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

FORM 10-Q

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934**

For the quarterly period ended June 30, 2011

OR

[_] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934**

For the transition period from _______________ to _______________

Commission File No. 333-139037

Xtra-Gold Resources Corp.

(Exact name of registrant as specified in its charter)

NEVADA	**91-1956240**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

360 BAY STREET – SUITE 301
TORONTO, ONTARIO – M5H 2V6 – CANADA
(Address of principal executive offices)

(416) 366-4227
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to the filing requirements for the past 90 days. [X] Yes [_] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [_] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer [_]	Accelerated Filer [_]
Non-accelerated filer [_]	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): [_] Yes [X] No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	**Outstanding as at August 10, 2011**
Common stock - $0.001 par value	44,212,393

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
(unaudited)
AS AT JUNE 30, 2011 and DECEMBER 31, 2010

	June 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current		
Cash and cash equivalents	$ 9,097,834	$ 10,096,122
Investment in trading securities, at fair value (cost of $521,396 (December 31, 2010 - $78,318)) (Note 4)	441,131	129,141
Receivables and other assets	136,916	125,354
Deposit for equipment (Note 5)	—	—
Total current assets	9,675,881	10,350,617
Restricted cash (Note 10)	220,961	220,000
Equipment (Note 5)	1,477,713	735,426
Deferred financing costs (Note 6)	—	—
Oil and gas investment (Note 7)	—	—
Mineral properties (Note 8)	877,422	1,713,862
TOTAL ASSETS	$ 12,251,977	$ 13,019,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 378,345	$ 517,236
Convertible debentures (Note 9)	—	—
Total current liabilities	378,345	517,236
Asset retirement obligation (Note 10)	163,395	155,395
Total liabilities	541,740	672,631
Stockholders' equity		
Capital stock (Note 11)		
Authorized		
250,000,000 common shares with a par value of $0.001		
Issued and outstanding		
44,031,229 common shares (December 31, 2010 – 42,961,179 common shares)	44,031	42,961
Additional paid in capital	27,464,219	26,089,803
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	(14,176,411)	(12,321,365)
Total Xtra-Gold Resources Corp. stockholders' equity	11,904,075	12,383,635
Non-controlling interest	(193,838)	(36,361)
Total stockholders' equity	11,710,237	12,347,274
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,251,977	$ 13,019,905

History and organization of the Company (Note 1)
Contingency and commitments (Note 15)
Subsequent events (Note 16)

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)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2011	Three Month Period Ended June 30, 2011	Three Month Period Ended June 30, 2010	Six Month Period Ended June 30, 2011	Six Month Period Ended June 30, 2010
EXPENSES					
Amortization	$ 379,996	$ 49,164	$ 9,881	$ 79,566	$ 20,634
Exploration	17,728,792	1,122,471	255,362	2,691,449	437,269
General and administrative	6,907,517	321,739	485,724	577,084	719,917
Write-off of mineral property	26,000	—	—	—	—
LOSS BEFORE OTHER ITEMS	(25,042,305)	(1,493,374)	(750,967)	(3,348,099)	(1,177,820)
OTHER ITEMS					
Foreign exchange gain (loss)	387,346	(271,641)	(38,203)	(164,394)	6,710
Interest expense	(241,936)	—	(642)	—	(1,283)
Realized gains (losses) on sales of trading securities	194,002	—	51,942	—	135,141
Net unrealized gain (loss) on trading securities	(231,853)	(47,481)	(170,586)	(66,990)	(18,301)
Other income	881,059	12,873	10,851	24,223	28,842
Recovery of gold	9,353,038	260,904	—	1,282,679	—
Gain on disposal of property	355,400	—	—	260,058	—
Write-off of investment in trading securities	(25,000)	—	—	—	—
	10,672,056	(45,345)	(146,638)	1,335,576	151,109
Consolidated loss for the period	(14,370,249)	(1,538,719)	(897,605)	(2,012,523)	(1,026,711)
Net (income) loss attributable to non-controlling interest	193,838	115,135	11,238	157,477	28,146
Net loss attributable to Xtra-Gold Resources Corp.	$ (14,176,411)	$ (1,423,584)	$ (886,367)	$ (1,855,046)	$ (998,565)
Basic and diluted loss attributable to common stockholders per common share		$ (0.03)	$ (0.03)	$ (0.04)	$ (0.03)
Basic and diluted weighted average number of common shares outstanding		43,668,909	34,115,817	43,322,266	33,725,082

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 June 30, 2011	Three Month Period Ended June 30, 2011	Three Month Period Ended June 30, 2010	Six Month Period Ended June 30, 2011	Six Month Period Ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the period	$ (14,370,249)	$ (1,538,719)	$ (897,605)	$ (2,012,523)	$ (1,026,711)
Items not affecting cash:					
Amortization	379,996	49,164	9,881	79,566	20,634
Amortization of deferred finance costs	46,202	—	—	—	1,283
Accretion of asset retirement obligation	32,262	4,000	1,798	8,000	3,596
Shares issued for services	202,365	—	—	—	—
Stock-based compensation	1,578,111	78,111	287,554	99,422	311,629
Unrealized foreign exchange gain (loss)	(434,549)	36,021	21,919	32,460	(17,378)
Realized (gains) losses on sale of trading securities	(194,002)	—	(51,942)	—	(135,141)
Purchase of trading securities (Note 4)	(11,564,690)	—	—	—	—
Proceeds on sale of trading securities	11,916,697	—	373,619	—	1,248,873
Unrealized (gain) loss on trading securities	231,853	47,481	170,586	66,990	18,301
Gain on disposal of property	(355,400)	—	—	(260,058)	—
Write-off of mineral property	26,000	—	—	—	—
Expenses paid by stockholders	2,700	—	—	—	—
Write-off of investment in trading securities	25,000	—	—	—	—
Changes in non-cash working capital items:					
(Increase) decrease in receivables and other	(128,541)	231,195	17,013	(11,562)	(1,212)
Increase (decrease) in accounts payable and accrued liabilities	367,654	(162,511)	(84,374)	(138,890)	(63,994)
Increase in due to related party	50,000	—	—	—	—
Net cash provided by (used in) operating activities	(12,188,591)	(1,255,258)	(151,551)	(2,136,595)	359,880
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)
Issuance of capital stock, net of financing costs	21,893,300	1,238,564	874,201	1,276,064	974,151
Net cash provided by financing activities	22,582,098	1,238,564	874,201	1,276,064	866,151

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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 June 30, 2011	Three Month Period Ended June 30, 2011	Three Month Period Ended June 30, 2010	Six Month Period Ended June 30, 2011	Six Month Period Ended June 30, 2010
Continued ...					
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of equipment	$ (1,737,969)	$ (594,273)	(183,442)	$ (849,796)	$ (307,523)
Deposit on equipment	(151,506)	—	—	—	—
Restricted cash	(220,961)	—	—	(961)	—
Oil and gas property expenditures	(250,137)	—	—	—	—
Acquisition of cash on purchase of subsidiary	11,510	—	—	—	—
Acquisition of subsidiary	(25,000)	—	—	—	—
Option payment received	450,000	425,000	—	425,000	—
Proceeds on disposal of assets	628,390	—	30,000	288,000	30,000
Net cash used in investing activities	(1,295,673)	(169,273)	(153,442)	(137,757)	(277,523)
Change in cash and cash equivalents in the period	9,097,834	(185,967)	569,208	(998,288)	948,508
Cash and cash equivalents, beginning of period	—	9,283,801	1,001,970	10,096,122	622,670
Cash and cash equivalents, end of period	$ 9,097,834	$ 9,097,834	$ 1,571,178	$ 9,097,834	$ 1,571,178

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**	**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 debenture at $1.00 per share	250,000	250	249,750	—	—	—	250,000
March, 2010 – Repurchase and cancellation of shares at $1.33 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
June, 2010 – Private placement at $1.00 per unit	250,000	250	249,750	—	—	—	250,000
August, 2010 – Conversion of warrants at $1.00 per share	360,000	360	359,640	—	—	—	360,000
November, 2010 – Initial public offering at CAD$1.35 (USD$1.33) per share	8,092,593	8,092	10,744,621	—	—	—	10,752,713
December, 2010 – Conversion of warrants at $1.50 per share	20,000	20	29,980	—	—	—	30,000
Share issuance costs	—	—	(1,455,909)	—	—	—	(1,455,909)
Stock-based compensation	—	—	411,507	—	—	—	411,507
Loss (income) for the year	—	—	—	—	40,268	(3,016,913)	(2,976,645)
Balance, December 31, 2010	42,961,179	$ 42,961	$ 26,089,803	$ (1,427,764)	(36,361)	(12,321,365)	$ 12,347,274

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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)

Continued ...

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Balance, December 31, 2010	42,961,179	$ 42,961	$ 26,089,803	$ (1,427,764)	$ (36,361)	$ (12,321,365)	$ 12,347,274
March, 2011 – Conversion of warrants at $1.50 per share	25,000	25	37,475	—	—	—	37,500
Share issuance costs	—	—	—	—	—	—	—
Stock-based compensation	—	—	21,311	—	—	—	21,311
Loss (income) for the period					(42,342)	(431,462)	(473,804)
Balance, March 31, 2011	42,986,179	$ 42,986	$ 26,148,589	$ (1,427,764)	$ (78,703)	$ (12,752,827)	$ 11,932,281
Conversion of warrants at $1.50 per share	387,050	387	580,177	—	—	—	580,564
Conversion of warrants at $1.00 per share	658,000	658	657,342	—	—	—	658,000
Share issuance costs	—	—	—	—	—	—	—
Stock-based compensation	—	—	78,111	—	—	—	78,111
Loss (income) for the period	—	—	—	—	(115,135)	(1,423,584)	(1,538,719)
Balance, June 30, 2011	44,031,229	$ 44,031	$ 27,464,219	$ (1,427,764)	$ (193,838)	$ (14,176,411)	$ 11,710,237

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. CONTINUANCE OF OPERATIONS

The Company is in the exploration stage with respect to its resource properties, incurred a loss of $1,423,584 for the three- month period ended June 30, 2011 and has accumulated a deficit during the exploration stage of $14,176,411. 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, 2011, the Company has working capital of $9,297,536, which is sufficient to fund operations for a period greater than twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

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, 2010, 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.

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. The amounts which involve significant estimates include asset retirement obligations and stock-based compensation.

Cash and cash equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and December 31, 2010, 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). When the Company receives an option payment related to a property, the proceeds of the payment are applied to reduce the carrying value of the exploration asset.

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 June 30, 2011, there were 1,327,720 warrants (December 31, 2010 – 2,439,320) and 2,097,000 stock options (December 31, 2010 – 1,788,000) outstanding, none of which have 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. 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, restricted cash, 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 government or bank guaranteed deposit certificates or 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 US 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 (loss). 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 (loss) until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income (loss).

Financial instruments, including cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities and convertible debentures 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 June 30, 2011, 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:

	June 30, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 9,097,834	$ 9,097,834	$ —	$ —
Restricted cash	220,961	220,961	—	—
Marketable securities	441,131	441,131	—	—
Total	$ 9,759,926	$ 9,759,926	$ —	$ —

The fair values of cash and cash equivalents, restricted cash 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 and cash equivalents and restricted cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of June 30, 2011 and December 31, 2010, 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 April 2010, the FASB issued ASU 2010-13, Compensation – Stock Compensation (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 (January 1, 2011 for the Company). The Company does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on the Company's consolidated financial statements will depend on the size and nature of future business combinations.

(Expressed in U.S. Dollars)

4. INVESTMENTS IN TRADING SECURITIES

At June 30, 2011, 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, 2011, the fair value of trading securities was $441,131 (December 31, 2010 – $129,141).

5. EQUIPMENT

	June 30, 2011			December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 8,358	$ 5,364	$ 2,994	$ 8,358	$ 4,179	$ 4,179
Computer equipment	20,274	16,362	3,912	20,274	13,844	6,430
Exploration equipment	1,583,209	224,283	1,358,926	781,126	185,464	595,662
Vehicles	156,788	44,907	111,881	155,325	26,170	129,155
	$ 1,768,629	$ 290,916	$ 1,477,713	$ 965,083	$ 229,657	$ 735,426

As of December 31, 2009, the Company had made a deposit of $151,506 to acquire mining equipment, which was delivered during the year ended December 31, 2010.

6. DEFERRED FINANCING COSTS

	June 30, 2011	December 31, 2010
Balance, beginning of period	$ Nil	$ 1,283
Amortization	Nil	(1,283)
Balance, end of period	$ Nil	$ —

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. During the year ended December 31, 2010, the Company sold its 18.9% participating interest for $40,000.

8. MINERAL PROPERTIES

	June 30, 2011	December 31, 2010
Acquisition costs	$ 1,607,729	$ 1,607,729
Asset retirement obligation (Note 10)	131,133	131,133
Option payments received	(861,440)	(25,000)
Total	$ 877,422	$ 1,713,862

8. MINERAL PROPERTIES (cont'd…)

Kibi, Kwabeng and Pameng Projects

The Company holds an individual mining lease over the lease area of each of the Kibi Project, the Kwabeng Project and the Pameng Project, all of which are located in Ghana. Each of these mining leases grant the Company mining rights to produce gold in the respective lease 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 up to a further 30 year term on application and payment of applicable fees to the Minerals Commission of Ghana ("Mincom"). All gold production will be subject to a production royalty of the net smelter returns ("NSR") payable to the Government of Ghana.

Banso and Muoso Projects

During the year ended December 31, 2010, the Company made an application to Mincom to convert a single prospecting license ("PL") securing its interest in the Banso and Muoso Projects located in Ghana to a mining lease covering the lease area of each of these Projects. This application was approved by Mincom who subsequently made recommendation to the Minister of Lands, Forestry and Mines to grant an individual mining lease for each Project. Subsequent to the year ended December 31, 2010, the Government of Ghana granted two mining leases for these Projects dated January 6, 2011. These mining leases grant the Company mining rights to produce gold in the respective lease areas until January 5, 2025 with respect to the Banso Project and until January 5, 2024 with respect to the Muoso Project. These mining leases supersede the PL previously granted to the Company. Among other things, both mining leases require that the Company (i) pay the Government of Ghana a fee of $30,000 in consideration of granting of each lease (paid in the March 2011 quarter); (ii) pay annual ground rent of GH¢260.00 (USD$167) for the Banso Project and GH¢280.00 (USD$180) for the Muoso Project (paid in the March 2011 quarter); and (iii) commence commercial production of gold within two years from the date of the mining leases; and (iv) pay a production royalty to the Government of Ghana.

The Company executed a letter of intent with Verbina Resources Inc. ("Verbina") on July 21, 2010 whereby Verbina could acquire an undivided 55% interest in the Company's interest in the mineral rights of the Company's Banso and Muoso concessions ("Concessions"). On January 21, 2011 the terms of the agreement were adjusted.

Pursuant to the 2011 LOI, Verbina can acquire a 55% legal and beneficial interest in the Company's interest in the mineral rights of the Concessions upon the following terms whereby Verbina shall (i) provide the Company, by February 28, 2011, with notice of its satisfactory completion of due diligence of the Concessions, provided on January 21, 2011, and receipt of regulatory acceptance by the TSX Venture Exchange of the 2011 LOI, received on February 16, 2011 (the "Effective Date"); (ii) make a cash payment to the Company of $425,000 consisting of $100,000 upon the Effective Date and $325,000 within 90 days of the Effective Date, which payments have been received; (iii) issue 1,000,000 fully paid and non-assessable common shares of Verbina to the Company upon the Effective Date (issued in the March 2011 quarter); (iv) incur a total of $4,425,000 in exploration expenditures on the Concessions within five (5) years of the Effective Date with $500,000 to be incurred in the first year from the Effective Date and $1,000,000 in each year thereafter, except that in the final year the exploration expenditures shall be a minimum of $925,000; and (v) pay to the Company $300,000 in connection with a Versatile Time-domain Electromagnetic ("VTEM"), Magnetic and Radiometric survey to be flown over the Concessions by the Company, which payment shall be credited toward the $500,000 in exploration expenditures referred to above in subparagraph (iv).

A definitive binding option agreement shall be entered into between the Company and Verbina which agreement will require approval from the Minister of Lands, Forestry and Mines.

(Expressed in U.S. Dollars)

8. MINERAL PROPERTIES (cont'd…)

Banso and Muoso Projects (cont'd…)

The status of each Verbina commitment to the Company in the 2011 LOI is as follows:

Item	Description	Status
(i)	Due diligence completed	Done
	TSX accepts LOI	Done
(ii)	Pay $100,000 to the Company	Done
	Pay a further $325,000 to the Company	Done
(iii)	Issue 1,000,000 Verbina shares to the Company	Done
(iv)	Spend $4,425,000 on the properties over 5 years	In Progress
(v)	Pay $300,000 to the Company for a VTEM survey	Done

The 1,000,000 Verbina shares received were valued at $411,440 at the date of the agreement. This value reduced the mineral properties value on the balance sheet. The shares are included in the investments account on the balance sheet and marked to market at the end of each reporting period. Further cash option payments received reduced the carrying value of the Muoso and Banso properties on the balance sheet.

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 prospecting license has been renewed for a two year period expiring on July 21, 2013.

The consideration paid for the Option Agreement 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 which term has been extended to November 11, 2013. 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 fees to Mincom 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 of Ghana ("EPA") for processing and certificate fees with respect to EPA permits, an aggregate of less than $500 in connection with annual ground rent and mining permits to enter upon and gain access to the areas covered by the Company's mining leases and prospecting licenses.

(Expressed in U.S. Dollars)

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 totaling $650,000 were converted into 650,000 common shares. In February 2010, the convertible debenture of $250,000 was converted into 250,000 common shares.

10. ASSET RETIREMENT OBLIGATION

		June 30, 2011		December 31, 2010
Balance, beginning of period	$	155,395	$	71,906
Increase in obligation		—		76,298
Accretion expense		8,000		7,191
Balance, end of period	$	163,395	$	155,395

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 $220,000 (2010 - $220,000). 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. The Company has been required by the Ghanaian government to post a bond of $220,000 which has been recorded as restricted cash with accrued interest.

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.

In March 2010, 80,891 common shares were repurchased for $108,000 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 June 2010, the Company 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 share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.50 expiring 18 months from the date of issue. The Company also issued finder's warrants enabling the holders to acquire up to 25,000 common shares at the same terms as the unit warrants. The fair value of the finder's warrants was $15,091 calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 1.82%, volatility of 99.78% and a dividend rate of 0%.

11. CAPITAL STOCK (cont'd…)

Private placement (cont'd…)

In April 2010, the Company 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 share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.50 expiring 18 months from the date of issue. The Company also issued finder's warrants enabling the holders to acquire up to 73,800 common shares at the same terms as the unit warrants. The fair value of finder's warrants was $40,516 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 116.59% and a dividend rate of 0%.

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.

Initial Public Offering

In November 2010, the Company completed an initial public offering in Canada (the "IPO") and issued 8,092,593 common shares at CAD$1.35 per share (USD$1.33) for gross cash proceeds of CAD$10,925,001 (USD$10,752,713). The Company also issued 566,482 broker warrants with a strike price of CAD$1.35 (US$1.33) per warrant and a two-year term to maturity. The Company valued the warrants at $364,248 using the Black-Scholes model with a 90% volatility, 0% dividend and 1.5% interest rate.

Escrow Shares

A total of (a) 267,500 shares (the "Escrow Shares") were deposited into escrow at the time of listing of the Company's shares on the Toronto Stock Exchange on November 23, 2010 (the "Listing Date"), following completion of the IPO. The Escrow Shares are released from escrow as to (a) 1/4 of the Escrow Shares on the Listing Date; (b) 1/3 of the remaining Escrow Shares, six months after the Listing Date; (c) 1/2 of the remaining Escrow Shares, 12 months after the Listing Date; and (d) the remaining Escrow Shares, 18 months after the Listing Date. As of June 30, 2011 a total of 133,750 Escrow Shares were held in escrow (December 31, 2010 – 200,625).

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

At June 30, 2011, the Company adopted a new 10% rolling stock option plan (the "2011 Plan") and cancelled the 2005 equity compensation plan. Pursuant to the 2011 Plan, the Company is entitled to grant options and reserve for issuance up to 10% of the shares issued and outstanding shares at the time of grant. 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 Compensation Committee who makes recommendation to the board of directors for their approval. The maximum term of options granted cannot exceed 10 years.

Stock options

At June 30, 2011, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
324,000	$0.70	May 1, 2013
540,000	$0.75	May 1, 2013
110,000	$1.00	February 12, 2012
108,000	$1.00	January 1, 2013
216,000	$1.00	February 1, 2013
270,000	$1.00	May 1, 2013
130,000	$1.05	May 1, 2013
90,000	$1.15	July 1, 2013
56,000	$1.98	February 15, 2011
145,000	$1.95	March 1, 2011
108,000	$1.85	June 10, 2014

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,788,000	$ 0.88	972,000	$ 0.73
Granted	309,000	$ 1.92	924,000	1.02
Exercised	—	—	—	
Cancelled/Expired	—	—	(108,000)	0.70
Outstanding, end of period	2,097,000	$ 1.03	1,788,000	0.88
Exercisable, end of period	1,639,000	$ 0.90	1,490,000	0.85

The aggregate intrinsic value for options vested as of June 30, 2011 is approximately $1,398,790 (December 31, 2010 - $1,312,200) and for total options outstanding is approximately $1,534,320 (December 31, 2010 - $2,447,200).

Stock-based compensation

The fair value of stock options granted during the six month period ended June 30, 2011 totaled $365,892 (December 31, 2010 - $594,388) of which at June 30, 2011 the remaining the $303,806 from the 2011 grants and $145,541 from 2010 grants will be expensed in future periods. A total of $99,422 has been included in general and administrative expense for the six month period ended June 30, 2011 (year ended December 31, 2010 - $411,507). During the year ended December 31, 2009, the Company extended the life of previously granted options to May 1, 2013 which resulted in an expense of $468,052 which was included in general and administrative expenses.

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd…)

Stock-based compensation (cont'd…)

The following assumptions were used for the Black-Scholes valuation of stock options granted or extended during the periods ended June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Risk-free interest rate	1.75%	1.73%
Expected life	3 years	3 years
Annualized volatility	95.00%	94.28%
Forfeiture rate	0%	0%
Dividend rate	—	—

The weighted average fair value of options granted was $1.18 (December 31, 2010 - $0.63) .

Warrants

At June 30, 2011, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
188,438	$1.00	August 5, 2011
447,800	$1.50	October 19, 2011
125,000	$1.50	December 11, 2011
566,482	$1.33	November 23, 2012

Warrant transactions and the number of warrants outstanding are summarized as follows:

	June 30, 2011		Dec 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,439,320	$ 1.13	1,610,038	$ 1.13
Issued	—	—	1,209,282	1.42
Exercised	(1,070,050)	1.19	(380,000)	1.03
Expired	(41,550)	1.50	—	—
Exercisable, end of period	1,327,720	$ 1.07	2,439,320	$ 1.29

12. RELATED PARTY TRANSACTIONS

During the six-month periods ended June 30, 2011 and June 30, 2010, the Company entered into the following transactions with related parties:

	Six months June 30, 2011	Six months June 30, 2010
Consulting fees paid or accrued to officers or their companies	$ 209,899	$ 115,939
Directors' fees	17,335	15,799
Stock option grants to officers and directors	223,000	438,000
Stock option grant price range	$ 1.90	$ $1.00

(Expressed in U.S. Dollars)

12. RELATED PARTY TRANSACTIONS (cont'd…)

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 June 30, 2011	June 30, 2011	Dec 31, 2010
Cash paid during the period for:			
Interest	$ 187,362	$ —	$ —
Income taxes	$ —	$ —	$ —

There were no significant non-cash transactions during the three-month period ended June 30, 2011. The significant non- cash transactions during the three month period ended March 31, 2011 were the receipt of 1,000,000 Verbina common shares per the 2011 LOI (Note 8), the write off of $27,942 related to an asset sale and the capitalization of $4,000 in mineral properties related to asset retirement costs.

The significant non-cash transactions during the year ended December 31, 2010 included (a) the issuance of 665,282 finder's warrants with a value of $419,855 in connection with a private placement (Note 11); (b) the conversion of $250,000 of a convertible debenture into 250,000 common shares; (c) capitalization of $76,298 in mineral properties related to asset retirement costs.

14. SEGMENTED INFORMATION

The Company has one reportable segment, being the exploration and development of resource properties.

Geographic information is as follows:

	June 30, 2011	Dec 31, 2010
Cash and restricted cash:		
Canada	8,972,153	9,950,180
Ghana	346,642	365,942
Total cash and restricted cash	9,318,795	10,316,122
Capital assets:		
Canada	6,907	10,609
Ghana	2,348,228	2,438,679
Total capital assets	2,355,135	2,449,288
Total	11,673,930	12,765,410

15. CONTINGENCY AND COMMITMENTS

a) The Company entered into a management consulting agreement with the Vice President, Exploration, which extends from March 1, 2011 to March 1, 2014, whereby the Company will pay CAD$12,500 (USD$12,875) per month for the three year term for providing the majority of his time in consulting services to the Company. In the event of termination, without cause, the Company will be required to pay CAD$10,000 (USD$10,300) for each month of early termination.

15. CONTINGENCY AND COMMITMENTS (cont'd…)

b) The Company entered into a renewal of the consulting agreement with Brokton International Ltd. ("Brokton"), a company controlled by the General Manager of the Company's Ghana Operations. Brokton is to be paid $10,000 per month for fiscal 2011.

c) Effective January 1, 2011, the Company entered into a management consulting agreement with the President and Chief Executive Officer whereby the Company will pay CAD$3,000 (USD$3,084) per month for one year for providing 60% of his time in consulting services to the Company.

d) 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$3,976) per month.

e) In late 2009, the Government of Ghana announced an increase in the gross overriding royalty ("GOR") required payable by all mining companies in the country from 3% to 5%. The industry standard remained at 3% due to stability agreements which were in place with a number of companies. From the commencement of gold recovery in July 2010 to September 2010, the Company paid the GOR at 5% and as of October 2010, the Company began to pay the GOR at 3%. As a result of this decision, there is a potential liability of $84,300 related to 2010 activities and a further $160,187 related to 2011 activities. The Company believes it is unlikely that this amount will become payable.

16. SUBSEQUENT EVENTS

a) An aggregate of 181,164 warrants were converted at an exercise price of $1.00 per share for gross proceeds of $181,164. The remaining 7,274 unexercised warrants expired on August 5, 2011 and were subsequently cancelled.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis of the consolidated financial statements and results of operations of Xtra-Gold Resources Corp. (**"Xtra-Gold"** or **"our company"**) for the six months ended June 30, 2011 and 2010 should be read in conjunction with the consolidated financial statements and the related notes to our company's consolidated financial statements and other information presented elsewhere in this Report. The following discussion contains forward-looking statements that reflect Xtra-Gold's plans, estimates and beliefs. Our company's actual results could differ materially from those discussed in the forward-looking statements set out herein. Factors that could cause or contribute to such differences include, but are not limited to those discussed below and as contained elsewhere in this Report. Our company's consolidated unaudited financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

Highlights

- In May 2011, reported (i) 52 metres at 2.42 g/t gold (May 31); (ii) 50 metres at 1.62 g/t gold (May 31); and (iii) 42 metres at 2.39 g/t gold (May 17) in our Kibi Project.
- Used $185,967 cash in the quarter. Cash of $9,097,834 at June 30, 2011.
- Reported net gold sales in the quarter of $260,904 from our company's placer gold operations.
- Completed an agreement for exploration of our Banso and Muoso Projects with Verbina Resources Inc. (name changed to Buccaneer Gold Corp. ("Buccaneer") in April 2011) which allows Buccaneer to explore these projects while our company maintains a 45% interest in the projects.

Plan of Operations

We are a gold exploration company engaged in the exploration of gold properties in the Republic of Ghana, West Africa. Our mining portfolio currently consists of 246.47 sq km comprised of 33.65 sq km for our Kibi Project, 51.67 sq km for our Banso Project, 55.28 sq km for our Muoso Project, 44.76 sq km for our Kwabeng Project, 40.51 sq km for our Pameng Project and 20.60 sq km for our Edum Banso Project, or 60,969 acres, pursuant to the leased and licensed areas set forth in our respective mining leases, prospecting licenses and/or option agreement.

Our strategic plan is, with respect to our mineral projects: (i) to focus our efforts and dedicate our financial resources toward the potential to drill out a resource and, perhaps ultimately, a reserve of our Kibi Project located on the Kibi Gold Belt; (ii) to define a resource and, perhaps ultimately, a reserve on our other exploration projects; (iii) to enter into negotiations with independent Ghanaian contract miners and operators to assume our recovery of gold operations at our Kwabeng Project with a view to these contractors conducting recovery of placer gold operations for fixed payments to our company; and (iv) 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 our current business strategy, we plan to continue engaging technical personnel under contract where possible as our 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 our business operations.

We anticipate that our ongoing efforts will continue to be focused on the exploration and development of our Projects and completing acquisitions in strategic areas.

In October 2008, we suspended our operations at our Kwabeng Project while our 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, we have not planned to resume operations at our Kwabeng Project. During the next 12 months, we plan to (i) enter into negotiations to contract out the recovery of placer gold operations at this Project, as noted above; (ii) advance the development of our Kibi Project by continuing to carry out the 2011 Drill Program; and (iii) acquire further interests in mineral projects by way of acquisition or joint venture participation.

We anticipate that, during 2011, we will spend an aggregate of approximately $6,000,000comprised of $5,000,000 for exploration expenses in connection with our 2011 Drill Program of our Kibi Project located on the Kibi Gold Belt to identify a potential resource and approximately $1,000,000 for general and administrative expenses (which includes approximately $500,000 in non-cash expenses).

Our 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 our company's operations over the next year. During the future years, subsequent to 2011, we require additional capital to implement our plan of operations. We anticipate that these funds primarily will be raised through equity and debt financing or from other available sources of financing. If we raise additional funds through the issuance of equity or convertible debt securities, it may result in the dilution in the equity ownership of investors in our 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, we may be unable to take advantage of prospective new opportunities or acquisitions, which could significantly and materially restrict our operations, or we may be forced to discontinue our current projects.

Trends

In 2010, many commodity and stock market indices experienced historically high levels of volatility in the face of the global economic crisis. Financial market conditions continued to improve during the year as global credit markets started to return to a more normal position, investor confidence improved and most economies experienced positive growth.

During the year, the US dollar was generally in decline, primarily from concerns about the level of US government borrowings and the growing US deficit and from the low interest rates offered on US dollar deposits. The EURO also weakened against the Canadian dollar as a result of low interest rates, concerns about the solvency of certain European economies and the level of sovereign debt in those countries.

Gold price volatility in 2010 remained high with the price reaching a record level of US$1,424 per ounce. During the second quarter of 2011, the gold price continued to increase and to be volatile, reaching a high of $1,552.66 per ounce on June 22, 2011 of the June 2011 quarter. The average market price for the second quarter of 2011 was $1,504.30 per ounce and for 2010 was US$1,195.68 per ounce. The tone for the precious metals market in the remainder of 2011 will depend on whether the US dollar will be supported, and if the central banks will continue to maintain interest rates at low levels to support economic growth. The continued global easing of monetary policy could lead to higher inflation and further US dollar depreciation in the coming years. This dollar depreciation could have a positive impact on gold prices in the future and the long–term upward trend in prices may continue. Conversely, subdued inflation rates and the recovering global economy could put downward pressure on the gold price in the future. Additionally, recent events in North Africa and the Middle East could continue to have a positive effect on the gold price.

Overall, a lower US dollar should lead to higher costs in US dollar terms to identify and explore for gold but could be more than offset by higher gold prices, resulting in greater interest in gold exploration companies. Conversely, if the US dollar strengthens, interest in the gold exploration sector could be reduced.

Summary of Quarterly Results

Three Months Ended	**Net Income (Loss)** **$**	**Basic and Diluted Income (Loss) Per Share** **$**
June 30, 2011	$ (1,423,584)	$ (0.03)
March 31, 2011	$ (431,462)	$ (0.01)
December 31, 2010	(1,454,847)	(0.04)
September 30, 2010	(563,501)	(0.02)
June 30, 2010	(886,367)	(0.03)
March 31, 2010	(112,198)	(0.00)
December 31, 2009	(433,872)	(0.01)
September 30, 2009	(425,971)	(0.01)

Three Months Ended June 30, 2011 Compared to the Three Months Ended June 30, 2010

Our company's loss for the three months ended June 30, 2011 was $1,423,584 as compared to a net loss of $886,367 for the three months ended June 30, 2010, an increase of $537,217. We incurred expenses of $1,493,374 in the three months ended June 30, 2011 as compared to $750,967 in the three months ended June 30, 2010, an increase $742,407. The increase in expenses in the three months ended June 30, 2010 can be primarily attributed to an increase in exploration costs to $1,122,471 (2010 - $255,362) resulting from drilling and other exploration activities conducted at our Kibi Project. Increased exploration spending was significantly offset by gold recovery during the quarter. All exploration costs for the three months ended June 30, 2011 were booked as exploration expenses.

General and administrative expenses (**"G&A"**) of $321,739 for the three months ended June 30, 2011, as compared to $485,724 for the three months ended June 30, 2010 can be primarily attributed to stock-based compensation of $78,111 (2010 - $287,554) expensed with respect to stock options vested during the period, consulting fees, legal, auditor and regulatory filing fees, travel and promotional expenses.

Other items totaled a loss of $45,345 for the three months ended June 30, 2011 compared to a loss of $146,638 for the three months ended June 30, 2010. During the three months ended June 30, 2011, our company had a foreign exchange loss of $271,641 compared to a loss of $38,203 in the three months ended June 30, 2010 which loss can be attributed to currency fluctuations.

Our company's portfolio of marketable securities had an unrealized loss of $47,481 in the three months ended June 30, 2011 compared to an unrealized loss of $170,586 in the three months ended June 30, 2010 which loss can be attributed to extreme volatility in the public equity markets this reporting period. Other income, primarily derived from interest earned, increased in the three months ended June 30, 2011 to $12,873 as compared to $10,851 in 2010.

Our company's basic and diluted income (loss) per share for the three months ended June 30, 2011 was ($0.03) compared to $(0.03) per share for the three months ended June 30, 2010. The weighted average number of shares outstanding was 43,668,909 at June 30, 2011 compared to 34,115,817 for the three months ended June 30, 2010. The increase in the weighted average number of shares outstanding can be attributed to the issuance of 8,092,593 shares in the November 2010 placement and the issuance of 1,045,050 shares in connection with the conversion of warrants and finders' warrants during the second quarter.

Results of Operations for the Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Our company's loss for the six months ended June 30, 2011 was $1,855,046 as compared to a net loss of $998,565 for the six months ended June 30, 2010, an increase of $856,481. Increased exploration spending was significantly offset by gold recovery and a gain on disposition of equipment, especially in the first quarter of 2011. Gold recovery was reduced in the second quarter of 2011 and the investment portfolio posted unrealized losses, mostly from the Buccaneer shares.

Our company's basic and diluted loss per share for the six months ended June 30, 2011 was $0.04 compared to net loss of $0.03 per share for the six months ended June 30, 2010. The weighted average number of shares outstanding was 43,322,266 at June 30, 2011 compared to 33,725,082 for the six months ended June 30, 2010. The increase in the weighted average number of shares outstanding can be mostly attributed to the issuance of 8,092,593 shares in the November 2010 placement and the issuance of 1,070,050 shares in connection with the conversion of warrants and finders' warrants during the period.

Exploration spending for the six months ended June 30, 2011 was $2,691,449 as compared to $437,269 for the six months ended June 30, 2010, an increase of $2,254,180. Exploration spending in 2011 reflected the funds available from the November 2010 financing while spending in 2010 reflected conservation of cash available at that time.

Exploration work was focused primarily on the Kibi Project in the six-month period. We drilled 5,175 metres and trenched 795 metres.

General and administrative expense for the six months ended June 30, 2011 was $577,084 as compared to $719,917 for the six months ended June 30, 2010, an decrease of $142,833. Most of the 2011 spending reflects travel and promotional spending of $69,461 to attend trade shows and visit our projects. Consulting and director fees were $116,725, while non-cash stock based compensation expense was $99,422. The balance of the general and administrative expense of $291,476 related to legal, auditor, regulatory and rental fees.

Amortization for the six months ended June 30, 2011 was $79,566 as compared to $20,634 for the six months ended June 30, 2010, an increase of $58,932. We added two excavators, two bulldozer and two vehicles at a purchase cost of $849,796 to the assets, which increased the comparative expense in 2011.

During the six months ended June 30, 2011, we received 1,121 ounces of gold from our share of the placer gold operations. These placer gold operations have been contracted to local Ghanaian groups which pay a portion of their gold receipts to us for the right to work on our projects. We pay all government royalties due on all of the production. This method promotes the local economy while avoiding illegal workings on our projects. Our gold receipts, after royalties, were sold for $1,282,679.

Unrealized investment portfolio losses for the six months ended June 30, 2011 were $66,990 as compared to an unrealized loss of $18,301 for the six months ended June 30, 2010, an increase of $48,689. Most of the unrealized loss in 2011 related to the 1,000,000 Buccaneer shares received in the first quarter of 2011. The decrease in realized gains in 2011 comparative to 2010 resulted from the sale of much of the investment portfolio during 2010, leaving very little in the account at December 31, 2010.

During the six months ended June 30, 2011, we sold a placer gold recovery plant with book value $27,942 for $288,000 for a net gain of $260,058. Our decision to use local Ghanaian contractors for placer gold operations made the plant a non-core asset to us. Most of the cash received was used to purchase a bulldozer and excavator which we will use in our continuing exploration efforts.

Liquidity and Capital Resources

Our activities, principally the exploration and acquisition of properties for gold and other metals, may be financed through joint ventures or through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. In November 2010, our company issued 8,092,593 common shares for proceeds of $10.8 million in conjunction with our IPO on to the TSX. We issued 566,482 broker warrants related to the November 2010 financing.

At June 30, 2011, accounts payable and accrued liabilities decreased to $378,345 (December 31, 2010 - $517,236), due to general business payables. Our cash and cash equivalents as at June 30, 2011 was sufficient to pay these liabilities.

At June 30, 2011, we had total cash of $9,097,834 (December 31, 2010 - $10,096,122). Working capital as of June 30, 2011 was $9,297,536 (December 31, 2010 - $9,833,381). The decrease in cash mostly reflects exploration and administrative spending net of gold recovery. Proceeds from the sale of equipment were mostly absorbed by the purchase of other equipment.

At June 30, 2011, Buccaneer closed its financing and paid us $425,000 which was due as an option fee on our Banso and Muoso concessions and a further $300,000 for exploration work done on these projects to date.

During the six months ended June 30, 2011, we received $1,276,075 in connection with the conversion of 1,070,050 warrants and finders' warrants.

We are an exploration company focused on gold and associated commodities and do not have operating revenues; and therefore, we must utilize our current cash reserves, income from placer gold sales, income from investments, funds obtained from the exercise of stock options and warrants and other financing transactions to maintain our capacity to meet the planned exploration programs, or to fund any further development activities. There is no certainty that future financing will be available to us in the amounts or at the times desired on terms acceptable to us, if at all.

Our common shares, warrants and stock options outstanding as at August 10, 2011, June 30, 2011, and December 31, 2010 were as follows:

	August 10, 2011	June 30, 2011	December31, 2010
Common shares	44,212,393	44,031,229	42,961,179
Warrants	1,139,282	1,327,720	2,439,320
Stock Options	2,197,000	2,097,000	1,788,000
Fully diluted	47,548,675	47,455,949	47,188,499

As of the date of this report, the full exercise of all warrants and options would raise approximately $3.5 million. Exercise of these warrants and options is not anticipated until the market value of our common shares increases in value.

We remain debt free and our credit and interest rate risk is limited to interest-bearing assets of cash and bank or government guaranteed investment vehicles. Accounts payable and accrued liabilities are short-term and non-interest bearing.

Our liquidity risk with financial instruments is minimal as excess cash is invested with a Canadian financial institution in government-backed securities or bank-backed guaranteed investment certificates.

Our fiscal 2011 budget is approximately $6.0 million as disclosed above under the heading "Plan of Operations". As of the date of this MD&A, our total cash position is sufficient to meet our current budgetary requirements for 2011. These expenditures are subject to change if management decides to scale back or accelerate operations.

We expect to be adequately capitalized to fund ongoing operations at the current level in the short-term for fiscal 2011. Thereafter from 2012, we will require additional funds from equity sources to maintain the current momentum on our projects.

Recent Capital Raising Transactions

During November 2010, we raised $10.8 million from the issuance of 8,092,593 common shares.

Material Commitments

Mineral Property Commitments

Save and except for fees payable from time to time to (i) the Minerals Commission for an extension of an expiry date of a prospecting license (current consideration fee payable is $15,000) or mining lease or annual operating permits; (ii) the 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 our company; and (iii) a legal obligation associated with our mineral properties for clean up costs when work programs are completed, we are committed to expend an aggregate of less than $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 Apapam concession (Kibi Project);

(ii) the Kwabeng concession (Kwabeng Project);

(iii) the Pameng concession (Pameng Project);

(iv) the Banso Concession (Banso Project);

(v) the Muoso Concession (Muoso Project); and

(vi) the Edum Banso Concession (Edum Banso Project).

Upon and following the commencement of gold production at any of our Projects, a royalty of the net smelter returns is payable quarterly to the Government of Ghana as prescribed by legislation.

With respect to the Edum Banso Project:

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

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

(c) an aggregate production royalty of 2% of the net smelter returns (**"NSR"**) from all ores, minerals and other products mined and removed from the project is payable to Adom, 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.

Repayment of Convertible Debentures and Accrued Interest

We issued Convertible Debentures aggregating the face value of $900,000 in July 2005 under which interest was calculated at 7% per annum. Interest only payments were payable quarterly on the last days of September, December, March and June in each year of the term or until such time that the principal was repaid in the full. The Convertible Debenture holders were entitled, at their option, to convert, at any time and from time to time, until payment in full of their respective Convertible Debentures, all or any part of the outstanding principal amount of the Convertible Debenture, plus the Accrued Interest, into shares (the **"Conversion Shares"**) of our common stock at the conversion price of $1.00 per share (the **"Conversion Price"**). Each Convertible Debenture provided for the automatic conversion of the outstanding principal amount and all accrued but unpaid interest, into shares of our common stock, at the Conversion Price, in the event that our common stock traded for 20 consecutive trading days (a) with a closing bid price of at least $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, we provided notice of the automatic conversion of the Convertible Debentures and in July 2008 we converted $650,000 of the aggregate principal of $900,000 of the Convertible Debentures by way of the issuance of 650,000 Conversion Shares. In February 2010 we converted the outstanding principal of $250,000 owing under one remaining Convertible Debenture by way of the issuance of 250,000 Conversion Shares.

Purchase of Significant Equipment

We consider the availability of equipment to conduct our exploration activities. Due to demand from the mining and exploration industry, at this time it is difficult to source resources for exploration work in Ghana, including drills, excavators and bulldozers. We will consider the further acquisition of equipment pieces to allow work to expand on our projects.

Off Balance Sheet Arrangements

Our company has no off balance sheet arrangements.

Significant Accounting Applications

Application of Critical Accounting Policies

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

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"**).

Principles of consolidation

These consolidated financial statements include the accounts of our company, our wholly-owned subsidiaries, Xtra Energy (from October 31, 2003), XGEL (from February 16, 2004), XOG (from October 20, 2005) and XOGG (from March 2, 2006) and our 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

Our company considers highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and December 31, 2010, 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

Our company's trading securities are reported at fair value, with unrealized gains and losses included in earnings.

Non-Controlling Interest

Our consolidated financial statements include the accounts of XG Mining (from December 22, 2004). All intercompany accounts and transactions have been eliminated upon consolidation. Our company records a non-controlling interest which reflects the 10% portion of the earnings (loss) of XG Mining allocable to the holders of the non-controlling interest.

Oil and natural gas properties

During the year ended December 31, 2010, our company sold its oil and gas interests. Our 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 our 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, our 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, our 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). When our company receives an option payment related to a property, the proceeds of the payment are applied to reduce the carrying value of the exploration asset.

Long-lived assets

Long-lived assets held and used by our 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

Our 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. Our 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

Our 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.

Our 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

Our 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.

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, our company uses the treasury stock method and the *if converted* method. As of June 30, 2011, there were 1,327,720 warrants (December 31, 2010 – 2,439,320) and 2,097,000 stock options (December 31, 2010 – 1,788,000) exercisable into common shares (December 31, 2010 – Nil) outstanding, none of which have been included in the weighted average number of common shares outstanding as these were anti-dilutive.

Foreign exchange

Our company's functional currency is 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 period 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

Our company's financial instruments consist of cash and cash equivalents, trading securities, receivables, and accounts payable and accrued liabilities. It is our management's opinion that our 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. Our company has its cash primarily in government or bank guaranteed deposit certificates or in cash on account at one commercial bank in Toronto, Ontario, Canada.

Fair value of financial assets and liabilities

Our 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, our 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, our company adopted the provisions for non-financial assets and liabilities that are required to be measured at fair value.

Our 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, receivables, restricted cash, and 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.

The following table presents information about the assets that are measured at fair value on a recurring basis as of December 31, 2010, and indicates the fair value hierarchy of the valuation techniques our 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:

	June 30, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 9,097,834	$ 9,097,834	$ —	$ —
Restricted cash	220,961	220,961	—	—
Marketable securities	441,131	441,131	—	—
Total	$ 9,759,926	$ 9,759,926	$ —	$ —

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 our company to concentration of credit risk is cash. Our company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of June 30, 2011and December 31, 2010, our company has exceeded the federally insured limit. Our 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 April 2010, the Financial Accounting Standards Board (**"FASB"**) issued ASU 2010-13, Compensation – Stock Compensation (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 (January 1, 2011 for our company). Our company does not expect its adoption to have a material impact on our company's financial reporting and disclosures.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on our company's consolidated financial statements will depend on the size and nature of future business combinations.

Forward Looking Statements

The information in this quarterly report contains forward-looking statements. These forward-looking statements involve risks and uncertainties, including statements regarding Xtra-Gold's financial condition, results of operations, business prospects, plans, objectives, goals, strategies, expectations, future events, capital expenditure and exploration efforts. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "anticipates", "expects", "intends", "plans", "forecasts", "projects", "budgets", "believes", "seeks", "estimates", "could", "might", "should" "may", "will", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined from time to time, in other reports that Xtra-Gold files with the Securities and Exchange Commission. These factors may cause our company's actual results to differ materially from any forward-looking statement. Our company disclaims any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Xtra-Gold is a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and, as such, is not required to provide the information required under this item.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Report.

Based on that evaluation, our management has concluded that as of the end of the period covered by this Report our disclosure controls and procedures were effective such that the information required to be disclosed in our Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of these controls. Based on this assessment, our management has concluded that as of June 30, 2011, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Changes in Internal Controls over Financial Reporting

During the fourth quarter of 2010, we hired a Chief Financial Officer. Throughout the fourth quarter of 2010, our Chief Financial Officer began building the accounting and finance team and began putting the necessary procedures and system controls in place to strengthen our internal controls. During the fourth quarter of 2010, we also hired additional staff which allowed us to more effectively implement policies and checklists setting forth procedures for accounting and financial reporting with respect to the requirements and application of U.S. GAAP and SEC disclosure requirements. These changes specifically addressed our internal control over preparation of the financial statements and implementing a greater level of review and oversight over our internal controls over financial reporting. During the second quarter of 2011, internal control of the financial statement preparation was further strengthened as the compilation of the financial statements by external consultants was terminated and we prepared the statements ourselves. Other than these changes, there were no changes in our internal control over financial reporting identified in connection with our evaluation that occurred during our quarter ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Our company was party to a lawsuit for the sum of $121,336.66 filed in the Ghanaian courts pertaining to payment for excavation services provided by a subcontractor. We believed that the debt had previously been discharged through the transfer of our shares to the subcontractor in 2008. During the quarter ended March 31, 2010, we settled the lawsuit by paying the subcontractor $108,000 in return for the shares previously issued which we subsequently cancelled.

Except for the foregoing, neither our company nor any of our subsidiaries was a party or of which any of our property was the subject in any material pending legal proceedings that exceeds 10% of our current assets and our subsidiaries on a consolidated basis during the quarter ended June 30, 2011.

Item 1A. RISK FACTORS

Xtra-Gold is a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and, as such, our company is not required to provide the information required by this item.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the quarter ended June 30, 2011.

Item 3. DEFAULTS UPON SENIOR SECURITIES

There has been no material default, during the period covered by this Report, in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days with respect to any indebtedness of our company or any of our significant subsidiaries exceeding 5% of our total assets and our consolidated subsidiaries.

Item 4. [REMOVED AND RESERVED]

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibits

The following documents are included as exhibits to this Report. Exhibits incorporated by reference are so indicated.

Exhibit No.	Description of Document
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 12, 2011

XTRA-GOLD RESOURCES CORP.
(Registrant)

By **/s/ Paul Zyla**
Paul Zyla
Principal Executive Officer

By **/s/ John Charles Ross**
John Charles Ross
Principal Executive Officer