MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial conditions and results of operations for the years ended December 31, 2014, 2013 and 2012 of Xtra-Gold Resources Corp. (**"Xtra-Gold"** or the **"company"**) should be read in conjunction with the consolidated financial statements and the related notes to our consolidated financial statements and other information presented in our annual report on Form 20-F which has been filed with the Securities and Exchange Commission (the **"SEC"**) and can be viewed at www.sec.gov and has also been filed with SEDAR and can be viewed at www.sedar.com. Our consolidated audited financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles (**"US GAAP"**).

Additional information relating to our company, including our consolidated audited financial statements and the notes thereto for the years ended December 31, 2014, 2013 and 2012 and our annual report on Form 20-F, can be viewed on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed below and elsewhere in our 20-F annual report, particularly in the item entitled "Risk Factors" beginning on page 8 of our 20-F annual report.

2014 Highlights

During the year ended December 31, 2014:

- in connection with our Kibi Gold Project, located on the Kibi Gold Belt, exploration activities were limited to Zone 5 reconnaissance geology / prospecting with 144 rock composite chip samples collected and geological - geophysical modelling geared towards drill target selection;
- in connection with our Kwabeng Project, located on the Kibi Gold Belt:
  - we announced prospecting and sampling results for the Bomaa prospect (May 2014);
  - we recovered 1,159 ounces of placer gold and sold 1,159 ounces for net proceeds of $411,152. As at the date of this MD&A, during 2015, we plan to continue placer gold recovery operations at this project; and
- in connection with our Pameng Project, located on the Kibi Gold Belt, soil geochemical sampling was completed on two grids with a total of approximately 80.5 line-km cross-lines established at 200 meter spacing and 2,853 soil samples collected at 25 meter station spacing. A total of 202 rock composite chip samples were collected as part of a prospecting program focusing on the ground proofing of geophysical and structural geology targets. With a view to conserving our company's working capital, management decided to postpone the laboratory analyses of the soil and rock samples for the fiscal year; and
- a total of 452,500 common shares were re-purchased for $136,679 and cancelled.

Overview

We are engaged in the exploration of gold properties exclusively in Ghana, West Africa in the search for mineral deposits and mineral reserves which could be economically and legally extracted or produced. Our exploration activities include the review of existing data, grid establishment, geological mapping, geophysical surveying, trenching and pitting to test the areas of anomalous soil samples and reverse circulation (RC) and/or diamond drilling to test targets followed by infill drilling, if successful, to define a mineral reserve.

Our mining portfolio currently consists of 225.87 square kilometers comprised of 33.65 square kilometers for our Kibi project, 51.67 square kilometers for our Banso project, 55.28 square kilometers for our Muoso project, 44.76 square kilometers for our Kwabeng project, and 40.51 square kilometers for our Pameng project, or 55,873 acres, pursuant to the leased areas set forth in our mining leases.

Plan of Operations

Our strategic plan is, with respect to our mineral projects, to conduct an exploration program, consisting of the following:

at our Kibi project:

- an exploration program consisting of additional outcrop stripping / trenching followed by detailed geological mapping and channel sampling to further investigate the auriferous occurrences discovered by the latest prospecting efforts and to further define the strike-extensions of the known gold-bearing shear zones;
- prospecting / reconnaissance geology of the additional prospective IP/Resistivity targets present along the 2.2 km long Zone 5 grid is also planned; and
- a drill program of approximately 2,000 to 3,000 meters at an estimated cost of $300,000 to $500,000;

at our Kwabeng project:

- ongoing geological compilation, prospecting, soil geochemical sampling, and scout trenching to identify and/or further advance grassroots targets; and
- the continuation of placer gold recovery operations at this project (commenced in March 2013);

at our Pameng project:

- ongoing geological compilation, prospecting, soil geochemical sampling, and scout trenching to identify and/or further advance grassroots targets; and

- 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.

As at the date of this MD&A, we have resumed our recovery of placer gold operations at our Kwabeng project. We contract out as many services as possible on our placer gold recovery operations to local Ghanaians in order to maximize cost efficiencies.

Our fiscal 2015 budget to carry out our plan of operations is approximately $880,000 to $1,080,000 comprised of $480,000 to $680,000 for our 2015 exploration program ($180,000) and planned drilling program on our Kibi gold project ($300,000 to $500,000) as disclosed in our 20-F annual report under Item 4.B – Information on Xtra-Gold – Business Overview and approximately $400,000 for general and administrative expenses, (which excludes approximately $200,000 in non-cash stock-based compensation expense). These expenditures are subject to change if management decides to scale back or accelerate operations.

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 from placer gold recovery operations are expected to be adequate to fund our company's operations over the next year. During the current year and subsequent to 2015, we will 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 2014, many commodity and stock market indices continued to experience historically high levels of volatility in the face of global economic uncertainty. Gold prices decreased over 2014 as financial markets sold gold to invest in other equities which were more consistent with economic growth prospects.

During 2014, the U.S. dollar strengthened against most currencies, as economic reports reflected a U.S. economic recovery in progress.

Gold price volatility in 2013 remained high with the price reaching a high of $1,693.75 per ounce. During 2014, the gold price continued to be volatile, reaching a high of $1,385 per ounce on March 14, 2014 and a low of $1,142 on November 5, 2014. The average market price for 2014 was $1,266 per ounce compared to an average market price in 2013 of $1,411. The tone for the precious metals market in the near future will depend on whether the U.S. 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 U.S. dollar depreciation in 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 Europe could continue to have a positive effect on the gold price.

Overall, a lower U.S. dollar should lead to higher costs in U.S. 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 U.S. dollar strengthens further, interest in the gold exploration sector could be reduced.

Summary of the Last Five Fiscal Years ended December 31

	2014	2013	2012	2011	2010
	$	$	$	$	$
Operating revenues	Nil	Nil	Nil	Nil	Nil
Consolidated loss and comprehensive loss for the year	(687,057)	(750,942)	(7,631,636)	(5,794,927)	(2,976,645)
Net loss and comprehensive loss attributable to non-controlling interest	6,842	8,849	466,378	470,170	(40,268)
Net loss and comprehensive loss attributable to Xtra-Gold Resources Corp.	(693,899)	(742,093)	(7,165,258)	(5,324,757)	(3,016,913)
Basic and diluted loss attributable to common shareholders per common share	(0.02)	(0.02)	(0.16)	(0.12))	(0.09)
Total current assets	1,124,733	1,717,195	2,692,522	7,374,906	10,350,617
Total assets	2,713,212	3,616,752	4,836,377	9,823,316	13,019,905
Total current liabilities	327,193	311,904	404,507	745,860	517,236
Total liabilities	327,193	515,299	931,491	917,255	672,631
Working capital	797,540	1,405,291	1,948,426	6,629,046	9,833,381
Capital stock	45,811	46,264	46,540	44,569	42,961
Total shareholders’ equity	2,386,019	3,101,453	3,904,866	8,906,061	12,347,274
Total Xtra-Gold Resources Corp. shareholders’ equity	3,360,935	4,083,211	4,877,795	9,412,592	12,383,635
Dividends declared per share	Nil	Nil	Nil	Nil	Nil
Basic and diluted weighted average number of common shares outstanding	45,996,481	46,481,748	44,698,113	43,815,678	35,160,827

Results of Operations for the Year Ended December 31, 2014 as Compared to the Years Ended December 31, 2012 and 2013

Our company’s loss for the year ended December 31, 2014 was $687,057 (December 31, 2013 - $750,942, December 31, 2012 - $7,631,636). Our company’s basic and diluted loss per share for the year ended December 31, 2014 was $0.02 (December 31, 2013 - $0.02, December 31, 2012 - $0.16). A significant exploration program in 2012 was scaled back in 2013 and 2014. Gold recovery was reduced in 2014 from 2013 and 2013 gold recovery was significantly higher than 2012.

The weighted average number of shares outstanding was 45,996,481 (December 31, 2013 - 46,481,748, December 31, 2012 - 44,698,113). The increase in the weighted average number of shares outstanding in 2013 can be mostly attributed to the issue of 1,929,000 shares late in 2012 which affected 2013 more significantly than 2012. Average shares outstanding were reduced in 2014 due to share repurchases.

We incurred expenses of $1,055,203 in the year ended December 31, 2014 (December 31, 2013 - $1,698,704, December 31, 2012 - $7,062,936). Exploration has decreased each year due to reduced funds and uncertainty about the recovery of gold equity markets. We expense all exploration costs. Amortization decreased each year as no new equipment was purchased. General and administrative expenses decreased slightly in 2014 compared to 2013 as a result of lower legal, audit and regulatory fees, partly offset by increased stock based compensation expenses in 2014. The 2012 general and administration expense was significantly higher than the other two years as a result of the stock based compensation expense.

Exploration spending of approximately $428,000 in 2014 and $985,000 in 2013 reflected the general slowdown in the junior market compared to spending in 2012 ($4,906,000).

Exploration efforts in our fiscal year focused on geological compilation and surface work designed to identify and/or further advance grassroots targets on our Kwabeng and Pameng projects; with soil geochemical sampling and reconnaissance geology / prospecting activities yielding totals of 80.5 line-kilometers of grid lines, 449 rock composite chip samples, and 2,853 soil geochemical samples. Exploration work on our Kibi project during the 2014 fiscal year was limited to Zone 5 reconnaissance geology / prospecting and geological – geophysical modelling geared towards trench and/or drill target selection. A total of 144 rock composite chip samples were collected during 2014 prospecting efforts designed to further define the strike-extensions of the known auriferous structures hosted by the Zone 5 gold corridor and to ground proof additional high priority IP/Resistivity geophysical targets along the 1.8 kilometer long Zone 5 anomalous gold-in-soil trend. Exploration efforts for the 2013 year focused on surface work designed to advance the Zone 5 target on our Kibi project to the drilling stage and to identify and/or further advance grassroots targets on our Kwabeng project. We conducted outcrop stripping and geological mapping / channel sampling on Zone 5 of our Kibi project including 428 bedrock saw-cut channel samples collected from the Main Shear – L7600N Gold Shoot exposure totalling 250 meters and 458 bedrock saw-cut channel samples totalling 300 meters collected from the remaining 6 shear zones. An additional 825 saprolite trench channel samples totalling 957 meters were also collected to further delineate the Zone 5 gold corridor. A total of 199 rock composite chip samples, 511 soil geochemical samples, 42 saprolite trench channel samples, and 19 stripped outcrop saw-cut channel samples were collected from grassroots prospecting efforts on our Kwabeng project. Exploration activity in 2012 included drilling of 12,984 meters and trenching of 3,350 meters, while 11,683 drill assays and 3,317 trenching assays were received from the lab.

During the first quarter of 2012, we received a final option payment of $135,000 from Discovery Gold Corporation (formerly Norman Cay Development, Inc.) for our Edum Banso project, completing the requirements for the transfer of our interest in this project. No such payments were received in either 2013 or 2014.

During the year ended December 31, 2014, we sold 1,159 ounces of gold for net proceeds of $411,152 (2013 - $1,015,203, 2012 - $70,556). Lower gold prices and reduced ounces of gold sale negatively affected revenue from gold recoveries in 2014. There was no placer gold recovery efforts conducted in 2012, with revenue recognized on 2012 shipments of gold recovered in 2011. Gold sales relating to our share of gold is not recognized until the risks and rewards of ownership passed to the buyer. These placer gold recovery operations were contracted to local Ghanaian groups. We pay a 5% government royalty on our gold sales. Using local contractors promotes the local economy while avoiding illegal workings on our projects.

There was a theft of cash totaling $130,000 during the year ended December 31, 2013.

A warrant recovery of $992 was recognized in 2014 (2013 - $338,597, 2012 - expense $339,589). Canadian dollar denominated warrants were issued with the December 2012 financing. These warrants were deemed to be embedded derivatives since our company's functional currency is the U.S. dollar. The warrants are marked to market in each period with the change in value recognized in other items of the Statement of Operations and Comprehensive Loss. The warrants expired unexercised in 2014.

During the year ended December 31, 2014, our company had a foreign exchange loss of $19,592 (2013 - loss of $93,155, 2012 - gain of $21,684) due to strength in the U.S. dollar and continued weakness in the Ghana cedi.

Our company's portfolio of marketable securities had an unrealized loss of $35,268 (2013 - $193,612, 2012 - $805,953). The 2014 loss resulted from decreased prices related to equity investments. Most of the 2013 unrealized loss resulted from holding shares received from companies which optioned certain of our properties. Our company recognized a $9,051 realized gain on sale of securities in the year ended December 31, 2014 (2013 - gain of $21,440, 2012 - gain of $379,363). Unrealized gains and losses reflect mark-to-market changes in the investment portfolio during a period. A realized gain is recognized when securities are sold from the investment portfolio, being the difference between the selling price and the purchase price of the security sold. At the time of the sale, any mark-to-market gain or loss which was related to the security sold, previously recognized in unrealized gains and losses, is reversed.

Other income of $9,980 (2013 - $342, 2012 - $110,424) mostly relates to dividends on investment portfolio assets.

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. During the year ended December 31, 2014, our company repurchased 452,500 of our shares at a cost of $136,679 (2013 - 276,000 shares for $110,546, 2012 - 68,300 shares for $54,831). The shares were cancelled. During the year ended December 31, 2012, our company issued 1,929,000 units comprising shares and half warrants, for proceeds of CAD$1,639,650 (US$1,660,025) in connection with a private placement and $110,000 in connection with the exercise of 110,000 stock options.

At December 31, 2014, accounts payable and accrued liabilities decreased to $230,798 (December 31, 2013 - $310,912, December 31, 2012 - $404,507), due to a decrease in general business payables. Our cash and cash equivalents as at December 31, 2014 were sufficient to pay these liabilities. We believe that our company has sufficient working capital to achieve our 2015 operating plan.

At December 31, 2014, we had total cash and cash equivalents of $850,736 (December 31, 2013 - $1,305,281, December 31, 2012 - $2,308,916). Working capital as of December 31, 2014 was $797,540 (December 31, 2013 - $1,406,283 excluding the warrant liability of $992) (December 31, 2012 - $1,948,426). The decrease in cash mostly reflects exploration and administrative spending. During the year ended December 31, 2014, our company sold $140,121 in tradeable securities and purchased $118,289 in tradeable securities.

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 shares of common stock, warrants and stock options outstanding as at March 30, 2015, December 31, 2014, December 31, 2013 and December 31, 2012 were as follows:

	March 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Common Shares	45,726,417	45,811,417	46,263,917	46,539,917
Warrants	-	-	964,500	964,500
Stock Options	2,426,000	2,426,000	2,489,000	2,639,000
Fully diluted	48,152,417	48,237,417	49,717,417	50,143,417

As of the date of this MD&A, the exercise of all outstanding warrants and options would raise approximately $1.0 million, however such exercise is not anticipated until the market value of our shares of common stock 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 2015 budget to carry out our plan of operations is approximately $880,000 to $1,080,000 comprised of $480,000 to $680,000 for our 2015 exploration program ($180,000) and planned drilling program on our Kibi gold project ($300,000 to $500,000) as disclosed in our 20-F annual report under Item 4.B – Information on Xtra-Gold – Business Overview and approximately $400,000 for general and administrative expenses, (which excludes approximately $200,000 in non-cash stock-based compensation expense). These expenditures are subject to change if management decides to scale back or accelerate operations.

We believe that we are adequately capitalized to achieve our operating plan for fiscal 2015. As is typical for junior exploration companies, we will require additional funds from equity sources to maintain the current momentum on our projects. At December 31, 2014, there were no borrowings or capital expenditure commitments made by our company.

Related Party Transactions

During the years ended December 31, 2014, December 31, 2013 and December 31, 2012, the Company entered into the following transactions with related parties:

		December 31, 2014		December 31, 2013		December 31, 2012
Consulting fees paid or accrued to officers or their companies	$	472,649	$	458,976	$	371,340
Directors' fees		18,845		18,535		34,002
Stock option grants to officers and directors		108,000		—		682,000
Stock option grant price range		CAD$0.50	$	—		CAD$0.85

Of the total consulting fees noted above, $144,394 (December 31, 2013 - $225,365, December 31, 2012 - $nil) was paid by the Company to a private company of which a related party is a 50% shareholder and director. The related party was entitled to receive $72,197 (December 31, 2013 - $112,683, December 31, 2012 - $nil) of this amount. As at December 31, 2014, $28,974 (December 31, 2013 and 2012 - $nil) remains payable to this related company and $10,000 remains payable to the related party. As at December 31, 2014, $97,493 was due from Buccaneer for services performed by the Company during the year ended December 31, 2014 (December 31, 2013 - $nil, December 31, 2012 - $nil).

A total of 2,147,000 stock options previously granted to related parties were amended in 2014 by re-pricing these options to CAD$0.50 per share. There were no stock options changes in 2013. In 2012, the term to maturity of 1,311,000 stock options to related parties were extended to 10 years from five years.

Recent Capital Raising Transactions

During December 2012, we completed a private placement and raised $1,660,025 (CAD$1,639,650) from the issuance of 1,929,000 units comprised of 1,929,000 common shares and 964,500 common share purchase warrants which expired unexercised on December 21, 2014.

Going Concern

We have incurred net losses of $26,247,372 since inception through December 31, 2014. The report of our independent registered public accounting firm on our financial statements for the years ended December 31, 2014, 2013 and 2012 contains an explanatory paragraph regarding our ability to continue as a going concern based upon an ongoing history of financial losses and because our company is dependent on our ability to raise additional capital, which may not be available when required, to implement our business plan. These conditions are typical for junior exploration companies. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances we will be successful in our efforts to increase our revenues and report profitable operations or to continue as a going concern.

Material Commitments

Mineral Property Commitments

Our company is committed to expend, from time to time fees payable:

- to the Minerals Commission for:
    - an extension of an expiry date of a prospecting license (currently $15,000 for each occurrence);
    - a grant of a mining lease (currently $100,000);
    - an extension of a mining lease (currently $100,000);
    - annual operating permits; and
    - the conversion of a reconnaissance license to a prospecting license (currently $20,000);

- to the Environmental Protection Agency of Ghana for:
  - processing and certificate fees with respect to EPA permits;
  - the issuance of permits before 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
- for 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 ground rent and mining permits to enter upon and gain access to the area covered by our mining leases and future reconnaissance and prospecting licenses for our following concessions and such other financial commitments arising out of any approved exploration programs in connection therewith:
  - the Apapam concession (Kibi project);
  - the Kwabeng concession (Kwabeng project);
  - the Pameng concession (Pameng project);
  - the Banso concession (Banso project); and
  - the Muoso concession (Muoso 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.

Purchase of Significant Equipment

We consider the availability of equipment to conduct our exploration activities. Due to demand from the mining and exploration industry it may be 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 Policies

Generally accepted accounting principles

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP").

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 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. Significant areas requiring the use of estimates include the carrying value and recoverability of mineral properties, inputs used in the calculation of stock-based compensation and warrants, inputs used in the calculation of the asset retirement obligation, and the valuation allowance applied to deferred income taxes. Actual results could differ from those estimates, and would impact future results of operations and cash flows.

Cash and cash equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014, December 31, 2013, and December 31, 2012, 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 realized and 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.

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%

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

The Company accounts for stock compensation arrangements with non-employees in accordance with ASC 718 which requires 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. Non-employee 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.

Warrants

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value using the appropriate valuation methodology and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The warrants are presented as a liability because they do not meet the criteria of Accounting Standard Codification ("ASC") topic 480 for equity classification. Subsequent changes in the fair value of the warrants are recorded in the consolidated statement of operations.

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.

Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the *if converted* method. As of December 31, 2014, there were nil warrants (December 31, 2013 – 964,500, December 31, 2012 – 964,500) and 2,426,000 stock options (December 31, 2013 – 2,489,000, December 31, 2012 – 2,639,000) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

Foreign exchange

The Company's functional currency is the U.S. dollar. Any monetary assets and liabilities that are in a currency other than the U.S. dollar are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into U.S. dollars are included in current results of operations.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trading securities, receivables, accounts payable and accrued liabilities. 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 commercial banks 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 disclosure about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities are carried at cost, which management believes approximates fair value due to the short term nature of these instruments. Investments in trading securities are classified as held for trading, with unrealized gains and losses being recognized in income.

The following table presents information about the assets that are measured at fair value on a recurring basis as of December 31, 2014, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset.

	December 31, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 850,736	$ 850,736	$ —	$ —
Restricted cash	221,322	221,322	—	—
Marketable securities	81,012	81,012	—	—
Total	$ 1,153,070	$ 1,153,070	$ —	$ —

The fair values of cash and cash equivalents and marketable securities are determined through market, observable and corroborated sources.

Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of December 31, 2014 and December 31, 2013 and December 31, 2012, 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. The Company sells all gold recovered to one licensed export agent in Ghana. There is no contract in place and the Company is able to switch suppliers at its discretion.

Recently Adopted Accounting Pronouncements

Our company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on our company's consolidated financial position, results of operations or cash flows.

Recent accounting pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update(ASU) No. 2014-10, "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810,Consolidation". This ASU does the following, among other things: a) eliminates the requirement to present inception-to-date information on the statements of income, cash flows, and shareholders' equity, b) eliminates the need to label the financial statements as those of a development stage entity, c) eliminates the need to disclose a description of the development stage activities in which the entity is engaged, and d) amends FASB ASC 275, "Risks and Uncertainties", to clarify that information on risks and uncertainties for entities that have not commenced planned principal operations is required. The amendments in ASU No. 2014-10 related to the elimination of Topic 915 disclosures and the additional disclosure for Topic 275 are effective for public companies for annual and interim reporting periods beginning after December 15, 2014. Early adoption is permitted. The Company has evaluated this ASU and adopted beginning with the period ended December 31, 2014.

Caution Regarding Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or our company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-Looking Statements	**Assumptions**	**Risk Factors**
Potential of Xtra-Gold's properties to contain economic gold deposits and other mineral deposits and/or to become near-term and/or low-cost producers	Availability of financing for our projects. Actual results of our exploration, resource goals, metallurgical testing, economic studies and development activities will be favourable. Operating, exploration and development costs will be consistent with our expectations. Ability to retain and attract skilled staff.	Changes in the capital markets impacting availability of future financings. Uncertainties involved in interpreting geological data and confirming title to acquired properties. Possibility of future exploration results, metallurgical test work, economic studies and development activities will not be consistent with our expectations. Variations from the technical reports. Increases in costs, environmental compliance and changes in environmental, local legislation and regulation, community support and the political and economic climate.

Forward-Looking Statements	Assumptions	Risk Factors
	All requisite regulatory and governmental approvals will be received on a timely basis on terms acceptable to Xtra-Gold, including development of any deposit in compliance with Ghanaian mining law. Social engagement and local acceptance of our projects. Economic, political and industry market conditions will be favourable.	Price volatility of gold and other associated commodities impacting the economics of our projects.
Potential to expand the NI 43-101 resources on Xtra-Gold's existing projects and achieve its growth targets	Availability of financing. Actual results of our exploration, resource goals, metallurgical testing, economic studies and development activities will be favourable. NI 43-101 technical reports are correct and comprehensive. Operating, exploration and development costs will be consistent with our expectations. Ability to retain and attract skilled staff. All requisite regulatory and governmental approvals will be received on a timely basis on terms acceptable to Xtra-Gold. Social engagement and local acceptance of our projects. Economic, political and industry market conditions will be favourable. Continuance of gold recovery operations.	Changes in the capital markets impacting availability of future financings. Uncertainties involved in interpreting geological data and confirming title to acquired properties. Possibility of future exploration results, metallurgical test work, economic studies and development activities will not be consistent with our expectations. Variations from the technical reports. Increases in costs, environmental compliance and changes in environmental, local legislation and regulation, community support and the political and economic climate. Price volatility of gold and other associated commodities impacting the economics of our projects. Continued cooperation of government bodies to conduct placer operations.
Ability to meet working capital needs for fiscal 2015	Operating and exploration activities and associated costs will be consistent with our current expectations. Capital markets and financing opportunities are favourable to Xtra-Gold. Sale of any investments, if warranted, on acceptable terms. Xtra-Gold continues as a going concern.	Changes in the capital markets impacting availability and timing of future financings on acceptable terms. Increases in costs, environmental compliance and changes in environmental, other local legislation and regulation. Adjustments to currently proposed operating and exploration activities. Price volatility of gold and other commodities impacting sentiment for investment in the resource markets.

Forward-Looking Statements	Assumptions	Risk Factors
Plans, costs, timing and capital for future exploration and development of Xtra-Gold's properties including the potential impact of complying with existing and proposed laws and regulations	Availability of financing for our exploration and development activities. Actual results of our exploration, resource goals, metallurgical testing, economic studies and development activities will be favourable. Operating, exploration and development costs will be consistent with our expectations. Ability to retain and attract skilled staff. All requisite regulatory and governmental approvals will be received on a timely basis on terms acceptable to Xtra-Gold. Economic, political and industry market conditions will be favourable.	Changes in the capital markets impacting availability of future financings. Uncertainties involved in interpreting geological data and confirming title to acquired properties. Possibility of future exploration results, metallurgical test work and economic studies will not be consistent with our expectations. Increases in costs, environmental compliance and changes in environmental, local legislation and regulation and political and economic climate. Price volatility of gold and other commodities impacting the economics of our projects.
Management's outlook regarding future trends	Availability of financing. Actual results of our exploration, resource goals, metallurgical testing, economic studies and development activities will be favourable. Prices for gold and other commodities will be favourable to Xtra-Gold. Government regulation in Ghana will support development of any deposit.	Price volatility of gold and other commodities impacting the economics of our projects and appetite for investing in junior gold exploration equities. Possibility of future exploration results, metallurgical test work, economic studies and development activities will not be consistent with our expectations. Increases in costs, environmental compliance and changes in economic, political and industry market climate.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Xtra-Gold's ability to predict or control. Please also make reference to those risk factors listed in the "Risk Factors" section above. Readers are cautioned that the above chart is not exhaustive of the factors that may affect the forward-looking statements, and that the underlying assumptions may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Xtra-Gold's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. Our company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If our company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

March 31, 2015