## PART I – FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**XTRA-GOLD RESOURCES CORP.**
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
(unaudited)
AS AT

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | $ 1,571,178 | $ 622,670 |
| Investment in trading securities, at fair value (cost of $539,888 (December 31, 2009 - $1,636,628) (Note 4)) | 666,939 | 1,781,594 |
| Receivables and other | 57,674 | 46,462 |
| Deposit for equipment | — | 151,506 |
| **Total current assets** | 2,295,791 | 2,602,232 |
| **Equipment** | 682,903 | 244,508 |
| **Deferred financing costs** | — | 1,283 |
| **Oil and gas investment** (Note 5) | — | 40,000 |
| **Mineral properties** (Note 6) | 1,662,564 | 1,662,564 |
| **TOTAL ASSETS** | $ 4,641,258 | $ 4,550,587 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 169,079 | $ 233,073 |
| Convertible debentures (Note 7) | — | 250,000 |
| **Total current liabilities** | 169,079 | 483,073 |
| **Asset retirement obligation** | 75,502 | 71,906 |
| **Total liabilities** | 244,581 | 554,979 |
| **Stockholders' equity** | | |
| Capital stock (Note 8) | | |
| Authorized | | |
| 250,000,000 common shares with a par value of $0.001 | | |
| Issued and outstanding | | |
| 34,488,586 common shares (December 31, 2009 –33,231,477 common shares) | 34,489 | 33,231 |
| Additional paid in capital | 16,197,744 | 14,771,222 |
| Deficit | (1,427,764) | (1,427,764) |
| Deficit accumulated during the exploration stage | (10,303,017) | (9,304,452) |
| **Total Xtra-Gold Resources Corp. stockholders' equity** | 4,501,452 | 4,072,237 |
| Non-controlling interest | (104,775) | (76,629) |
| **Total stockholders' equity** | 4,396,677 | 3,995,608 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 4,641,258 | $ 4,550,587 |

**History and organization of the Company** (Note 1)
**Contingency and commitments** (Note 12)
**Subsequent events** (Note 13)

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

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

| | Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010 | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|---|
| **EXPENSES** | | | | | |
| Amortization | $ 206,279 | $ 9,881 | $ 17,014 | $ 20,634 | $ 34,062 |
| Exploration | 12,471,481 | 255,362 | 64,583 | 437,269 | 104,537 |
| General and administrative | 5,705,150 | 485,724 | 215,054 | 719,917 | 277,416 |
| Write-off of mineral property | 26,000 | — | — | — | — |
| **LOSS BEFORE OTHER ITEMS** | (18,408,910) | (750,967) | (296,651) | (1,177,820) | (416,015) |
| **OTHER ITEMS** | | | | | |
| Foreign exchange gain (loss) | 377,238 | (38,203) | 155,867 | 6,710 | 130,270 |
| Interest expense | (241,936) | (642) | (641) | (1,283) | (1,283) |
| Realized gains (losses) on sales of trading securities | 158,721 | 51,942 | (72,575) | 135,141 | (89,952) |
| Net unrealized gain (loss) on trading securities | (84,874) | (170,586) | 285,100 | (18,301) | 190,683 |
| Other income | 851,574 | 10,851 | 23,237 | 28,842 | 73,042 |
| Recovery of gold | 6,843,965 | — | — | — | 11,603 |
| Gain on disposal of property | 96,430 | — | — | — | — |
| | 8,001,118 | (146,638) | 390,988 | 151,109 | 314,363 |
| **Consolidated income (loss) for the period** | (10,407,792) | (897,605) | 94,337 | (1,026,711) | (101,652) |
| **Net loss attributable to non-controlling interest** | 104,775 | 11,238 | — | 28,146 | — |
| **Income (loss) for the period** | $ (10,303,017) | $ (886,367) | $ 94,337 | $ (998,565) | $ (101,652) |
| **Basic and diluted income (loss) per common share** | | $ (0.03) | $ 0.00 | $ (0.03) | $ 0.00 |
| **Basic and diluted weighted average number of common shares outstanding** | | 34,115,817 | 32,042,536 | 33,725,082 | 31,686,602 |

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

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

| | Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net loss for the period | $ (10,407,792) | $ (1,026,711) | $ (101,652) |
| Items not affecting cash: | | | |
| Amortization | 206,279 | 20,634 | 34,062 |
| Amortization of deferred financing costs | 46,202 | 1,283 | 1,283 |
| Accretion of asset retirement obligation | 20,667 | 3,596 | 3,268 |
| Shares issued for services | 202,365 | — | — |
| Stock-based compensation | 1,378,811 | 311,629 | 52,430 |
| Unrealized foreign exchange gain | (447,167) | (17,378) | (85,182) |
| Realized (gains) losses on sale of trading securities | (158,721) | (135,141) | 89,952 |
| Purchase of trading securities (Note 4) | (11,564,690) | — | (570,843) |
| Proceeds on sale of trading securities (Note 4) | 11,418,765 | 1,248,873 | 661,115 |
| Unrealized (gains) losses on trading securities | 84,874 | 18,301 | (190,683) |
| Gain on disposal of property | (95,342) | — | — |
| Write-off of mineral property | 26,000 | — | — |
| Expenses paid by stockholders | 2,700 | — | — |
| Changes in non-cash working capital items: | | | |
| (Increase) decrease in receivables and other | (39,299) | (1,212) | 56,786 |
| Increase (decrease) in accounts payable and accrued liabilities | 158,387 | (63,994) | (308,628) |
| Increase in due to related party | 50,000 | — | — |
| Net cash provided by (used in) operating activities | (9,117,961) | 359,880 | (358,092) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of convertible debentures | 900,000 | — | — |
| Deferred financing costs | (46,202) | — | — |
| Repurchase of capital stock | (165,000) | (108,000) | (50,000) |
| Issuance of capital stock, net of financing costs | 10,816,583 | 974,151 | 677,040 |
| Net cash provided by financing activities | 11,505,381 | 866,151 | 627,040 |

*- continued -*

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

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

| | Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|
| *Continued ...* | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of equipment | (741,499) | (307,523) | — |
| Deposit on equipment | (151,506) | — | — |
| Oil and gas property expenditures | (250,137) | — | — |
| Acquisition of cash on purchase of subsidiary | 11,510 | — | — |
| Acquisition of subsidiary | (25,000) | — | — |
| Proceeds on disposal of assets | 340,390 | 30,000 | — |
| Net cash used in investing activities | (816,242) | (277,523) | — |
| **Change in cash and cash equivalents during the period** | 1,571,178 | 948,508 | 268,948 |
| **Cash and cash equivalents, beginning of the period** | — | 622,670 | 271,573 |
| **Cash and cash equivalents, end of the period** | $ 1,571,178 | $ 1,571,178 | $ 540,521 |

**Supplemental disclosure with respect to cash flows** (Note 10)

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

**XTRA-GOLD RESOURCES CORP.**
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)
(unaudited)

| | Capital Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of Shares** | **Amount** | **Additional Paid in Capital** | **Deficit** | **Non-Controlling Interest** | **Deficit Accumulated During the Exploration Stage** | **Total** |
| **Balance, December 31, 2009** | 33,231,477 | $ 33,231 | $ 14,771,222 | $ (1,427,764) | $ (76,629) | $ (9,304,452) | $ 3,995,608 |
| February, 2010 – Conversion of debentures at $1.00 per share | 250,000 | 250 | 249,750 | — | — | — | 250,000 |
| March, 2010 – Repurchase and cancellation of shares at $1.34 per share | (80,891) | (80) | (107,920) | — | — | — | (108,000) |
| April, 2010 – Private placement at $1.00 per unit | 838,000 | 838 | 837,162 | — | — | — | 838,000 |
| April, 2010 – Finders' warrants on private placement | — | — | 40,516 | — | — | — | 40,516 |
| June, 2010 – Private placement at $1.00 per unit | 250,000 | 250 | 249,750 | — | — | — | 250,000 |
| June, 2010 – Finders' warrants on private placement | — | — | 15,091 | — | — | — | 15,091 |
| Share issuance costs | — | — | (169,456) | — | — | — | (169,456) |
| Stock-based compensation | — | — | 311,629 | — | — | — | 311,629 |
| Loss for the period | — | — | — | — | (28,146) | (998,565) | (1,026,711) |
| **Balance, June 30, 2010** | 34,488,586 | $ 34,489 | $ 16,197,744 | $ (1,427,764) | $ (104,775) | $ (10,303,017) | $ 4,396,677 |

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

## 1. HISTORY AND ORGANIZATION OF THE COMPANY

Silverwing Systems Corporation (the "Company"), a Nevada corporation, was incorporated on September 1, 1998. On June 23, 1999, the Company completed the acquisition of Advertain On-Line Canada Inc. ("Advertain Canada"), a Canadian company operating in Vancouver, British Columbia, Canada. The Company changed its name to Advertain On-Line Inc. ("Advertain") on August 19, 1999. Advertain Canada's business was the operation of a web site, "Advertain.com", whose primary purpose was to distribute entertainment advertising on the Internet.

In May 2001, the Company, being unable to continue its funding of Advertain Canada's operations, decided to abandon its interest in Advertain Canada. On June 15, 2001, the Company sold its investment in Advertain Canada back to Advertain Canada's original shareholder. On June 18, 2001, the Company changed its name from Advertain to RetinaPharma International, Inc. ("RetinaPharma") and became inactive.

In 2003, the Company became a resource exploration company. On October 31, 2003, the Company acquired 100% of the issued and outstanding common stock of Xtra-Gold Resources, Inc. ("XGRI"). XGRI was incorporated in Florida on October 24, 2003. On December 19, 2003, the Company changed its name from RetinaPharma to Xtra-Gold Resources Corp.

In 2004, the Company acquired 100% of the issued and outstanding capital stock of Canadiana Gold Resources Limited ("Canadiana") and 90% of the issued and outstanding capital stock of Goldenrae Mining Company Limited ("Goldenrae"). Both companies are incorporated in Ghana and the remaining 10% of the issued and outstanding capital stock of Goldenrae is held by the Government of Ghana.

On October 20, 2005, XGRI changed its name to Xtra Energy Corp. ("Xtra Energy").

On October 20, 2005, the Company incorporated Xtra Oil & Gas Ltd. ("XOG") in Alberta, Canada.

On December 21, 2005, Canadiana changed its name to Xtra-Gold Exploration Limited ("XG Exploration").

On January 13, 2006, Goldenrae changed its name to Xtra-Gold Mining Limited ("XG Mining").

On March 2, 2006, the Company incorporated Xtra Oil & Gas (Ghana) Limited ("XOGG") in Ghana.

## 2. GOING CONCERN

The Company is in the exploration stage with respect to its resource properties, incurred a loss of $998,565 for the six months ended June 30, 2010 and has accumulated a deficit during the exploration stage of $10,303,017. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management of the Company ("Management") is of the opinion that sufficient financing will be obtained from external financing and further share issuances to meet the Company's obligations. At June 30, 2010, the Company has working capital of $2,126,712.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

**Recent accounting pronouncements**

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

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

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

(Expressed in U.S. Dollars)

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

**Recent accounting pronouncements** (cont'd...)

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

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

## 4. INVESTMENTS IN TRADING SECURITIES

At June 30, 2010, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of June 30, 2010, the fair value of trading securities was $666,939 (December 31, 2009 – $1,781,594).

## 5. OIL AND GAS INVESTMENT

In April 2008, XOG purchased an 18.9% participating interest in a petroleum and natural gas lease at an Alberta Crown Land sale. The lease has a five year term, but may be held by continuous production of petroleum and natural gas commencing prior to the expiry of the five year term. During the six months ended June 30, 2010, the Company sold its 18.9% participating interest for $40,000.

## 6. MINERAL PROPERTIES

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Acquisition costs | $ 1,607,729 | $ 1,607,729 |
| Asset retirement obligation | 54,835 | 54,835 |
| Total | $ 1,662,564 | $ 1,662,564 |

**Kwabeng, Pameng and Kibi Projects**

The Company holds three mining leases in Ghana. These mining leases grant the Company mining rights to produce gold in the leased areas until July 26, 2019 with respect to the Kwabeng and Pameng Projects and until December 17, 2015 with respect to the Kibi Project (formerly known as the Apapam Project), the latter of which can be renewed for a further 30 year term on application and payment of applicable fees to the Minerals Commission. All gold production will be subject to a 3% production royalty of the net smelter returns ("NSR").

**6. MINERAL PROPERTIES** (cont'd…)

**Banso and Muoso Project**

The Company holds a prospecting license on its Banso and Muoso Project in Ghana. This license grants the Company the right to conduct exploratory work to determine whether there are mineable reserves of gold or diamonds in the licensed areas, and currently has been renewed for a further one year term (to December 21, 2010) and is further renewable on application and payment of applicable renewal fees to the Minerals Commission. If mineable reserves of gold or diamonds are discovered, the Company will have the option to acquire a mining lease.

**Option agreement on Edum Banso Project**

In October, 2005, XG Exploration entered into an option agreement (the "Option Agreement") with Adom Mining Limited ("Adom") to acquire 100% of Adom's right, title and interest in and to a prospecting license on the Edum Banso concession (the "Edum Banso Project") located in Ghana. Adom further granted XG Exploration the right to explore, develop, mine and sell mineral products from this concession. The renewal date was July 14, 2009 and the Company has been granted an extension by the Minerals Commission to December 1, 2010.

The consideration paid was $15,000 with additional payments of $5,000 to be paid on the anniversary date of the Option Agreement in each year during the term. Upon the commencement of gold production, an additional $200,000 is to be paid, unless proven and probable reserves are less than 2,000,000 ounces, in which case the payment shall be reduced to $100,000.

Upon successful transfer of title from Adom to XG Exploration, a production royalty (the "Royalty") of 2% of the net smelter returns shall be paid to Adom; provided, however that in the event that less than 2,000,000 ounces of proven and probable reserves are discovered, then the Royalty shall be 1%. The Royalty can be purchased by XG Exploration for $2,000,000; which will be reduced to $1,000,000 if proven and probable reserves are less than 2,000,000 ounces.

**Mining lease and prospecting license commitments**

The Company is committed to expend, from time to time to the Minerals Commission for an extension of an expiry date of a prospecting license (currently $15,000 for each occurrence) or a mining lease and the Environmental Protection Agency ("EPA") (of Ghana) for processing and certificate fees with respect to EPA permits, an aggregate of less than $500 in connection with annual or ground rent and mining permits to enter upon and gain access to the areas covered by the Company's mining leases and prospecting licenses.

**7. CONVERTIBLE DEBENTURES**

During the year ended December 31, 2005, the Company completed a convertible debenture financing for gross proceeds of $900,000. The debentures bore interest at 7% per annum, payable quarterly, and the principal balance was repayable by June 30, 2010. Debenture holders had the option to convert any portion of the outstanding principal into common shares at the conversion rate of $1 per share. During the year ended December 31, 2008, convertible debentures totalling $650,000 were converted into 650,000 common shares. During the six months ended June 30, 2010, the convertible debenture of $250,000 was converted into 250,000 common shares.

(Expressed in U.S. Dollars)

## 8. CAPITAL STOCK

**Cancellation of shares**

During the six months ended June 30, 2010, in settlement of a lawsuit, the Company paid $108,000 for the return of 80,891 common shares which were subsequently cancelled.

**Private placements**

In June 2010, the Company completed a private placement financing and, on closing of this transaction (the "Closing"), issued 250,000 units at $1.00 per unit for gross proceeds of $250,000. Each unit consisted of one common share and one half of one common stock purchase warrant ("Warrant"). One whole Warrant enables the holder to acquire an additional common share at a price of $1.50 expiring 18 months from the Closing, subject to a forced conversion provision whereby if, at any time after 12 months from the Closing, the Company's closing share price for 10 consecutive trading days equals or exceeds $2.50 per share, the Company shall have the option to give notice to the Warrant holders that they must exercise their remaining unexercised Warrants within a period of 30 days from the date of receipt of the notice. Any Warrants remaining unexercised after the expiration of the 30-day notice period will be cancelled and will thereafter be of no force or effect. The Company also issued finder's warrants with a fair value of $15,090 enabling the holders to acquire up to 25,000 common shares at the same terms as the Warrants. The fair value of finder's warrants was calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 2.17%, volatility of 100% and a dividend rate of 0%.

In April 2010, the Company completed a private placement financing and, on closing of this transaction (the "Closing"), issued 838,000 units at $1.00 per unit for gross proceeds of $838,000. Each unit consisted of one common share and one half of one common stock purchase warrant ("Warrant"). One whole Warrant enables the holder to acquire an additional common share at a price of $1.50 expiring 18 months from the Closing, subject to a forced conversion provision whereby if, at any time after 12 months from the Closing, the Company's closing share price for 10 consecutive trading days equals or exceeds $2.50 per share, the Company shall have the option to give notice to the Warrant holders that they must exercise their remaining unexercised Warrants within a period of 30 days from the date of receipt of the notice. Any Warrants remaining unexercised after the expiration of the 30-day notice period will be cancelled and will thereafter be of no force or effect. The Company also issued finder's warrants with a fair value of $40,516 enabling the holders to acquire up to 73,800 common shares at the same terms as the Warrants. The fair value of finder's warrants was calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 2.39%, volatility of 109% and a dividend rate of 0%.

**Stock options**

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

At June 30, 2010, the following stock options were outstanding:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 324,000 | $0.70 | May 1, 2013 |
| 270,000 | $0.75 | May 1, 2013 |
| 270,000 | $0.75 | May 1, 2013 |
| 110,000 | $1.00 | February 15, 2011 |
| 108,000 | $1.00 | January 1, 2013 |
| 216,000 | $1.00 | February 1, 2013 |
| 70,000 | $1.05 | May 1, 2013 |
| 270,000 | $1.00 | May 1, 2013 |

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

(Expressed in U.S. Dollars)

**8. CAPITAL STOCK** (cont'd…)

**Stock options** (cont'd…)

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | **Number of Options** | **Weighted Average Exercise Price** |
| Outstanding, beginning of period | 972,000 | $ 0.73 | 1,080,000 | $ 0.73 |
| Granted | 774,000 | $ 1.00 | — | — |
| Exercised | — | — | — | — |
| Cancelled/Expired | (108,000) | $ 0.70 | (108,000) | 0.70 |
| Outstanding, end of period | 1,638,000 | $ 0.86 | 972,000 | $ 0.73 |
| Exercisable, end of period | 1,354,500 | $ 0.83 | 972,000 | $ 0.73 |

The aggregate intrinsic value for options vested as of June 30, 2010 is approximately $474,000 (June 30, 2009 - $Nil) and for total options outstanding is approximately $523,540 (June 30, 2009 - $Nil).

**Stock-based compensation**

The fair value of stock options granted during the six months ended June 30, 2010 totaled $519,765 (June 30, 2009 - $Nil). During the six months ended June 30, 2010, $311,629 (June 30, 2009 - $52,430) was expensed and included in general and administrative expenses for options that were vested. The remaining $208,136 (June 30, 2009 - $31,440) will be expensed in future periods.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the six month periods ended June 30, 2010 and 2009:

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| Risk-free interest rate | 1.58% | — |
| Expected life | 3 years | — |
| Annualized volatility | 101% | — |
| Dividend rate | — | — |

The weighted average fair value of options granted was $0.67 (June 30, 2009 - $Nil).

**Warrants**

At June 30, 2010, the following warrants were outstanding:

(Expressed in U.S. Dollars)

## 8. **CAPITAL STOCK** (cont'd…)

**Warrants** (cont'd…)

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 350,000 | $1.00 | April 1, 2011 |
| 360,000 | $1.00 | April 16, 2011 |
| 308,000 | $1.00 | May 19, 2011 |
| 188,438 | $1.00 | August 5, 2011 |
| 403,600 | $1.50 | June 16, 2011 |
| 492,800 | $150 | October 19, 2011 |
| 150,000 | $1.50 | December 11, 2011 |

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Balance, beginning of period | 1,610,038 | 1,514,471 |
| Issued | 642,800 | 1,610,038 |
| Exercised | — | — |
| Expired | — | (1,514,471) |
| Balance, end of period | 2,252,838 | 1,610,038 |

## 9. **RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2010 and 2009, the Company entered into the following transactions with related parties:

(a) Paid or accrued consulting fees of $115,939 (2009 – $45,848) to officers of the Company or companies controlled by such officers.

(b) Paid or accrued directors' fees of $15,799 (2009 – $5,822) to directors of the Company or companies controlled by directors.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

(Expressed in U.S. Dollars)

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to June 30, 2010 | 2010 | 2009 |
|---|---|---|---|
| Cash paid during the period for: | | | |
| Interest | $ 187,362 | $ — | $ — |
| Income taxes | $ — | $ — | $ — |

The significant non-cash transactions during the six months ended June 30, 2010 was the conversion of $250,000 of a convertible debenture into 250,000 common shares and the issuance of 98,800 finders' warrants valued at $55,607 pursuant to private placements. Included in accounts receivable is $10,000 related to the sale of an oil and gas interest for a total of $40,000.

There were no significant non-cash transactions during the six months ended June 30, 2009.

## 11. SEGMENTED INFORMATION

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

Geographic information is as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Capital assets: | | |
| Canada | $ 12,679 | $ 94,751 |
| Ghana | 2,332,788 | 1,852,321 |
| Total capital assets | $ 2,345,467 | $ 1,947,072 |

## 12. CONTINGENCY AND COMMITMENTS

(a) Effective September 1, 2009, the Company has paid CAD$10,000 (USD10,192) per month to its Vice President, Exploration for providing the majority of his time in consulting services to the Company). In the event of termination, without cause, 18 months of fees will be payable. A new management consulting agreement is currently being negotiated.

(b) The Company leases its corporate office space located at Suite 301, 360 Bay Street, Toronto, Ontario. The lease has a 66 month term commencing May 1, 2007, at approximately CAD$3,868 (USD$4,028) per month.

**13. SUBSEQUENT EVENTS**

(a) The Company executed a letter of intent with Verbina Resources Inc. ("Verbina") on July 21, 2010 whereby Verbina can acquire an undivided 55% interest in the Company's interest in the mineral rights of the Company's Banso and Muoso concessions ("Concessions") upon completion by Verbina of (i) a cash payment to the Company of $100,000 upon the date of execution of a definitive binding agreement to be entered into between the parties (the "Effective Date"); (ii) a cash payment to the Company of $200,000 within 90 days of the Effective Date; (iii) the issuance of 1,000,000 fully paid and non-assessable common shares of Verbina to the Company upon the Effective Date; and (iv) Verbina incurring $4,500,000 in exploration expenditures ("Expenditures") on the Concessions with five years of the Effective Date, as to (A) $500,000 being incurred in the first year from the Effective Date; and (B) $1,000,000 being incurred in each year thereafter. Verbina shall have the right to accelerate the Expenditures at any time.

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

(b) On July 1, 2010, the Company granted 90,000 stock options to an officer of the Company. The options are exercisable at a price of $1.15 per share for three years and will vest as to 2,500 options per month.