1,852,321	1,953,557
Total capital assets	$ 1,947,072	$ 2,014,864

16. CONTINGENCY AND COMMITMENTS

a) Effective May 1, 2006, the Company entered into a management consulting agreement with the Vice President, Exploration whereby the Company will pay $5,000 per month for three years for providing 50% of his time in consulting services to the Company (renewed to May 1, 2010 at a rate of CAD$10,000 (USD$8,804) per month effective September 1, 2009 for providing the majority of his time in consulting services to the Company). In the event of termination, without cause, 18 months of fees will be payable.

b) The Company has entered into a temporary consulting agreement with Brokton International Ltd. ("Brokton"), a company controlled by its President, James Longshore. Brokton is to be paid $5,000 per monthfor fiscal 2009.

c) The Company leases 1,163 square feet for its corporate office located at Suite 301, 360 Bay Street, Toronto, Ontario. The lease has a 66 month term commencing May 1, 2007, at approximately CAD$3,868 (USD$3,405) per month.

d) The Company was party to a lawsuit for the sum of $121,336 filed in the Ghanaian courts pertaining to payment for excavation services provided by a subcontractor. No further liability had been recorded in connection with the lawsuit because the Company believed the debt had previously been discharged through the transfer of shares to the subcontractor in 2008. Subsequent to year end, the lawsuit was settled and the Company agreed to pay $108,000 in return for the shares previously issued. Upon payment by the Company of $108,000, the 80,891shares were returned to the Company and cancelled.

17. SUBSEQUENT EVENTS

a) On January 31, 2010, the Company granted 216,000 stock options to consultants and 108,000 to a director. The options are exercisable at a price of $1.00 per share for 36 months and will vest as to 3,000 options per month respectively.

b) On February 14, 2010 the Company granted 110,000 stock options to a consultant. The options are exercisable at a price of $1.00 per share for 13 months and will vest as to 20,000 options per month for the first five months and the balance of 10,000 options will vest in the sixth month.

c) On February 16, 2010, the $250,000 convertible debenture was converted into 250,000 common shares.

d) On February 18, 2010, the Company settled a lawsuit for a total sum of $108,000 (Note 16).

e) The Company executed a letter of intent with Verbina Resources Inc. (“Verbina”) on July 21, 2010 whereby Verbina can acquire an undivided 55% interest in the Company’s interest in the mineral rights of the Company’s Banso and Muoso concessions (“Concessions”) upon completion by Verbina of (i) a cash payment to the Company of $100,000 upon the date of execution of a definitive binding agreement to be entered into between the parties (the “Effective Date”); (ii) a cash payment to the Company of $200,000 within 90 days of the Effective Date; (iii) the issuance of 1,000,000 fully paid and non-assessable common shares of Verbina to the Company upon the Effective Date; and (iv) Verbina incurring $4,500,000 in exploration expenditures (“Expenditures”) on the Concessions with five years of the Effective Date, as to (A) $500,000 being incurred in the first year from the Effective Date; and (B) $1,000,000 being incurred in each year thereafter. Verbina shall have the right to accelerate the Expenditures at any time.

The Company is to be paid a further $50,000 by Verbina on the Effective Date whereby Verbina will acquire an immediate 55% interest in the alluvial rights to the Concessions, such purchase being subject to a definitive agreement to be entered into between the parties on or before the Effective Date.

(f) On July 1, 2010, the Company granted 90,000 stock options to an officer of the Company. The options are exercisable at a price of $1.15 per share for three years and will vest as to 2,500 options per month.

(g) The Company is in the process of filing a prospectus with Securities commissions in Canada (British Columbia, Ontario and Manitoba) for sale of common shares for proceeds of up to $CDN 9,500,000. The Company has agreed to pay the Agent a cash commission of 6.5% of the gross proceeds from the offering, as well as broker warrants entitling the Agent to purchase up to 7% of the number of the offered shares under the prospectus offering. The Agent also has an option to arrange purchase of common shares of up to $CDN 1,425,000 of additional common shares. The prospectus is subject to regulatory approval.

XTRA-GOLD RESOURCES CORP. AND SUBSIDIARIES
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)

December 31, 2008

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Xtra-Gold Resources Corp. and subsidiaries
(An exploration stage company)

We have audited the accompanying consolidated balance sheets of Xtra-Gold Resources Corp. and subsidiaries (an exploration stage company) as at December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2008. These consolidated 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 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2008 in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are discussed in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

March 24, 2009

NEXIA INTERNATIONAL
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XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
AS AT DECEMBER 31

	2008	2007
ASSETS		
Current		
Cash and cash equivalents	$ 271,573	$ 334,265
Investment in trading securities, at fair value (cost of $2,208,373 (2007 - $2,160,741)) (Note 4)	1,470,382	2,167,741
Receivables and other	92,942	54,509
Total current assets	1,834,897	2,556,515
Equipment (Note 5)	312,300	260,024
Deferred financing costs (Note 6)	3,850	23,101
Oil and gas investment (Note 7)	40,000	—
Mineral properties (Note 8)	1,662,564	1,625,594
TOTAL ASSETS	$ 3,853,611	$ 4,465,234
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 535,272	$ 795,231
Total current liabilities	535,272	795,231
Convertible debentures (Note 9)	250,000	900,000
Asset retirement obligation (Note 10)	65,369	28,399
Total liabilities	850,641	1,723,630
Stockholders' equity		
Capital stock (Note 11)		
Authorized		
250,000,000 common shares with a par value of $0.001		
Issued and outstanding		
31,330,602 common shares (2007 – 28,756,359 common shares)	31,331	28,756
Additional paid in capital	12,742,360	9,252,166
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	(8,342,957)	(5,111,554)
Total stockholders' equity	3,002,970	2,741,604
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,853,611	$ 4,465,234

History and organization of the Company (Note 1)
Contingency and commitments (Note 16)

APPROVED ON BEHALF OF THE BOARD

"Peter C. Minuk", Director

"Robert H. Montgomery", Director

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2008	Year Ended December 31, 2008	Year Ended December 31, 2007
EXPENSES			
Amortization	$ 117,853	$ 63,674	$ 37,760
Exploration	10,953,724	5,140,679	3,932,845
General and administrative	4,027,901	1,035,369	1,348,898
Write-off of mineral property	26,000	—	—
LOSS BEFORE OTHER ITEMS	(15,125,478)	(6,239,722)	(5,319,503)
OTHER ITEMS			
Foreign exchange gain (loss)	67,285	(424,559)	366,687
Interest expense	(238,086)	(49,113)	(72,240)
Realized gains (losses) on sales of trading securities	196,218	2,585	(94,855)
Net unrealized gain (loss) on trading securities	(856,507)	(857,980)	389,793
Other income	684,174	196,621	163,119
Recovery of gold	6,833,007	4,140,765	2,692,242
Gain (loss) on disposal of property	96,430	—	—
	6,782,521	3,008,319	3,444,746
Loss for the period	$ (8,342,957)	$ (3,231,403)	$ (1,874,757)
Basic and diluted loss per common share		$ (0.11)	$ (0.07)
Basic and diluted weighted average number of common shares outstanding		30,389,400	28,216,728

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2008	Year Ended December 31, 2008	Year Ended December 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (8,342,957)	$ (3,231,403)	$ (1,874,757)
Items not affecting cash:			
Amortization	117,853	63,674	37,760
Amortization of deferred financing costs	42,352	19,251	9,241
Accretion of asset retirement obligation	10,534	—	2,162
Shares issued for services	202,365	196,865	—
Stock-based compensation	599,130	156,444	195,623
Unrealized foreign exchange (gain) loss	(182,634)	385,947	(416,970)
Realized (gain) losses on sale of trading securities	(196,218)	(2,585)	94,855
Purchase of trading securities (Note 4)	(10,786,303)	(2,088,467)	(475,825)
Proceeds on sale of trading securities (Note 4)	8,838,266	1,544,484	1,670,677
Unrealized (gain) loss on trading securities	856,507	857,980	(389,793)
Gain on disposal of property	(95,342)	—	—
Write-off of mineral property	26,000	—	—
Expenses paid by stockholders	2,700	—	—
Changes in non-cash working capital items:			
(Increase) decrease in receivables and other	(84,567)	(38,433)	39,180
Increase (decrease) in accounts payable and accrued liabilities	524,580	(259,959)	557,289
Increase in due to related party	50,000	—	—
Net cash used in operating activities	(8,417,734)	(2,396,202)	(550,558)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of convertible debentures	900,000	—	—
Deferred financing costs	(46,202)	—	—
Repurchase of capital stock	(7,000)	—	—
Issuance of capital stock, net of financing costs	8,229,722	2,489,460	812,540
Net cash provided by financing activities	9,076,520	2,489,460	812,540

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2008	Year Ended December 31, 2008	Year Ended December 31, 2007
Continued ...			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	(433,976)	(115,950)	(207,712)
Oil and gas property expenditures	(250,137)	(40,000)	—
Acquisition of cash on purchase of subsidiary	11,510	—	—
Acquisition of subsidiary	(25,000)	—	—
Proceeds on disposal of assets	310,390	—	—
Net cashused in investing activities	(387,213)	(155,950)	(207,712)
Change in cash and cash equivalents during the period	271,573	(62,692)	54,270
Cash and cash equivalents, beginning of the period	—	334,265	279,995
Cash and cash equivalents, end of the period	$ 271,573	$ 271,573	$ 334,265

Supplemental disclosure with respect to cash flows (Note 13)

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock					
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Deficit Accumulated During the Exploration Stage**	**Total**
Balance, December 31, 2002	12,364,085	$ 12,364	$ 1,412,842	$ (1,427,764)	$ —	$ (2,558)
Paid on behalf of the Company	—	—	5,258	—	—	5,258
October 31, 2003, issuance of stock for acquisition of subsidiary	50,350,000	50,350	(50,350)	—	—	—
Loss for the year	—	—	—	—	(2,700)	(2,700)
Balance, December 31, 2003	62,714,085	62,714	1,367,750	(1,427,764)	(2,700)	—
March, 2004 - private placement at $0.35 per share	2,000,000	2,000	698,000	—	—	700,000
May, 2004 - private placement at $0.35 per share	2,129,400	2,129	743,161	—	—	745,290
December, 2004 - acquisition of subsidiary via issuance of common stock	2,698,350	2,699	1,616,311	—	—	1,619,010
Share issuance costs	—	—	(76,298)	—	—	(76,298)
Loss for the year	—	—	—	—	(398,533)	(398,533)
Balance, December 31, 2004	69,541,835	69,542	4,348,924	(1,427,764)	(401,233)	2,589,469
May, 2005 – cancellation of shares	(47,000,000)	(47,000)	47,000	—	—	—
June 2005 – for services	10,000	10	5,490	—	—	5,500
June, 2005 – private placement at $0.55 per share	536,218	536	294,384	—	—	294,920
August, 2005 – private placement at $0.55 per share	300,000	300	164,700	—	—	165,000
November, 2005 – private placement at $0.55 per share	1,549,354	1,550	850,595	—	—	852,145

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock					
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Deficit Accumulated During the Exploration Stage**	**Total**
continued ...						
Share issuance costs	—	—	(130,714)	—	—	(130,714)
Stock-based compensation	—	—	41,022	—	—	41,022
Loss for the year	—	—	—	—	(272,572)	(272,572)
Balance, December 31, 2005	24,937,407	24,938	5,621,401	(1,427,764)	(673,805)	3,544,770
February, 2006 – conversion of promissory note at $0.55 per share	90,909	91	49,909	—	—	50,000
March, 2006 – exercise of warrants at $0.75 per share	108,500	108	81,267	—	—	81,375
March, 2006 - private placement at $0.70 per share	792,029	792	553,628	—	—	554,420
April, 2006 – exercise of warrants at $0.75 per share	177,200	177	132,723	—	—	132,900
June, 2006 – cancellation of shares	(10,000)	(10)	(6,990)	—	—	(7,000)
June, 2006 - private placement at $0.90 per share	578,112	578	519,722	—	—	520,300
July, 2006 - private placement at $0.90 per share	1,132,000	1,132	1,017,668	—	—	1,018,800
October, 2006 – private placement at $1.10 per share	282,000	282	309,918	—	—	310,200
Share issuance costs	—	—	(240,616)	—	—	(240,616)
Stock-based compensation	—	—	206,041	—	—	206,041
Loss for the year	—	—	—	—	(2,562,992)	(2,562,992)
Balance, December 31, 2006	28,088,157	28,088	8,244,671	(1,427,764)	(3,236,797)	3,608,198

- continued -

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

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock					
	Number of Shares	Amount	Additional Paid in Capital	Deficit	Deficit Accumulated During the Exploration Stage	Total
continued ...						
October, 2007 – Private placement at $1.35 per unit	668,202	668	901,405	—	—	902,073
Share issuance costs	—	—	(89,533)	—	—	(89,533)
Stock-based compensation	—	—	195,623	—	—	195,623
Loss for the year	—	—	—	—	(1,874,757)	(1,874,757)
Balance, December 31, 2007	28,756,359	28,756	9,252,166	(1,427,764)	(5,111,554)	2,741,604
February, 2008 – Private placement at $1.50 per unit	1,062,000	1,062	1,591,938	—	—	1,593,000
May, 2008 – Exercise of options at $0.75 per share	100,000	100	74,900	—	—	75,000
June, 2008 – Conversion of debentures at $1.00 per share	650,000	650	649,350	—	—	650,000
July, 2008 – Exercise of warrants at $1.50 per share	631,000	631	945,869	—	—	946,500
December, 2008 – For services at $1.50 per share	131,243	132	196,733	—	—	196,865
Share issuance costs	—	—	(125,040)	—	—	(125,040)
Stock-based compensation	—	—	156,444	—	—	156,444
Loss for the year	—	—	—	—	(3,231,403)	(3,231,403)
Balance, December 31, 2008	31,330,602	$ 31,331	$ 12,742,360	$ (1,427,764)	$ (8,342,957)	$ 3,002,970

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

1. HISTORY AND ORGANIZATION OF THE COMPANY

Silverwing Systems Corporation (the "Company"), a Nevada corporation, was incorporated on September 1, 1998. On June 23, 1999, the Company completed the acquisition of Advertain On-Line Canada Inc. ("Advertain Canada"), a Canadian company operating in Vancouver, British Columbia, Canada. The Company changed its name to Advertain On-Line Inc. ("Advertain") on August 19, 1999. Advertain Canada's business was the operation of a web site, "Advertain.com", whose primary purpose was to distribute entertainment advertising on the Internet.

In May 2001, the Company, being unable to continue its funding of Advertain Canada's operations, decided to abandon its interest in Advertain Canada. On June 15, 2001, the Company sold its investment in Advertain Canada back to Advertain Canada's original shareholder. On June 18, 2001, the Company changed its name from Advertain to RetinaPharma International, Inc. ("RetinaPharma") and became inactive.

In 2003, the Company became a resource exploration company. On October 31, 2003, the Company acquired 100% of the issued and outstanding common stock of Xtra-Gold Resources, Inc. ("XGRI"). XGRI was incorporated in Florida on October 24, 2003. On December 19, 2003, the Company changed its name from RetinaPharma to Xtra-Gold Resources Corp.

In 2004, the Company acquired 100% of the issued and outstanding capital stock of Canadiana Gold Resources Limited ("Canadiana") and 90% of the issued and outstanding capital stock of Goldenrae Mining Company Limited ("Goldenrae"). Both companies are incorporated in Ghana and the remaining 10% of the issued and outstanding capital stock of Goldenrae is held by the Government of Ghana.

On October 20, 2005, XGRI changed its name to Xtra Energy Corp. ("Xtra Energy").

On October 20, 2005, the Company incorporated Xtra Oil & Gas Ltd. ("XOG") in Alberta, Canada.

On December 21, 2005, Canadiana changed its name to Xtra-Gold Exploration Limited ("XG Exploration").

On January 13, 2006, Goldenrae changed its name to Xtra-Gold Mining Limited ("XG Mining").

On March 2, 2006, the Company incorporated Xtra Oil & Gas (Ghana) Limited ("XOGG") in Ghana.

2. GOING CONCERN

The Company is in the exploration stage with respect to its resource properties, incurred a loss of $3,231,403 for the year ended December 31, 2008 and has accumulated a deficit during the exploration stage of $8,342,957. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management of the Company ("Management") is of the opinion that sufficient financing will be obtained from external financing and further share issuances to meet the Company's obligations. At December 31, 2008, the Company has working capital of $1,299,625.

3. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP").

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Xtra Energy (from October 31, 2003), XG Exploration (from February 16, 2004), XOG (from October 20, 2005) and XOGG (from March 2, 2006) and its 90% owned subsidiary, XG Mining (from December 22, 2004). All significant intercompany accounts and transactions have been eliminated on consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2008 and 2007, cash and cash equivalents consisted of cash held at financial institutions.

Receivables

No allowance for doubtful accounts has been provided. Management has evaluated all receivables and believes they are all collectible.

Recovery of gold

Recovery of gold and other income is recognized when title and the risks and rewards of ownership to delivered bullion and commodities pass to the buyer and collection is reasonably assured.

Trading securities

The Company's trading securities are reported at fair value, with unrealized gains and losses included in earnings.

Oil and natural gas properties

The Company follows the full cost method of accounting for oil and natural gas operations. Under this method, all costs associated with the acquisition of, exploration for and development of oil and gas reserves are capitalized in cost centers on a country-by-country basis. Such costs include property acquisition costs, geological and geophysical studies, carrying charges on non-producing properties, costs of drilling productive wells, and overhead expenses directly related to these activities.

Depletion is calculated for producing properties by using the unit-of-production method based on estimated proved reserves, before royalties, as determined by management of the Company or independent consultants. Sales or dispositions of oil and gas properties are credited to the respective cost centers and a gain or loss is recognized when all properties in a cost center have been disposed of, unless such sale or disposition significantly alters the relationship between capitalized costs and proved reserves of oil and gas attributable to the cost center. Costs of abandoned properties are accounted for as adjustments of capitalized costs and written off to expense.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Oil and natural gas properties (cont'd...)

Undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be determined.

A ceiling test is applied to the proven properties for each cost center and for the aggregate of all cost centers by comparing the net capitalized costs to the estimated future net revenues from production of estimated proved reserves without discount, plus the costs of unproved properties net of impairment. Any excess capitalized costs are written off to expense. Further, the ceiling test for the aggregate of all cost centers is required to include the effects of future removal and site restoration costs, general and administrative expenses, financing costs and income taxes. The calculation of future net revenues is based upon prices, costs and regulations in effect at each year end.

Unproved properties are assessed for impairment on an annual basis by applying factors that rely on historical experience. In general, the Company may write off any unproved property under one or more of the following conditions:

(a) there are no firm plans for further drilling on the unproved property;
(b) negative results were obtained from studies of the unproved properties;
(c) negative results were obtained from studies conducted in the vicinity of the unproved property; or
(d) the remaining term of the unproved property does not allow sufficient time for further studies or drilling.

Equipment

Equipment is recorded at cost and is being amortized over its estimated useful lives using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%
Vehicles	30%
Mining equipment	20%

Deferred financing costs

Deferred financing costs consist of expenses incurred to obtain funds pursuant to the issuance of the convertible debentures and are being amortized straight-line over the term of the debentures.

Mineral properties and exploration and development costs

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral property is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral properties are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Long-lived assets

The Company accounts for long-lived assets under Statements of Financial Accounting Standards Nos. 142 and 144 *"Accounting for Goodwill and Other Intangible Assets"* and *"Accounting for Impairment or Disposal of Long-Lived Assets"* (*"SFAS 142 and 144"*). In accordance with SFAS 142 and 144, long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets.

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

Stock-based compensation

The Company calculates the fair value of all stock options granted and records these amounts as compensation expense over the vesting period of the options using the straight-line method. The Black-Scholes option pricing model is used to calculate fair value.

Income taxes

The Company accounts for income taxes under Statements of Financial Accounting Standards No. 109, *"Accounting for Income Taxes"* (*"SFAS 109"*). Under SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method as defined in Financial Accounting Standards No. 128, *"Earnings Per Share."* As of December 31, 2008, there were 1,547,881 warrants (2007 – 1,074,511); 1,080,000 stock options (2007 – 1,480,000) and convertible debentures exercisable into 250,000 common shares (2007 – 900,000) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign exchange

The Company's functional currency is the U.S. dollar. The Company does not have any significant non-monetary assets and liabilities that are in a currency other than the U.S. dollar. Any monetary assets and liabilities that are in a currency other than the U.S. dollar are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into U.S. dollars are included in current results of operations.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trading securities, receivables, accounts payable and accrued liabilities and convertible debentures. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in one commercial bank in Toronto, Ontario, Canada.

Fair Value Measurements

Effective January 1, 2008, the Company implemented Statement of Financial Accounting Standard No. 157, "Fair Value Measurement", or SFAS 157, for the financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. In accordance with the provisions of FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157", the Company has elected to defer implementation of SFAS 157 as it relates to the non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis until January 1, 2009. The adoption of SFAS 157 to the financial assets and liabilities and non-financial assets and liabilities that are re-measured and reported at fair value at least annually did not have an impact on the financial results.

The following table presents information about the assets that are measured at fair value on a recurring basis as of December 31, 2008, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	December 31, 2008	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 271,573	$ 271,573	$ —	$ —
Marketable securities	$ 1,470,382	$ 1,470,382	$ —	$ —
Total	$ 1,741,955	$ 1,741,955	$ —	$ —

The fair values of cash and cash equivalents and marketable securities are determined through market, observable and corroborated sources.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of December 31, 2008 and 2007, the Company has exceeded the federally insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Recent accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities". SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and how derivative instruments and related hedged items affect an entity's operating results, financial position, and cash flows.

SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. Early adoption is permitted. The Company is currently reviewing the provisions of SFAS No. 161 and have not yet adopted the statement. However, as the provisions of SFAS No. 161 are only related to disclosure of derivative and hedging activities, the Company does not believe the adoption of SFAS No. 161 will have a material impact on the consolidated operating results, financial position, or cash flows.

In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets or FSP FAS 142-3. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. The intent of the position is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the intangible asset. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is assessing the potential impact that the adoption of FSP FAS 142-3 may have on the Company's consolidated financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles or SFAS No. 162. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. This statement shall be effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company does not believe that implementation of this standard will have a material impact on the consolidated financial position, results of operations or cash flows.

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements (cont'd...)

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," (FSP EITF 03-6-1). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. Management has determined that the adoption of FSP EITF 03-6-1 will not have an impact on the Financial Statements.

4. INVESTMENTS IN TRADING SECURITIES

At December 31, 2008, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of December 31, 2008, the fair value of trading securities was $1,470,382 (2007 – $2,167,741).

5. EQUIPMENT

	December 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 12,416	$ 2,110	$ 10,306	$ 4,058	$ 1,623	$ 2,435
Computer equipment	24,864	14,772	10,092	22,790	6,753	16,037
Mining equipment	316,791	55,456	261,335	208,699	18,590	190,109
Vehicles	76,398	45,831	30,567	76,564	25,121	51,443
	$ 430,469	$ 118,169	$ 312,300	$ 312,111	$ 52,087	$ 260,024

6. DEFERRED FINANCING COSTS

	December 31, 2008	December 31, 2007
Balance, beginning of year	$ 23,101	$ 32,342
Costs incurred	—	—
Amortization	(19,251)	(9,241)
Balance, end of year	$ 3,850	$ 23,101

During the year ended December 31, 2005, the Company paid a finder's fee of $45,000 and other expenses of $1,202 relating to a convertible debenture financing (Note 9).

(Expressed in U.S. Dollars)

7. OIL AND GAS PROPERTY

In April 2008, XOG purchased an 18.9% participating interest in a petroleum and natural gas lease at an Alberta Crown Land sale.

8. MINERAL PROPERTIES

	December 31, 2008	December 31, 2007
Acquisition costs	$ 1,607,729	$ 1,607,729
Asset retirement obligation (Note 10)	54,835	17,865
Total	$ 1,662,564	$ 1,625,594

Kwabeng, Pameng and Apapam Projects

The Company holds three mining leases in Ghana. These mining leases grant the Company surface and mining rights to produce gold in the leased areas until July 26, 2019 with respect to the Kwabeng and Pameng Projects and until December 17, 2015 with respect to the Apapam Project, the latter of which can be renewed for a further 30 year term on application and payment of applicable fees to the Minerals Commission. All gold production will be subject to a 3% production royalty of the net smelter returns (“NSR”).

Banso and Muoso Project

The Company holds a prospecting license on its Banso and Muoso Project in Ghana. This license grants the Company the right to conduct exploratory work to determine whether there are mineable reserves of gold or diamonds in the licensed areas, and currently has been renewed for a further one year term (to October 13, 2009) and is further renewable on application and payment of applicable renewal fees to the Minerals Commission. If mineable reserves of gold or diamonds are discovered, the Company will have the first option to acquire a mining lease.

Option agreement on Edum Banso Project

In October, 2005, XG Exploration entered into an option agreement (the “Option Agreement”) with Adom Mining Limited (“Adom”) to acquire 100% of Adom’s right, title and interest in and to a prospecting license on the Edum Banso concession (the “Edum Banso Project”) located in Ghana. Adom further granted XG Exploration the right to explore, develop, mine and sell mineral products from this concession. The Option Agreement has a five year term. The prospecting license has been renewed for a further one year term (to July 14, 2009) and is further renewable on application and payment of applicable renewal fees to the Minerals Commission.

The consideration paid was $15,000 with additional payments of $5,000 to be paid on the anniversary date of the Option Agreement in each year during the term. Upon the commencement of gold production, an additional $200,000 is to be paid, unless proven and probable reserves are less than 2,000,000 ounces, in which case the payment shall be reduced to $100,000.

Upon successful transfer of title from Adom to XG Exploration, a production royalty (the “Royalty”) of 2% of the net smelter returns shall be paid to Adom; provided, however that in the event that less than 2,000,000 ounces of proven and probable reserves are discovered, then the Royalty shall be 1%. The Royalty can be purchased by XG Exploration for $2,000,000; which will be reduced to $1,000,000 if proven and probable reserves are less than 2,000,000 ounces.

(Expressed in U.S. Dollars)

8. MINERAL PROPERTIES (cont'd...)

Mining lease and prospecting license commitments

The Company is committed to expend, from time to time to the Minerals Commission for an extension of an expiry date of a prospecting license (currently \$15,000 for each occurrence) or a mining lease and the Environmental Protection Agency ("EPA") (of Ghana) for processing and certificate fees with respect to EPA permits, an aggregate of less than \$500 in connection with annual or ground rent and mining permits to enter upon and gain access to the areas covered by the Company's mining leases and prospecting licenses.

9. CONVERTIBLE DEBENTURES

During the year ended December 31, 2005, the Company completed a convertible debenture financing for gross proceeds of \$900,000. The debentures bear interest at 7% per annum, payable quarterly, and the principal balance is repayable by June 30, 2010. Debenture holders have the option to convert any portion of the outstanding principal into common shares at the conversion rate of \$1 per share. During the year ended December 31, 2008, convertible debentures totalling \$650,000 were converted into 650,000 common shares.

10. ASSET RETIREMENT OBLIGATION

	December 31, 2008	December 31, 2007
Balance, beginning of year	$ 28,399	$ 48,237
Change in obligation	36,970	(22,000)
Accretion expense	—	2,162
Balance, end of year	$ 65,369	$ 28,399

The Company has a legal obligation associated with its mineral properties for clean up costs when work programs are completed.

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$150,000 (2007 - \$109,261). The obligation was calculated using a credit-adjusted risk free discount rate of 10% and an inflation rate of 2%. The life of the mine was extended from 2007 to 2023 during fiscal 2007. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred.

11. CAPITAL STOCK

Cancellation of shares

In May 2005, 47,000,000 common shares owned by two former directors were returned to treasury and cancelled.

In June 2006, 10,000 common shares were returned to the Company in settlement of a dispute and cancelled.

11. CAPITAL STOCK (cont'd...)

Issuance of shares for services

In December 2008, an aggregate of 131,243 common shares were issued to three vendors of the Company's subsidiary, XG Mining to settle outstanding accounts for services at a value of $1.50 per share.

Private placements

In February 2008, the Company issued 1,062,000 units at $1.50 per unit for gross proceeds of $1,593,000. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire an additional common share at a price of $2.25 per share expiring on July 7, 2009. The Company also issued finder's warrants enabling the holder to acquire up to 84,960 common shares at the same terms as the unit warrants. The fair value of the finder's warrants was $15,136 and calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 4.88%, volatility of 33% and a dividend rate of 0%.

In October 2007, the Company issued 668,202 units at $1.35 per unit for gross proceeds of $902,073. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.75 for one year which expiry date was extended to January 13, 2009 (expired). The Company also issued finder's warrants enabling the holder to acquire up to 33,410 common shares at the same terms as the unit warrants (expired). The fair value of the finder's warrants was $2,015 and calculated using the Black-Scholes valuation method. The assumptions used were 1 year of expected life, risk free interest rate of 4.50%, volatility of 36% and a dividend rate of 0%.

In October 2006, the Company issued 282,000 common shares at $1.10 per share for gross proceeds of $310,200. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to April 23, 2008 which expiry date was extended to July 13, 2008 (65,000 exercised; 76,000 expired).

In July 2006, the Company issued 1,132,000 common shares at $0.90 per share for gross proceeds of $1,018,800. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to July 31, 2007 which expiry date was extended to July 13, 2008 (566,000 exercised).

In June 2006, the Company issued 578,112 common shares at $0.90 per share for gross proceeds of $520,300. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to June 16, 2007 (expired).

In March 2006, the Company issued 792,029 common shares at $0.70 per share for gross proceeds of $554,420.

In November 2005, the Company issued 1,549,354 common shares at $0.55 per share for gross proceeds of $852,145.

In August 2005, the Company issued 300,000 common shares at $0.55 per share for gross proceeds of $165,000. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $0.75 to August 31, 2006 (expired).

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd...)

Private placements (cont'd...)

In June 2005, the Company issued 536,218 common shares at $0.55 per share for gross proceeds of $294,920. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $0.75 to April 30, 2006 (177,200 exercised; 90,910 expired).

Acquisition of subsidiary

Effective December 22, 2004, the Company acquired 90% of the outstanding shares of XG Mining in exchange for 2,698,350 shares of common stock. In connection with this acquisition, 47,000,000 shares owned by two former officers and directors of the Company were returned to treasury and cancelled.

Stock options

The number of shares reserved for issuance under the Company's equity compensation option plan is 3,000,000. The terms and conditions of any options granted, including the number and type of options, the exercise period, the exercise price and vesting provisions, are determined by the board of directors.

At December 31, 2008, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
108,000	$0.70	April 21, 2009
432,000	$0.70	May 1, 2009
270,000	$0.75	March 5, 2010
270,000	$0.75	March 12, 2010

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,480,000	$ 0.75	1,996,000	$ 0.72
Granted	—	—	740,000	0.75
Exercised	(100,000)	0.75	—	—
Cancelled/Expired	(300,000)	0.80	(1,256,000)	0.70
Outstanding, end of year	1,080,000	$ 0.73	1,480,000	$ 0.75
Exercisable, end of year	783,000	$ 0.72	572,995	$ 0.75

The aggregate intrinsic value for options vested as of December 31, 2008 is approximately $Nil (2007 - $355,000) and for total options outstanding is approximately $Nil (2007 - $917,000).

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd...)

Stock-based compensation

The fair value of stock options granted during the year ended December 31, 2008 totalled $Nil (2007 - $189,063). During the year ended December 31, 2008, $156,444 (2007 - $195,623) was expensed and included in general and administrative expenses. The remaining $83,870 (2007 - $302,377) will be expensed in future periods.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the years ended December 31, 2008 and 2007:

	2008	2007
Risk-free interest rate	—	4.52%
Expected life	—	3 years
Annualized volatility	—	55.30%
Dividend rate	—	0%

The weighted average fair value of options granted was $Nil (2007 - $0.26).

Warrants

At December 31, 2008, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
400,921	$1.75	January 13, 2009 (subsequently expired)
1,146,960	$2.25	July 7, 2009

Warrant transactions and the number of warrants outstanding are summarized as follows:

	December 31, 2008	December 31, 2007
Balance, beginning of year	1,074,511	996,056
Issued	1,146,960	367,511
Exercised	(631,000)	—
Expired	(76,000)	(289,056)
Balance, end of year	1,514,471	1,074,511

(Expressed in U.S. Dollars)

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2008 and 2007, the Company entered into the following transactions with related parties:

(a) Paid or accrued consulting fees of $169,957 (2007 - $191,512) to officers of the Company or companies controlled by such officers.

(b) Paid or accrued directors' fees of $28,639 (2007 – $28,579) to directors of the Company or companies controlled by directors.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2008	2008	2007
Cash paid during the period for:			
Interest	$ 187,362	$ 29,862	$ 63,000
Income taxes	$ —	$ —	$ —

The significant non-cash transactions during the year ended December 31, 2008 were the issuance of 84,960 finder's warrants with a value of $15,136 in connection to a private placement (Note 11), the conversion of $650,000 of convertible debentures into 650,000 common shares (Note 9) and the issuance of 131,243 common shares for services rendered.

The significant non-cash transaction during the year ended December 31, 2007 was the issuance of 33,410 finder's warrants with a value of $2,015 in connection with a private placement (Note 11).

(Expressed in U.S. Dollars)

14. DEFERRED INCOME TAXES

Income tax benefits attributable to losses from United States of America operations was $Nil for the years ended December 31, 2008 and 2007, and differed from the amounts computed by applying the United States of America federal income tax rate of 34% to pretax losses from operations as a result of the following:

	2008	2007
Loss for the year	$ (3,231,403)	$ (1,874,757)
Computed “expected” tax (benefit) expense	$ (1,098,677)	$ (637,417)
Non deductible (taxable) items	487,376	(174,452)
Lower effective income tax rate on loss of foreign subsidiaries	55,690	90,383
Valuation allowance	555,611	721,486
Net expected tax (benefit) expense	$ —	$ —

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities are presented below:

	2008	2007
Deferred tax assets:		
Net operating loss carryforwards - US	$ 1,279,002	$ 983,035
Net operating loss carryforwards - Ghana	898,094	648,335
Valuation allowance	(2,177,096)	(1,631,370)
Total deferred tax assets	$ —	$ —

The valuation allowance for deferred tax assets as of December 31, 2008 and 2007 was $2,172,096 and $1,631,370 respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the realizability of deferred tax assets. In order to fully realize the deferred tax asset attributable to net operating loss carryforwards, the Company will need to generate future taxable income of approximately $6,991,000 prior to the expiration of the net operating loss carryforwards. Of the $6,991,000 of operating loss carryforwards, $3,747,000 is attributable to the US, and expires between 2019 and 2028, and the balance of $3,244,000 is attributable to Ghana and expires between 2009 and 2012.

(Expressed in U.S. Dollars)

15. SEGMENTED INFORMATION

The Company has one reportable segment, being the exploration and development of resource properties.

Geographic information is as follows:

	2008	2007
Capital assets:		
Canada	$ 61,307	$ 16,089
Ghana	1,953,557	1,869,529
Total capital assets	$ 2,014,864	$ 1,885,618

16. CONTINGENCY AND COMMITMENTS

a) During the year ended December 31, 2006, a former consultant to the Company's Ghanaian subsidiaries brought an action for damages in the High Court of Ghana, alleging wrongful termination and claiming $172,000 was owed. The Company believed the lawsuit was without merit and vigorously defended against it. No liability has been recorded in connection with the lawsuit. On February 6, 2008, the High Court of Ghana rendered its judgment and dismissed the action with costs to be paid to the Company. The right to appeal by the former consultant expired on May 6, 2008.

b) Effective May 1, 2006, the Company entered into a management consulting agreement with the Vice President, Exploration whereby the Company will pay $4,720 (Cdn$5,000) per month for three years. In the event of termination, without cause, 18 months of fees will be payable. Terms for renewal of this agreement will be negotiated.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

OF

Xtra-Gold Resources Corp.

Foreword

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of Xtra-Gold Resources Corp. (the "**Company**"). The Board previously adopted a written charter (the "**Charter**") on December 15, 2009 in compliance with SEC Rules including Exchange Act Rule 10A. The Board approved the adoption of a new written charter of the Committee on September 3, 2010, as set forth below, in compliance with National Instrument 52-110 Audit Committees and Companion Policy 52-110CP to NI 52-110 and amendments thereto (collectively referred to as "**NI 52-110**").

Defined Terms

"Charter" means the written mandate of the Committee;

"Committee" means the Audit Committee;

"Company" means Xtra-Gold Resources Corp.;

"Exchange Act" means the *Securities Exchange Act of 1934*;

"Financial Statements" means the audited financial statements of the Company and/or the unaudited interim financial statements of the Company, as the case may be;

"GAAP" means generally accepted accounting principles;

"IFRS" means international financial reporting standards;

"Member" means a member of the Committee;

"NI 52-110" means National Instrument 52-110 - Audit Committees;

"SEC" means the U.S. Securities and Exchange Commission; and

"**TSX**" means the Toronto Stock Exchange.

Mandate

The primary function of the Committee shall be to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and control responsibilities to the shareholders of the Company and the investment community as well as disclosure requirements, the overall maintenance of the systems of internal controls that management have established and the overall responsibility for the Company's external and internal audit processes.

The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company's outside auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member's duties as a member of the Board.

The Committee has the duty to determine whether the Company's financial disclosures are complete, accurate, are in accordance with IFRS and GAAP and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company's own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

Membership and Composition

The Committee shall consist of three persons unless the Board should from time to time otherwise determine. Each Committee member shall be appointed annually by the Board and shall be an "independent director" within the meaning of NI 52-110. Pursuant to NI 52-110, a member will be considered "independent" if he has no direct or indirect, material relationship with the Company. In addition, the composition of the Audit Committee shall be in compliance with the rules and regulations of the Toronto Stock Exchange (the "**TSX**") and any other stock exchange on which the shares of the Company are listed, subject to any waivers or exceptions granted by such stock exchange.

Each member of the Committee shall be financial literate in accordance with the requirements of the TSX, including NI 52-110, SEC Rule 10A, and other regulatory agencies as required, i.e. has 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 to be raised by the Company's financial statements. At least one member of the Committee shall have accounting or related financial management expertise to qualify as a "financial expert". A member will qualify as a "financial expert" if he or she possesses the following attributes:

1. an understanding of financial statements and generally accepted accounting principles used by the Company with respect to the preparation of its financial statements;

2. an ability to assess the general application of such principles in connection with the accounting for estimates, accruals, resources and reserves;

3. experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

4. an understanding of internal controls and procedures for financial reporting; and

5. an understanding of audit committee functions.

A "financial expert" also means that person as defined in Section 16.A of Form 20-F which is attached to this Charter as Exhibit 4.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chairman of the Committee. In his absence, the Committee may appoint another person provided a quorum is present. The Chairman will appoint a Secretary of the meeting, who need not be a member of the committee and who will maintain the minutes of the meeting.

Meetings

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, upon being provided with at least five (5) business days' advance notice, the Chairman will convene a meeting of the Committee. Notice may be waived provided that a written waiver of notice is executed by a majority of the members of the Committee. In advance of every meeting of the Committee, the Chairman, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet no less than four times per year or more frequently if circumstances or obligations require.

Duties and Responsibilities

The duties and responsibilities of the Committee shall be as follows:

A. FINANCIAL REPORTING AND DISCLOSURE

(i) Review and discuss with management and the external auditor at the completion of the annual examination:

a. the Company's audited Financial Statements and related notes as at December 31;

b. the external auditor's audit of the Financial Statements as at December 31 and their report thereon;

c. any significant changes required in the external auditor's audit plan;

d. any serious difficulties or disputes with management encountered during the course of the audit; and

e. other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

(ii) Review and discuss with management and the external auditor, as necessary, the Company's interim Financial Statements.

(iii) Review, discuss with management the annual reports, the interim reports, management's discussion and analysis, annual information form, prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.

(iv) Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.

(v) Inquire of the auditors as to the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.

(vi) Meet independently with the external auditor and management in separate executive sessions, as necessary or appropriate.

(vii) Ensure that management has the proper systems in place so that the Company's Financial Statements, financial reports and other financial information satisfy legal and regulatory requirements. Based upon its review of the Financial Statements and any related materials and any discussions with the external auditors, recommend to the Board the filing of the Financial Statements with relevant securities regulatory authorities, when appropriate.

B. EXTERNAL AUDITOR

(i) Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.

(ii) Approve the remuneration of the auditor.

(iii) The Committee shall ascertain that the independent auditor is registered and in good standing with the Public Company Accounting Oversight Board and that the independent auditor satisfies all applicable Canadian and U.S. independence standards. The Committee shall obtain from the auditor a written statement delineating all relationships between the auditor and the Company as per ISB Standard 1 and review relationships that may impact the objectivity and independence of the auditor.

(iv) The Committee shall obtain from the independent auditor assurance that the audit was conducted in a manner consistent with all applicable securities laws and that, in the course of conducting the audit, the independent auditor has not become aware of information indicating that an illegal act has or may have occurred or, if such an act may have occurred, that the independent auditor has taken all action required by all applicable securities laws, in particular, Section 10A(b) of the *Securities Exchange Act of 1934*.

(v) At least annually and prior to the filing of the annual information form with and/or the 10-K Annual Report, the Committee shall review with Management and the independent auditor management's internal control report and assessment of the internal controls and procedures, and the independent auditor's report on and assessment of the internal controls and procedures.

(vi) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by support staff and/or employees of concerns regarding questionable accounting or auditing matters.

(vii) The Committee shall discuss with Management and the independent auditor any correspondence with regulators or governmental agencies and any support staff and/or employee complaints or reports which raise material issues regarding the Company's Financial Statements or accounting policies.

(viii) At least annually, the Committee shall meet with the Company's legal counsel and discuss any legal matters that may have a material impact on the Financial Statements or the Company's compliance policies.

(ix) Recommend to the Board the external auditor to be nominated and review the performance of the auditor, including the lead partner of the external auditor.

(x) Confirm with the external auditor and receive written confirmation at least once per year as to disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.

(xi) Take reasonable steps to confirm the independence of the external auditor, which shall include:

a. ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with generally accepting auditing practices;

b. considering and discussing with the external auditor any disclosed relationships or services, including non audit services, that may impact the objectivity and independence of the external auditor, and

c. approving, in advance, all non audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX with respect to approval of non audit related serviced performed by the auditor.

Internal Controls and Audit

(i) Review and assess the adequacy and effectiveness of the Company's systems of internal controls and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the risks facing the Company and that the risk of a material misstatement in the financial disclosures is minimized.

(ii) Assess the requirement for the appointment of an internal auditor for the Company.

(iii) Inquire of management and the external auditor as to the adequacy about the systems of internal controls that management and the Board have established and the effectiveness of those systems. Engage management and the external auditor in a full discussion of financial, and other, risks faced by the Company, the materiality of these risks and their mitigation.

Investigations

(i) The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee and to access all Company records.

Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's Financial Statements are complete and accurate or are in accordance with IFRS and GAAP and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

Charter Review

The Committee will annually review and reassess the adequacy of this policy and submit any recommended changes to the Board for approval.

Adoption

The Charter was previously reviewed and adopted by the Board on December 15, 2009. The Charter has been updated by the Committee and was adopted by the Board on September 3, 2010.

EXHIBIT 1

AUDIT COMMITTEE MEMBER INDEPENDENCE AND FINANCIAL LITERACY REQUIREMENTS

Multilateral Instrument 52-110 Audit Committees

1.4 Meaning of Independence --

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

(a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

(b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements --

(1) Despite any determination made under section 1.4, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) an individual’s spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

1.6 Meaning of Financial Literacy – For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read 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 to be raised by the issuer's Financial Statements.

EXHIBIT 2

AUDIT COMMITTEE MEMBER INDEPENDENCE AND FINANCIAL LITERACY REQUIREMENTS

Companion Policy 52-110CP to National Instrument 52-110 Audit Committees

Part Three
Independence

3.1 Meaning of Independence. The Instrument generally requires every member of an audit committee to be independent. Subsection 1.4(1) of the Instrument defines independence to mean the absence of any direct or indirect material relationship between the director and the issuer. In our view, this may include a commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationship, or any other relationship that the board considers to be material. Although shareholder alone may not interfere with the exercise of a director's independent judgment, we believe that other relationships between an issuer and a shareholder may constitute material relationships with the issuer, and should be considered by the board when determining a director's independence. However, only those relationships which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement should be considered material relationships within the meaning of section 1.4.

Subsection 1.4(3) and section 1.5 of the Instrument describe those individuals that we believe have a relationship with an issuer that would reasonably be expected to interfere with the exercise of the individual's independent judgement. Consequently, these individuals are not considered independent for the purposes of the Instrument and are therefore precluded from serving on the issuer's audit committee. Directors and their counsel should therefore consider the nature of the relationships outlined in subsection 1.4(3) and section 1.5 as guidance in applying the general independence requirements set out in subsection 1.4(1).

3.2 Derivation of Definition. In the United States, listed issuers must comply with the audit committee requirements contained in SEC rules as well as the director independence and audit committee requirements of the applicable securities exchange or market. The definition of independence included in the Instrument has therefore been derived from both the applicable SEC rules and the corporate rules issued by the New York Stock Exchange. The portion of the definition of independence that parallels the NYSE rules is found in section 1.4 of the Instrument. Section 1.5 of the Instrument contains additional rules regarding audit committee member independence that were derived from the applicable SEC rules. To be independent for the purposes of the Instrument, a director must satisfy the requirements in both sections 1.4 and 1.5.

3.3 Safe Harbour. Subsection 1.3(1) of the Instrument provides, in part, that a person or company is an affiliated entity of another entity if the person or company controls the other entity. Subsection 1.3(4), however, provides that an individual will not be considered to control an issuer if he individual:

(a) owns, directly or indirectly, ten per cent or less of any class of voting equity securities of the issuer; and

(b) is not an executive officer of the issuer.

Subsection 1.3(4) is intended only to identify those individuals who are not considered to control an issuer. The provision is not intended to suggest that an individual who owns more than ten percent of an issuer's voting equity securities automatically controls an issuer. Instead, an individual who owns more than ten percent of an issuer's voting equity securities should examine all relevant facts and circumstances to determine if he or she controls the issuer and is therefore an affiliated entity within the meaning of subsection 1.3(1).

EXHIBIT 3

AUDIT COMMITTEE MEMBER INDEPENDENCE AND FINANCIAL LITERACY REQUIREMENTS

Exchange Act Rule 10A-3

In order to be considered independent for the purposes of Rule 10A-3, a director must meet the following independence standards.

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent.

(ii) In order to be considered to be independent, a member of an audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) be an affiliated person of the issuer or any subsidiary thereof.

The following definitions apply to the determination of independence under Rule 10A-3:

(1) (i) The term affiliate of, or a person affiliated with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii) A person will be deemed not to be in control of a specified person for purposes of this section if the person:

(1) is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and

(2) is not an executive officer of the specified person.

(iii) The following will be deemed to be affiliates:

(A) an executive officer of an affiliate;

(B) a director who also is an employee of an affiliate;

(C) a general partner of an affiliate; and

(D) a managing member of an affiliate.

(iv) For purposes of paragraph(1)(i) of this section, dual holding companies will not be deemed to be affiliates of or persons affiliated with each other by virtue of their dual holding company arrangements with each other, including where directors of one dual holding company are also directors of the other dual holding company, or where directors of one or both dual holding companies are also directors of the businesses jointly controlled, directly or indirectly, by the dual holding companies (and, in each case, receive only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the dual holding companies or any entity that is jointly controlled, directly or indirectly, by the dual holding companies).

(2) In the case of foreign private issuers with a two-tier board system, the term board of directors means the supervisory or non-management board.

(3) In the case of a listed issuer that is a limited partnership or limited liability company where such entity does not have a board of directors or equivalent body, the term board of directors means the board of directors of the managing general partner, managing member or equivalent body.

(4) The term control (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(5) The term dual holding companies means two foreign private issuers that:

(i) are organized in different national jurisdictions;

(ii) collectively own and supervise the management of one or more businesses which are conducted as a single economic enterprise; and

(iii) do not conduct any business other than collectively owning and supervising such businesses and activities reasonably incidental thereto.

(6) The term executive officer has the meaning set forth in § 240.3b-7.

(7) The term foreign private issuer has the meaning set forth in § 240.3b-4(c).

(8) The term indirect acceptance by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.

(9) The terms listed and listing refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

EXHIBIT 4

FORM 20-F DEFINITION OF FINANCIAL EXPERT

For purposes of this item, an audit committee financial expert means a person who has the following attributes:

(a) an understanding of generally accepted accounting principles and financial statements;

(b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the small business issuer's financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal control over financial reporting; and

(e) an understanding of audit committee functions. A person shall have acquired such attributes through:

  (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

  (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

  (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

  (iv) other relevant experience.

SCHEDULE "B"

CONSENT OF THE AUDITORS

We have read the prospectus of Xtra-Gold Resources Corp. (the "**Company**") dated November 8, 2010 relating to the distribution of up to 7,037,037 Common Shares of the Company at $1.35 per Common Share. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the stockholders and the board of directors of the Company on the consolidated balance sheets of the Company as at December 31, 2009, 2008 and 2007 and the consolidated statements of operations, stockholders' equity and cash flows for the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2009. Our reports are dated March 30, 2010 (except as to Note 17 which is as of November 8, 2010) and March 24, 2009.

"*Davidson & Company LLP*" (signed)

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Davidson & Company LLP
Chartered Accountants, Licensed Public Accountants
Vancouver, British Columbia

SCHEDULE “C”

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: November 8, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of Ontario, Alberta and British Columbia.

XTRA-GOLD RESOURCES CORP.

“Paul N. Zyla” *(signed)*	*“John C. Ross”* (signed)
Paul N. Zyla	John C. Ross
Chief Executive Officer	Chief Financial Officer

On Behalf of the Board of Directors

“Robert H. Montgomery” (signed)	*“Peter C. Minuk”* (signed)
Robert H. Montgomery	Peter C. Minuk
Director	Director

On Behalf of the Promoter

“Paul N. Zyla” (signed)
Paul N. Zyla
Promoter

SCHEDULE "D"

CERTIFICATE OF THE AGENTS

Dated: November 8, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of Ontario, Alberta and British Columbia.

HAYWOOD SECURITIES INC.

"*Greg McKenzie*" (signed)

Greg McKenzie

GMP SECURITIES L.P.

"*Kevin Reid*" (signed)

Kevin Reid

RAYMOND JAMES LTD.

"*John Willett*" (signed)

John Willett

Xtra-Gold