XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)

DECEMBER 31, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Xtra-Gold Resources Corp. and subsidiaries
(an Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of Xtra-Gold Resources Corp. and subsidiaries (an Exploration Stage Company) as at December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended and for the period from the beginning of the exploration stage on January 1, 2003 to December 31, 2009 in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are discussed in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

March 30, 2010

NEXIA INTERNATIONAL

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

XTRA-GOLD RESOURCES CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
AS AT DECEMBER 31

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	$ 622,670	$ 271,573
Investment in trading securities, at fair value (cost of $1,636,628 (2008 - $2,208,373)) (Note 4)	1,781,594	1,470,382
Receivables and other	46,462	92,942
Deposit for equipment (Note 5)	151,506	—
Total current assets	2,602,232	1,834,897
Equipment (Note 5)	244,508	312,300
Deferred financing costs (Note 6)	1,283	3,850
Oil and gas investment (Note 7)	40,000	40,000
Mineral properties (Note 8)	1,662,564	1,662,564
TOTAL ASSETS	$ 4,550,587	$ 3,853,611
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 233,073	$ 535,272
Convertible debentures (Note 9, 17)	250,000	—
Total current liabilities	483,073	535,272
Convertible debentures (Note 9, 17)	—	250,000
Asset retirement obligation (Note 10)	71,906	65,369
Total liabilities	554,979	850,641
Stockholders' equity		
Capital stock (Note 11)		
Authorized		
250,000,000 common shares with a par value of $0.001		
Issued and outstanding		
33,231,477 common shares (2008 – 31,330,602 common shares)	33,231	31,331
Additional paid in capital	14,771,222	12,742,360
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	(9,304,452)	(8,342,957)
Total Xtra-Gold Resources Corp. stockholders' equity	4,072,237	3,002,970
Non-controlling interest	(76,629)	—
Total stockholders' equity	3,995,608	3,002,970
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,550,587	$ 3,853,611

History and organization of the Company (Note 1)
Contingency and commitments (Note 16)
Subsequent events (Note 17)

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

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

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008
EXPENSES			
Amortization	$ 185,645	$ 67,792	$ 63,674
Exploration	12,034,212	1,080,488	5,140,679
General and administrative	4,975,034	957,332	1,035,369
Write-off of mineral property	26,000	—	—
LOSS BEFORE OTHER ITEMS	(17,231,090)	(2,105,612)	(6,239,722)
OTHER ITEMS			
Foreign exchange gain (loss)	370,528	303,243	(424,559)
Interest expense	(240,653)	(2,567)	(49,113)
Realized gains (losses) on sales of trading securities	23,580	(172,638)	2,585
Net unrealized gain (loss) on trading securities	(66,573)	789,934	(857,980)
Other income	822,732	138,558	196,621
Recovery of gold	6,843,965	10,958	4,140,765
Gain (loss) on disposal of property	96,430	—	—
	7,850,009	1,067,488	3,008,319
Consolidated loss for the period	(9,381,081)	(1,038,124)	(3,231,403)
Net loss attributable to non-controlling interest	76,629	76,629	—
Net loss attributable to Xtra-Gold Resources Corp.	$ (9,304,452)	$ (961,495)	$ (3,231,403)
Basic and diluted loss attributable to common shareholders per common share		$ (0.03)	$ (0.11)
Basic and diluted weighted average number of common shares outstanding		32,101,330	30,389,400

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

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

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (9,381,081)	$ (1,038,124)	$ (3,231,403)
Items not affecting cash:			
Amortization	185,645	67,792	63,674
Amortization of deferred financing costs	44,919	2,567	19,251
Accretion of asset retirement obligation	17,071	6,537	—
Shares issued for services	202,365	—	196,865
Stock-based compensation	1,067,182	468,052	156,444
Unrealized foreign exchange (gain) loss	(429,789)	(247,155)	385,947
Realized (gain) losses on sale of trading securities	(23,580)	172,638	(2,585)
Purchase of trading securities	(11,564,690)	(778,387)	(2,088,467)
Proceeds on sale of trading securities	10,169,892	1,331,626	1,544,484
Unrealized (gain) loss on trading securities	66,573	(789,934)	857,980
Gain on disposal of property	(95,342)	—	—
Write-off of mineral property	26,000	—	—
Expenses paid by stockholders	2,700	—	—
Changes in non-cash working capital items:			
(Increase) decrease in receivables and other	(38,087)	46,480	(38,433)
Increase (decrease) in accounts payable and accrued liabilities	222,381	(302,199)	(259,959)
Increase in due to related party	50,000	—	—
Net cash used in operating activities	(9,477,841)	(1,060,107)	(2,396,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of convertible debentures	900,000	—	—
Deferred financing costs	(46,202)	—	—
Repurchase of capital stock	(57,000)	(50,000)	—
Issuance of capital stock, net of financing costs	9,842,432	1,612,710	2,489,460
Net cash provided by financing activities	10,639,230	1,562,710	2,489,460

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

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

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008
Continued ...			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	(433,976)	—	(115,950)
Deposit on equipment	(151,506)	(151,506)	—
Oil and gas property expenditures	(250,137)	—	(40,000)
Acquisition of cash on purchase of subsidiary	11,510	—	—
Acquisition of subsidiary	(25,000)	—	—
Proceeds on disposal of assets	310,390	—	—
Net cash used in investing activities	(538,719)	(151,506)	(155,950)
Change in cash and cash equivalents during the period	622,670	351,097	(62,692)
Cash and cash equivalents, beginning of the period	—	271,573	334,265
Cash and cash equivalents, end of the period	$ 622,670	$ 622,670	$ 271,573

Supplemental disclosure with respect to cash flows (Note 13)

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

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

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Balance, December 31, 2002	12,364,085	$ 12,364	$ 1,412,842	$ (1,427,764)	$ —	$ —	$ (2,558)
Paid on behalf of the Company	—	—	5,258	—	—	—	5,258
October 31, 2003, issuance of stock for acquisition of subsidiary	50,350,000	50,350	(50,350)	—	—	—	—
Loss for the year	—	—	—	—	—	(2,700)	(2,700)
Balance, December 31, 2003	62,714,085	62,714	1,367,750	(1,427,764)	—	(2,700)	—
March, 2004 - private placement at $0.35 per share	2,000,000	2,000	698,000	—	—	—	700,000
May, 2004 - private placement at $0.35 per share	2,129,400	2,129	743,161	—	—	—	745,290
December, 2004 - acquisition of subsidiary via issuance of common stock	2,698,350	2,699	1,616,311	—	—	—	1,619,010

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

(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
Share issuance costs	—	—	(76,298)	—	—	—	(76,298)
Loss for the year	—	—	—	—	—	(398,533)	(398,533)
Balance, December 31, 2004	69,541,835	69,542	4,348,924	(1,427,764)	—	(401,233)	2,589,469
May, 2005 – cancellation of shares	(47,000,000)	(47,000)	47,000	—	—	—	—
June 2005 – for services	10,000	10	5,490	—	—	—	5,500
June, 2005 – private placement at $0.55 per share	536,218	536	294,384	—	—	—	294,920
August, 2005 – private placement at $0.55 per share	300,000	300	164,700	—	—	—	165,000
November, 2005 – private placement at $0.55 per share	1,549,354	1,550	850,595	—	—	—	852,145

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

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
Share issuance costs	—	—	(130,714)	—	—	—	(130,714)
Stock-based compensation	—	—	41,022	—	—	—	41,022
Loss for the year	—	—	—	—	—	(272,572)	(272,572)
Balance, December 31, 2005	24,937,407	24,938	5,621,401	(1,427,764)	—	(673,805)	3,544,770
February, 2006 – conversion of promissory note at $0.55 per share	90,909	91	49,909	—	—	—	50,000
March, 2006 – exercise of warrants at $0.75 per share	108,500	108	81,267	—	—	—	81,375
March, 2006 - private placement at $0.70 per share	792,029	792	553,628	—	—	—	554,420
April, 2006 – exercise of warrants at $0.75 per share	177,200	177	132,723	—	—	—	132,900

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

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

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
June, 2006 – cancellation of shares	(10,000)	(10)	(6,990)	—	—	—	(7,000)
June, 2006 – private placement at $0.90 per share	578,112	578	519,722	—	—	—	520,300
July, 2006 – private placement at $0.90 per share	1,132,000	1,132	1,017,668	—	—	—	1,018,800
October, 2006 – private placement at $1.10 per share	282,000	282	309,918	—	—	—	310,200
Share issuance costs	—	—	(240,616)	—	—	—	(240,616)
Stock-based compensation	—	—	206,041	—	—	—	206,041
Loss for the year	—	—	—	—	—	(2,562,992)	(2,562,992)
Balance, December 31, 2006	28,088,157	28,088	8,244,671	(1,427,764)	—	(3,236,797)	3,608,198

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

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

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
October, 2007 – Private placement at $1.35 per unit	668,202	668	901,405	—	—	—	902,073
Share issuance costs	—	—	(89,533)	—	—	—	(89,533)
Stock-based compensation	—	—	195,623	—	—	—	195,623
Loss for the year	—	—	—	—	—	(1,874,757)	(1,874,757)
Balance, December 31, 2007	28,756,359	28,756	9,252,166	(1,427,764)	—	(5,111,554)	2,741,604
February, 2008 – Private placement at $1.50 per unit	1,062,000	1,062	1,591,938	—	—	—	1,593,000
May, 2008 – Exercise of options at $0.75 per share	100,000	100	74,900	—	—	—	75,000
June, 2008 – Conversion of debentures at $1.00 per share	650,000	650	649,350	—	—	—	650,000

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

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

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
July, 2008 – Exercise of warrants at $1.50 per share	631,000	631	945,869	—	—	—	946,500
December, 2008 – For services at $1.50 per share	131,243	132	196,733	—	—	—	196,865
Share issuance costs	—	—	(125,040)	—	—	—	(125,040)
Stock-based compensation	—	—	156,444	—	—	—	156,444
Loss for the year	—	—	—	—	—	(3,231,403)	(3,231,403)
Balance, December 31, 2008	31,330,602	31,331	12,742,360	(1,427,764)	—	(8,342,957)	3,002,970
April, 2009 – Private placement at $0.70 per unit	710,000	710	496,290	—	—	—	497,000
May, 2009 – Private placement at $0.70 per unit	308,000	308	215,292	—	—	—	215,600

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

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

	Common Stock						
	Number of Shares	**Amount**	**Additional Paid in Capital**	**Deficit**	**Non-Controlling Interest**	**Deficit Accumulated During the Exploration Stage**	**Total**
Continued ...							
May, 2009 – Repurchase and cancellation of shares at $0.25 per share	(200,000)	(200)	(49,800)	—	—	—	(50,000)
August, 2009 – Private placement at $0.80 per unit	376,875	376	301,124	—	—	—	301,500
December, 2009 – Private placement at $1.00 per unit	706,000	706	705,294	—	—	—	706,000
Share issuance costs	—	—	(107,390)	—	—	—	(107,390)
Stock-based compensation	—	—	468,052	—	—	—	468,052
Loss for the year	—	—	—	—	(76,629)	(961,495)	(1,038,124)
Balance, December 31, 2009	33,231,477	$ 33,231	$ 14,771,222	$ (1,427,764)	$ (76,629)	$ (9,304,452)	$ 3,995,608

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

1. HISTORY AND ORGANIZATION OF THE COMPANY

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

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

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

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

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

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

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

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

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

2. GOING CONCERN

The Company is in the exploration stage with respect to its resource properties, incurred a loss of $1,038,124 for the year ended December 31, 2009 and has accumulated a deficit during the exploration stage of $9,381,081. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management of the Company ("Management") is of the opinion that sufficient financing will be obtained from external financing and further share issuances to meet the Company's obligations. At December 31, 2009, the Company has working capital of $2,119,159.

3. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

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

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Xtra Energy (from October 31, 2003), XG Exploration (from February 16, 2004), XOG (from October 20, 2005) and XOGG (from March 2, 2006) and its 90% owned subsidiary, XG Mining (from December 22, 2004). All significant intercompany accounts and transactions have been eliminated on consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2009 and 2008, cash and cash equivalents consisted of cash held at financial institutions.

Receivables

No allowance for doubtful accounts has been provided. Management has evaluated all receivables and believes they are all collectible.

Recovery of gold

Recovery of gold and other income is recognized when title and the risks and rewards of ownership to delivered bullion and commodities pass to the buyer and collection is reasonably assured.

Trading securities

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

Non-Controlling Interest

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

Oil and natural gas properties

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

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

Oil and natural gas properties (cont'd...)

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

Undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be determined.

A ceiling test is applied to the proven properties for each cost center and for the aggregate of all cost centers by comparing the net capitalized costs to the estimated future net revenues from production of estimated proved reserves without discount, plus the costs of unproved properties net of impairment. Any excess capitalized costs are written off to expense. Further, the ceiling test for the aggregate of all cost centers is required to include the effects of future removal and site restoration costs, general and administrative expenses, financing costs and income taxes. The calculation of future net revenues is based upon prices, costs and regulations in effect at each year end.

Unproved properties are assessed for impairment on an annual basis by applying factors that rely on historical experience. In general, the Company may write off any unproved property under one or more of the following conditions:

(a) there are no firm plans for further drilling on the unproved property;

(b) negative results were obtained from studies of the unproved properties;

(c) negative results were obtained from studies conducted in the vicinity of the unproved property; or

(d) the remaining term of the unproved property does not allow sufficient time for further studies or drilling.

Equipment

Equipment is recorded at cost and is being amortized over its estimated useful lives using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%
Vehicles	30%
Mining equipment	20%

Deferred financing costs

Deferred financing costs consist of expenses incurred to obtain funds pursuant to the issuance of the convertible debentures and are being amortized straight-line over the term of the debentures.

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

Mineral properties and exploration and development costs

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral property is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral properties are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses).

Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

Stock-based compensation

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

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

Income taxes

The Company accounts for income taxes under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be recognized.

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

Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method. As of December 31, 2009, there were 1,610,038 warrants (2008 – 1,514,471); 972,000 stock options (2008 – 1,080,000) and convertible debentures exercisable into 250,000 common shares (2008 – 250,000) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

Foreign exchange

The Company's functional currency is the U.S. dollar. The Company does not have any significant non-monetary assets and liabilities that are in a currency other than the U.S. dollar. Any monetary assets and liabilities that are in a currency other than the U.S. dollar are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into U.S. dollars are included in current results of operations.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trading securities, receivables, accounts payable and accrued liabilities and convertible debentures. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in one commercial bank in Toronto, Ontario, Canada.

Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities based on GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Effective January 1, 2008, the Company adopted the provisions for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. Effective January 1, 2009, the Company adopted the provisions for non-financial assets and liabilities that are required to be measured at fair value.

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

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

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

(Expressed in U.S. Dollars)

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

Fair value of financial assets and liabilities (cont'd...)

The following table presents information about the assets that are measured at fair value on a recurring basis as of December 31, 2009, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 622,670	$ 622,670	$ —	$ —
Marketable securities	$ 1,781,594	$ 1,781,594	$ —	$ —
Total	$ 2,404,264	$ 2,404,264	$ —	$ —

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

Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of December 31, 2009 and 2008, the Company has exceeded the federally insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Recent accounting pronouncements

During the third quarter of 2009, the Company adopted the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles in accordance with FASB ASC Topic 105,"Generally Accepted Accounting Principles"(the Codification). The Codification has become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Effective with the Company's adoption on July 1, 2009, the Codification has superseded all prior non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative. As the adoption of the Codification only affected how specific references to GAAP literature have been disclosed in the notes to our condensed consolidated financial statements, it did not result in any impact on the Company's results of operations, financial condition, or cash flows.

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

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

Recent accounting pronouncements (cont'd...)

In September 2009, the FASB issued authoritative guidance regarding multiple-deliverable revenue arrangements. This guidance addresses how to separate deliverables and how to measure and allocate consideration to one or more units of accounting. Specifically, the guidance requires that consideration be allocated among multiple deliverables based on relative selling prices. The guidance establishes a selling price hierarchy of (1) vendor-specific objective evidence, (2) third-party evidence and (3) estimated selling price. This guidance is effective for annual periods beginning after June 15, 2010 but may be early adopted as of the beginning of an annual period. The Company is currently evaluating the effect that this guidance will have on consolidated financial position and results of operations.

ASC 855-10-20, "Subsequent Events" establishes accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued and requires the disclosure of the date through which a company has evaluated subsequent events. This statement is effective for our third quarter ended September 30, 2009 and the adoption did not have an impact on the condensed consolidated financial statements. See Note 17 for the required disclosures.

In April 2009, the FASB issued ASC 820-10-65 formerly FASB Staff Position FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4"). This provides significant guidance for determining when a market has become inactive as well as guidance for determining whether transactions are not orderly. It also provides guidance on the use of valuation techniques and the use of broker quotes and pricing services. It reiterates that fair value is based on an exit price and also that fair value is market-driven and not entity-specific. The accounting standard of codification applies to all assets and liabilities within the scope of ASC 820 and is effective for all interim and annual periods ending after June 15, 2009. The adoption of ASC 820-10-65 did not have a material effect on the Company's results of operations, financial position, and cash flows.

In April 2009, the FASB issued ASC 320-10-65, formerly FASB Staff Position FAS 115-2, FAS 124-2 and EITF 99-20-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2"). This accounting standard provides guidance related to determining the amount of an other-than-temporary impairment (OTTI) of debt securities and prescribes the method to be used to present information about an OTTI in the financial statements. It is effective for all interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 did not have a material effect on the Company's results of operations, financial position, and cash flows.

In April 2009, the FASB issued ASC 825-10-65, formerly FASB Staff Position FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"), which increases the frequency of fair value disclosures to a quarterly basis instead of an annual basis. The guidance relates to fair value disclosures for any financial instruments that are not currently reflected on the balance sheet at fair value. This ASC is effective for interim and annual periods ending after June 15, 2009. The adoption did not have a material effect on the Company's results of operations, financial position, and cash flows.

4. INVESTMENTS IN TRADING SECURITIES

At December 31, 2009, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of December 31, 2009, the fair value of trading securities was $1,781,594 (2008 – $1,470,382).

(Expressed in U.S. Dollars)

5. EQUIPMENT

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 12,416	$ 4,171	$ 8,245	$ 12,416	$ 2,110	$ 10,306
Computer equipment	24,864	17,800	7,064	24,864	14,772	10,092
Mining equipment	304,083	86,352	217,731	316,791	55,456	261,335
Vehicles	76,398	64,930	11,468	76,398	45,831	30,567
	$ 417,761	$ 173,253	$ 244,508	$ 430,469	$ 118,169	$ 312,300

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

6. DEFERRED FINANCING COSTS

	December 31, 2009	December 31, 2008
Balance, beginning of year	$ 3,850	$ 23,101
Costs incurred	—	—
Amortization	(2,567)	(19,251)
Balance, end of year	$ 1,283	$ 3,850

During the year ended December 31, 2005, the Company paid a finder’s fee of $45,000 and other expenses of $1,202 relating to a convertible debenture financing (Note 9).

7. OIL AND GAS INVESTMENT

In April 2008, XOG purchased an 18.9% participating interest in a petroleum and natural gas lease at an Alberta Crown Land sale. The lease has a five year term, but may be held by continuous production of petroleum and natural gas commencing prior to the expiry of the five year term.

8. MINERAL PROPERTIES

	December 31, 2009	December 31, 2008
Acquisition costs	$ 1,607,729	$ 1,607,729
Asset retirement obligation (Note 10)	54,835	54,835
Total	$ 1,662,564	$ 1,662,564

8. MINERAL PROPERTIES (cont'd...)

Kwabeng, Pameng and Apapam Projects

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

Banso and Muoso Project

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

Option agreement on Edum Banso Project

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

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

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

Mining lease and prospecting license commitments

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

9. CONVERTIBLE DEBENTURES

During the year ended December 31, 2005, the Company completed a convertible debenture financing for gross proceeds of $900,000. The debentures bear interest at 7% per annum, payable quarterly, and the principal balance is repayable by June 30, 2010. Debenture holders have the option to convert any portion of the outstanding principal into common shares at the conversion rate of $1 per share. During the year ended December 31, 2008, convertible debentures totalling $650,000 were converted into 650,000 common shares. Subsequent to the year ended December 31, 2009, the convertible debenture of $250,000 was converted into 250,000 common shares (Note 17).

(Expressed in U.S. Dollars)

10. ASSET RETIREMENT OBLIGATION

	December 31, 2009	December 31, 2008
Balance, beginning of year	$ 65,369	$ 28,399
Change in obligation	—	36,970
Accretion expense	6,537	—
Balance, end of year	$ 71,906	$ 65,369

The Company has a legal obligation associated with its mineral properties for clean up costs when work programs are completed.

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $150,000 (2008 - $150,000). The obligation was calculated using a credit-adjusted risk free discount rate of 10% and an inflation rate of 2%. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred.

11. CAPITAL STOCK

Cancellation of shares

In May 2005, 47,000,000 common shares owned by two former directors were returned to treasury and cancelled.

In June 2006, 10,000 common shares were returned to the Company in settlement of a dispute and cancelled.

In May 2009, 200,000 common shares were repurchased for $50,000 and cancelled.

Issuance of shares for services

In December 2008, an aggregate of 131,243 common shares were issued to three vendors of the Company's subsidiary, XG Mining to settle outstanding accounts for services at a value of $1.50 per share.

Private placements

In December 2009, the Company issued 706,000 units at $1.00 per unit for gross proceeds of $706,000. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.50 expiring eighteen months from the date of issue. The Company also issued finder's warrants enabling the holders to acquire up to 50,600 common shares at the same terms as the unit warrants. The fair value of finder's warrants was $20,098 calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 2.05%, volatility of 109% and a dividend rate of 0%

In August 2009, the Company issued 376,875 units at $0.80 per unit for gross proceeds of $301,500. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.00 expiring two year from the date of issue.

In April and May 2009, the Company issued 1,018,000 units at $0.70 per unit for gross proceeds of $712,600. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire an additional common share at a price of $1.00 expiring two years from the date of issue.

11. CAPITAL STOCK (cont'd...)

Private placements (cont'd...)

In February 2008, the Company issued 1,062,000 units at $1.50 per unit for gross proceeds of $1,593,000. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire an additional common share at a price of $2.25 per share expiring on July 7, 2009. The Company also issued finder's warrants enabling the holder to acquire up to 84,960 common shares at the same terms as the unit warrants. The fair value of the finder's warrants was $15,136 and calculated using the Black-Scholes valuation method. The assumptions used were 1.5 years of expected life, risk free interest rate of 4.88%, volatility of 33% and a dividend rate of 0%.

In October 2007, the Company issued 668,202 units at $1.35 per unit for gross proceeds of $902,073. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire an additional common share at a price of $1.75 for one year which expiry date was extended to January 13, 2009 (expired). The Company also issued finder's warrants enabling the holder to acquire up to 33,410 common shares at the same terms as the unit warrants (expired). The fair value of the finder's warrants was $2,015 and calculated using the Black-Scholes valuation method. The assumptions used were 1 year of expected life, risk free interest rate of 4.50%, volatility of 36% and a dividend rate of 0%.

In October 2006, the Company issued 282,000 common shares at $1.10 per share for gross proceeds of $310,200. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to April 23, 2008 which expiry date was extended to July 13, 2008 (65,000 exercised; 76,000 expired).

In July 2006, the Company issued 1,132,000 common shares at $0.90 per share for gross proceeds of $1,018,800. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to July 31, 2007 which expiry date was extended to July 13, 2008 (566,000 exercised).

In June 2006, the Company issued 578,112 common shares at $0.90 per share for gross proceeds of $520,300. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $1.50 to June 16, 2007 (expired).

In March 2006, the Company issued 792,029 common shares at $0.70 per share for gross proceeds of $554,420.

In November 2005, the Company issued 1,549,354 common shares at $0.55 per share for gross proceeds of $852,145.

In August 2005, the Company issued 300,000 common shares at $0.55 per share for gross proceeds of $165,000. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $0.75 to August 31, 2006 (expired).

In June 2005, the Company issued 536,218 common shares at $0.55 per share for gross proceeds of $294,920. For each two shares subscribed for, the purchaser received one share purchase warrant which enables the holder to acquire an additional common share at a price of $0.75 to April 30, 2006 (177,200 exercised; 90,910 expired).

Acquisition of subsidiary

Effective December 22, 2004, the Company acquired 90% of the outstanding shares of XG Mining in exchange for 2,698,350 shares of common stock. In connection with this acquisition, 47,000,000 shares owned by two former officers and directors of the Company were returned to treasury and cancelled.

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd...)

Stock options

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

At December 31, 2009, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
432,000	$0.70	May 1, 2013
270,000	$0.75	May 1, 2013
270,000	$0.75	May 1, 2013

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

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,080,000	$ 0.72	1,480,000	$ 0.75
Granted	—	—	—	—
Exercised	—	—	(100,000)	0.75
Cancelled/Expired	(108,000)	0.70	(300,000)	0.80
Outstanding, end of year	972,000	$ 0.73	1,080,000	$ 0.73
Exercisable, end of year	972,000	$ 0.73	783,000	$ 0.72

The aggregate intrinsic value for options vested as of December 31, 2009 is approximately $272,000 (2008 - $Nil) and for total options outstanding is approximately $284,000 (2008 - $Nil).

Stock-based compensation

The fair value of stock options granted during the year ended December 31, 2009 totalled $Nil (2008 - $Nil). During the year ended December 31, 2009, the Company extended the life of the options to May 1, 2013 which resulted in an expense of $468,052 (2008 - $156,444) which was included in general and administrative expenses. The remaining $Nil (2008 - $83,870) will be expensed in future periods.

The following assumptions were used for the Black-Scholes valuation of stock options granted or extended during the years ended December 31, 2009 and 2008:

	2009	2008
Risk-free interest rate	2%	—
Expected life	4 years	—
Annualized volatility	108.16	—
Dividend rate	—	—

The weighted average fair value of options granted was $Nil (2008 - $Nil).

(Expressed in U.S. Dollars)

11. CAPITAL STOCK (cont'd...)

Warrants

At December 31, 2009, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
350,000	$1.00	April 1, 2011
360,000	$1.00	April 16, 2011
308,000	$1.00	May 19, 2011
188,438	$1.00	August 5, 2011
403,600	$1.50	June 16, 2011

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

	2009	2008
Balance, beginning of year	1,514,471	1,074,511
Issued	1,610,038	1,146,960
Exercised	—	(631,000)
Expired	(1,514,471)	(76,000)
Balance, end of year	1,610,038	1,514,471

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the Company entered into the following transactions with related parties:

(a) Paid or accrued consulting fees of $160,927 (2008 - $169,957) to officers of the Company or companies controlled by such officers.

(b) Paid or accrued directors' fees of CAD$21,000 (USD$18,486) (2008 – CAD30,335 (USD$28,639)) to directors of the Company or companies controlled by directors.

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

(Expressed in U.S. Dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to December 31, 2009	2009	2008
Cash paid during the period for:			
Interest	$ 187,362	$ —	$ 29,862
Income taxes	$ —	$ —	$ —

The significant non-cash transaction during the year ended December 31, 2009 was the issuance of 50,600 finder's warrants with a value of $20,098 in connection with a private placement (Note 11).

The significant non-cash transactions during the year ended December 31, 2008 were the issuance of 84,960 finder's warrants with a value of $15,136 in connection to a private placement, the conversion of $650,000 of convertible debentures into 650,000 common shares and the issuance of 131,243 common shares for services rendered with a value of $196,865.

14. DEFERRED INCOME TAXES

Income tax benefits attributable to losses from United States of America operations was $Nil for the years ended December 31, 2009 and 2008, and differed from the amounts computed by applying the United States of America federal income tax rate of 34% to pretax losses from operations as a result of the following:

	2009	2008
Loss for the year	$ (1,038,124)	$ (3,231,403)
Computed "expected" tax (benefit) expense	$ (352,962)	$ (1,098,677)
Non deductible (taxable) items	(130,796)	487,376
Lower effective income tax rate on loss of foreign subsidiaries	68,966	55,690
Valuation allowance	414,792	555,611
Net expected tax (benefit) expense	$ —	$ —

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities are presented below:

	2009	2008
Deferred tax assets (liabilities):		
Net operating loss carryforwards - US	$ 1,278,492	$ 1,279,002
Trading securities	(49,288)	250,917
Net operating loss carryforwards - Ghana	1,038,366	898,094
Valuation allowance	(2,267,570)	(2,428,013)
Total deferred tax assets	$ —	$ —

(Expressed in U.S. Dollars)

14. DEFERRED INCOME TAXES (cont'd...)

The valuation allowance for deferred tax assets as of December 31, 2009 and 2008 was $(2,267,570) and $(2,428,013) respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the realizability of deferred tax assets. In order to fully realize the deferred tax asset attributable to net operating loss carryforwards, the Company will need to generate future taxable income of approximately $7,620,000 prior to the expiration of the net operating loss carryforwards. Of the $7,620,000 of operating loss carryforwards, $4,566,000 is attributable to the US, and expires between 2020 and 2029, and the balance of $3,054,000 is attributable to Ghana and expires between 2010 and 2013.

15. SEGMENTED INFORMATION

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

Geographic information is as follows:

		2009		2008
Capital assets:				
Canada	$	94,751	$	61,307
Ghana		1,852,321		1,953,557
Total capital assets	$	1,947,072	$	2,014,864

16. CONTINGENCY AND COMMITMENTS

a) Effective May 1, 2006, the Company entered into a management consulting agreement with the Vice President, Exploration whereby the Company will pay $5,000 per month for three years for providing 50% of his time in consulting services to the Company (renewed to May 1, 2010 at a rate of CAD$10,000 (USD$8,804) per month effective September 1, 2009 for providing the majority of his time in consulting services to the Company). In the event of termination, without cause, 18 months of fees will be payable.

b) The Company has entered into a temporary consulting agreement with Brokton International Ltd. ("Brokton"), a company controlled by its President, James Longshore. Brokton is to be paid $5,000 per monthfor fiscal 2009.

c) The Company leases 1,163 square feet for its corporate office located at Suite 301, 360 Bay Street, Toronto, Ontario. The lease has a 66 month term commencing May 1, 2007, at approximately CAD$3,868 (USD$3,405) per month.

d) The Company was party to a lawsuit for the sum of $121,336 filed in the Ghanaian courts pertaining to payment for excavation services provided by a subcontractor. No further liability had been recorded in connection with the lawsuit because the Company believed the debt had previously been discharged through the transfer of shares to the subcontractor in 2008. Subsequent to year end, the lawsuit was settled and the Company agreed to pay $108,000 in return for the shares previously issued. Upon payment by the Company of $108,000, the 80,891shares were returned to the Company and cancelled.

17. SUBSEQUENT EVENTS

a) On January 31, 2010, the Company granted 216,000 stock options to consultants and 108,000 to a director. The options are exercisable at a price of $1.00 per share for 36 months and will vest as to 3,000 options per month respectively.

b) On February 14, 2010 the Company granted 110,000 stock options to a consultant. The options are exercisable at a price of $1.00 per share for 13 months and will vest as to 20,000 options per month for the first five months and the balance of 10,000 options will vest in the sixth month.

c) On February 16, 2010, the $250,000 convertible debenture was converted into 250,000 common shares.

d) On February 18, 2010, the Company settled a lawsuit for a total sum of $108,000 (Note 16).