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

	March 31, 2010 (unaudited)	December 31, 2010
ASSETS		
Current		
Cash and cash equivalents	$ 9,283,801	$ 10,096,122
Investment in trading securities, at fair value (cost of $531,396 (December 31, 2010 - $78,318)) (Note 4)	524,633	129,141
Receivables and other assets	368,111	125,354
Total current assets	10,176,545	10,350,617
Restricted cash (Note 10)	220,961	220,000
Equipment (Note 5)	932,605	735,426
Deferred financing costs (Note 6)	—	—
Oil and gas investment (Note 7)	—	—
Mineral properties (Note 8)	1,302,422	1,713,862
TOTAL ASSETS	$ 12,632,533	$ 13,019,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 540,857	$ 517,236
Convertible debentures (Note 9)	—	—
Total current liabilities	540,857	517,236
Asset retirement obligation (Note 10)	159,395	155,395
Total liabilities	700,252	672,631
Stockholders' equity		
Capital stock (Note 11)		
Authorized		
250,000,000 common shares with a par value of $0.001		
Issued and outstanding		
42,986,179 common shares (December 31, 2010 – 42,961,179 common shares)	42,986	42,961
Additional paid in capital	26,148,589	26,089,803
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	(12,752,827)	(12,321,365)
Total Xtra-Gold Resources Corp. stockholders' equity	12,010,984	12,383,635
Non-controlling interest	(78,703)	(36,361)
Total stockholders' equity	11,932,281	12,347,274
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,632,533	$ 13,019,905

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

APPROVED ON BEHALF OF THE BOARD

"Paul Zyla"
Director

"Richard W. Grayston"
Director

The accompanying notes are an integral part of these consolidated financial statements.

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to March 31, 2011	3 Month Period Ended March 31, 2011	3 Month Period Ended March 31, 2010
EXPENSES			
Amortization	$ 330,832	$ 30,402	$ 10,753
Exploration	16,606,321	1,568,978	181,907
General and administrative	6,585,778	255,345	234,193
Write-off of mineral property	26,000	—	—
LOSS BEFORE OTHER ITEMS	(23,548,931)	(1,854,725)	(426,853)
OTHER ITEMS			
Foreign exchange gain	657,899	107,247	44,913
Interest expense	(241,936)	—	(641)
Realized gains on sales of trading securities	194,002	—	83,199
Net unrealized gain (loss) on trading securities	(184,372)	(19,509)	152,285
Other income	868,186	11,350	17,991
Recovery of gold	9,092,134	1,021,775	—
Gain on disposal of property or equipment	356,488	260,058	—
Write-off of investment in trading securities	(25,000)	—	—
	10,717,401	1,380,921	297,747
Consolidated loss for the period	(12,831,530)	(473,804)	(129,106)
Net loss attributable to non-controlling interest	78,703	42,342	16,908
Net loss attributable to Xtra-Gold Resources Corp.	$ (12,752,827)	$ (431,462)	$ (112,198)
Basic and diluted loss attributable to common shareholders per common share		$ (0.01)	$ (0.00)
Basic and diluted weighted average number of common shares outstanding		42,964,831	33,342,096

The accompanying notes are an integral part of these consolidated financial statements.

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to March 31, 2011	3 Month Period Ended March 31, 2011	3 Month Period Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (12,831,530)	$ (473,804)	$ (129,106)
Items not affecting cash:			
Amortization	330,832	30,402	10,753
Amortization of deferred financing costs	46,202	—	1,283
Accretion of asset retirement obligation	28,262	4,000	1,798
Shares issued for services	202,365	—	—
Stock-based compensation	1,500,000	21,311	24,075
Unrealized foreign exchange gain	(470,570)	(3,561)	(39,297)
Realized gain on sale of trading securities	(194,002)	—	(83,199)
Purchase of trading securities	(11,564,690)	—	—
Proceeds on sale of trading securities	11,916,697	—	875,254
Unrealized loss (gain) loss on trading securities	184,372	19,509	(152,285)
Gain on disposal of property or equipment	(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 in receivables and other	(359,736)	(242,757)	(18,225)
Increase in accounts payable and accrued liabilities	530,165	23,621	20,380
Increase in due to related party	50,000	—	—
Net cash provided by (used in) operating activities	(10,933,333)	(881,337)	511,431
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	20,654,736	37,500	99,950
Net cash provided by financing activities	21,343,534	37,500	(8,050)

- continued -

The accompanying notes are an integral part of these consolidated financial statements.

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
(unaudited)

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to March 31, 2011	3 Month Period Ended March 31, 2011	3 Month Period Ended March 31, 2010
Continued ...			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	(1,143,696)	(255,523)	(124,081)
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	25,000	—	—
Proceeds on disposal of assets	628,390	288,000	—
Net cash provided by (used in) investing activities	(1,126,400)	31,516	(124,081)
Change in cash and cash equivalents during the period	9,283,801	(812,321)	379,300
Cash and cash equivalents, beginning of the period	—	10,096,122	622,670
Cash and cash equivalents, end of the period	$ 9,283,801	$ 9,283,801	$ 1,001,970

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)
(unaudited)

	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

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)
(unaudited)

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 – Exercise of warrants at $1.50 per share	25,000	25	37,475	—	—	—	37,500
Stock-based compensation	—	—	21,311	—	—	—	21,311
Loss (income) for the year	—	—	—	—	(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

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 $473,804 for the three-month period ended March 31, 2011 and has accumulated a deficit during the exploration stage of $12,752,827. 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 March 31, 2011, the Company has working capital of $9,635,688, which is sufficient to fund operations for a period greater than 12 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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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.

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 March 31, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Oil and natural gas properties

The Company follows the full cost method of accounting for oil and natural gas operations. Under this method, all costs associated with the acquisition of, exploration for and development of oil and gas reserves are capitalized in cost centers on a country-by-country basis. Such costs include property acquisition costs, geological and geophysical studies, carrying charges on non-producing properties, costs of drilling productive wells, and overhead expenses directly related to these activities.

Depletion is calculated for producing properties by using the unit-of-production method based on estimated proved reserves, before royalties, as determined by management of the Company or independent consultants. Sales or dispositions of oil and gas properties are credited to the respective cost centers and a gain or loss is recognized when all properties in a cost center have been disposed of, unless such sale or disposition significantly alters the relationship between capitalized costs and proved reserves of oil and gas attributable to the cost center. Costs of abandoned properties are accounted for as adjustments of capitalized costs and written off to expense.

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 March 31, 2011, there were 2,414,320 warrants (December 31, 2010 – 2,439,320); 1,989,000 stock options (December 31, 2010 – 1,788,000), 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 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

The Company's financial instruments consist of cash and cash equivalents, trading securities, receivables, restricted cash, and 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 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

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, and 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 March 31, 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:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Cash and cash equivalents	$ 9,283,801	$ —	$ —
Restricted cash	220,961	—	—
Marketable securities	524,633	—	—
Total	$ 10,029,395	$ —	$ —

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 March 31, 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 March 31, 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 March 31, 2011, the fair value of trading securities was $524,633 (December 31, 2010 – $129,141).

5. EQUIPMENT

	March 31, 2011			December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 8,358	$ 4,771	$ 3,587	$ 8,358	$ 4,179	$ 4,179
Computer equipment	20,274	15,103	5,171	20,274	13,844	6,430
Exploration equipment	990,400	192,261	798,139	781,126	185,464	595,662
Vehicles	155,325	29,617	125,708	155,325	26,170	129,155
	$ 1,174,357	$ 241,752	$ 932,605	$ 965,083	$ 229,657	$ 735,426

6. DEFERRED FINANCING COSTS

	March 31, 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

	March 31, 2011	December 31, 2010
Acquisition costs	$ 1,607,729	$ 1,607,729
Asset retirement obligation (Note 10)	131,133	131,133
Option payments received	(436,440)	(25,000)
Total	$ 1,302,422	$ 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, to secure its interest in the Banso and Muoso Projects located in Ghana, the Company made an application to Mincom to convert a single prospecting license ("PL") 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); (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); 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., which later changed its named to Buccaneer Gold Corp. ("Buccaneer") on July 21, 2010 whereby Buccaneer could acquire an undivided 55% interest in the Company's interest in the mineral rights of the Company's Banso and Muoso concessions ("Concessions") upon completion by Buccaneer of (i) a cash payment to the Company of $100,000 upon the date of execution of a definitive binding agreement to be entered into between the parties (the "Effective Date"); (ii) a cash payment to the Company of $200,000 within 90 days of the Effective Date; (iii) the issuance by Buccaneer to the Company of 1,000,000 fully paid and non-assessable common shares upon the Effective Date; and (iv) Buccaneer incurring $4,500,000 in exploration expenditures ("Expenditures") on the Concessions within five years of the Effective Date, as to (A) $500,000 being incurred in the first year from the Effective Date; and (B) $1,000,000 being incurred in each year thereafter. Buccaneer shall have the right to accelerate the Expenditures at any time. This letter of intent was superceded by the letter of intent with Buccaneer on January 21, 2011 (the "2011 LOI").

The Company is to be paid a further $50,000 by Buccaneer on the Effective Date whereby Buccaneer will acquire an immediate 55% interest in the alluvial rights to the Concessions, such purchase being subject to a definitive agreement to be entered into between the parties on or before the Effective Date.

The Company entered into the 2011 LOI with Buccaneer on January 21, 2011 which adjusted the terms of the agreement.

Pursuant to the 2011 LOI, Buccaneer 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 Buccaneer 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, which payment is pending, and $325,000 within 90 days of the Effective Date; (iii) issue 1,000,000 fully paid and non-assessable common shares of Buccaneer to the Company upon the Effective Date; (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

(Expressed in U.S. Dollars)

8. MINERAL PROPERTIES (cont'd…)

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 Buccaneer which agreement will require approval from the Minister of Lands, Forestry and Mines.

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

Item	Description	Status
(i)	Complete due diligence	Done
	Obtain TSXV acceptance of the 2011 LOI	Done
(ii)	Pay $100,000 to the Company	Paid subsequent to March 31, 2011
	Pay a further $325,000 to the Company	Paid subsequent to March 31, 2011
(iii)	Issue 1,000,000 Buccaneer 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	Paid subsequent to March 31, 2011

The 1,000,000 Buccaneer shares received were valued at $411,440 at the date of receipt of the shares. 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 payments received will reduce 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 renewal date of the prospecting license expired on December 1, 2010 and Mincom subsequently approved a further one year renewal that will commence from the date of Mincom's letter confirming the renewal (pending).

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 bore interest at 7% per annum, payable quarterly, and the principal balance was repayable by June 30, 2010. Debenture holders had the option to convert any portion of the outstanding principal into common shares at the conversion rate of $1 per share. During the year ended December 31, 2008, convertible debentures 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

	March 31, 2011	December 31, 2010
Balance, beginning of period	$ 155,395	$ 71,906
Increase in obligation	—	76,298
Accretion expense	4,000	7,191
Balance, end of period	$ 159,395	$ 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 $220,961 which has been recorded in 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

11. CAPITAL STOCK (cont'd…)

Private placement (cont'd…)

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%.

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 March 31, 2011 a total of 200,625 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

The number of shares reserved for issuance under the Company's equity compensation option plan is 3,000,000. The terms and conditions of any options granted, including the number and type of options, the exercise period, the exercise price and vesting provisions, are determined by the 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 March 31, 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

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

	March 31, 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		972,000	$ 0.73
Granted	201,000	$ 0.88	924,000	1.02
Exercised	—	0.96	—	
Cancelled/Expired	—	—	(108,000)	0.70
Outstanding, end of period	1,989,000	$ 0.99	1,788,000	0.88
Exercisable, end of period	1,538,000	$ 0.86	1,490,000	0.85

The aggregate intrinsic value for options vested as of March 31, 2011 is approximately $1,686,824 (December 31, 2010 - $1,312,200) and for total options outstanding is approximately $1,918,198 (December 31, 2010 - $2,447,200).

Stock-based compensation

The fair value of stock options granted during the period ended March 31, 2011 totaled $245,685 (December 31, 2010 - $594,388). A stock-based compensation expense of $21,311 has been included in general and administrative expense for the three-month period ended March 31, 2011, of which $5,723 related to option grants in 2011. The remaining $239,962 (December 31, 2010 - $182,877) will be expensed in future periods.

(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 March 31, 2011 and December 31, 2010:

	March 31, 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 $1.42 (December 31, 2010 - $0.63).

Warrants

At March 31, 2011, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
350,000	$1.00	April 1, 2011
308,000	$1.00	May 19, 2011
188,438	$1.00	August 5, 2011
403,600	$1.50	June 16, 2011
447,800	$1.50	October 19, 2011
150,000	$1.50	December 11, 2011
566,482	$1.33	November 23, 2013

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

	March 31, 2011		December 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	(25,000)	1.50	(380,000)	1.03
Expired	—	—	—	—
Exercisable, end of period	2,414,320	$ 1.13	2,439,320	$ 1.29

12. RELATED PARTY TRANSACTIONS

During the three-month periods ended March 31, 2011 and March 31, 2010, the Company entered into the following transactions with related parties:

(Expressed in U.S. Dollars)

12. RELATED PARTY TRANSACTIONS (cont'd…)

	Three months March 31, 2011	Three months March 31, 2010
Consulting fees paid or accrued to officers or their companies	$ 100,299	$ 35,271
Directors' fees	8,605	8,169
Stock option grants to officers and directors	115,000	108,000
Stock option grant price range	$ 1.95	$ 1.00

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

The significant non-cash transactions during the three month period ended March 31, 2011 were the receipt of 1,000,000 Buccaneer common shares per the 2011 LOI (Note 8) valued at $411,440.

The significant non-cash transaction during the three months ended March 31, 2010 was the conversion of $250,000 of a convertible debenture into 250,000 common shares.

14. SEGMENTED INFORMATION

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

Geographic information is as follows:

	March 31, 2011	December 31, 2010
Cash and restricted cash:		
Canada	$ 8,539,032	$ 9,950,180
Ghana	965,730	365,942
Total cash and restricted cash	9,504,762	10,316,122
Capital assets:		
Canada	$ 8,758	$ 10,609
Ghana	2,321,037	2,438,679
Total capital assets	2,329,795	2,449,288
Total	$ 11,834,557	$ 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.

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 $126,500 related to 2010 activities and a further $128,250 related to 2011 activities. The Company believes it is unlikely that this amount will become payable.

16. SUBSEQUENT EVENTS

a) Subsequent to March 31, 2011, Buccaneer Gold Corp. (formerly Verbina Resources Inc.) paid US$725,000 to the Company related to the 2011 LOI.

b) An aggregate of 675,000 common stock purchase warrants were converted into 675,000 shares of the Company from April 1, 2011 to May 2011 at exercise prices of $1.00 and $1.50 per share for gross proceeds of $687,500.