

## 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)

SEPTEMBER 30, 2009

	September 30, 2009 (unaudited)	December 31, 2008 (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 193,013	\$ 271,573
Investment in trading securities, at fair value (cost of \$1,926,042; December 31, 2008 - \$2,208,373) (Note 4)	1,733,744	1,470,382
Receivables and other	<u>74,562</u>	<u>92,942</u>
<b>Total current assets</b>	2,001,319	1,834,897
<b>Equipment</b>	261,331	312,300
<b>Deferred financing costs</b>	1,925	3,850
<b>Oil and gas investment</b> (Note 5)	40,000	40,000
<b>Mineral properties</b> (Note 6)	<u>1,662,564</u>	<u>1,662,564</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,967,139</u>	<u>\$ 3,853,611</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 206,235</u>	<u>\$ 535,272</u>
<b>Total current liabilities</b>	206,235	535,272
<b>Convertible debentures</b>	250,000	250,000
<b>Asset retirement obligation</b>	<u>70,272</u>	<u>65,369</u>
<b>Total liabilities</b>	<u>526,507</u>	<u>850,641</u>
<b>Stockholders' equity</b>		
Capital stock (Note 7)		
Authorized		
250,000,000 common shares with a par value of \$0.001		
Issued and outstanding		
32,525,477 common shares (December 31, 2008 – 31,330,602 common shares)	32,525	31,331
Additional paid in capital	13,706,451	12,742,360
Deficit	(1,427,764)	(1,427,764)
Deficit accumulated during the exploration stage	<u>(8,870,580)</u>	<u>(8,342,957)</u>
<b>Total stockholders' equity</b>	<u>3,440,632</u>	<u>3,002,970</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 3,967,139</u>	<u>\$ 3,853,611</u>

History and organization of the Company (Note 1)

Contingency and commitments (Note 11)

**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 September 30, 2009	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
<b>EXPENSES</b>					
Amortization	\$ 168,822	\$ 16,907	\$ 34,786	\$ 50,969	\$ 62,092
Exploration	11,659,682	601,421	1,925,393	705,958	4,596,633
General and administrative	4,490,095	184,778	328,634	462,194	813,458
Write-off of mineral property	26,000	—	—	—	—
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(16,344,599)</b>	<b>(803,106)</b>	<b>(2,288,813)</b>	<b>(1,219,121)</b>	<b>(5,472,183)</b>
<b>OTHER ITEMS</b>					
Foreign exchange gain (loss)	313,805	116,250	(1,064)	246,520	(78,608)
Interest expense	(240,011)	(642)	—	(1,925)	(38,227)
Realized gains (losses) on sales of trading securities	15,478	(90,788)	52,337	(180,740)	37,276
Net unrealized gain (loss) on trading securities	(347,350)	318,474	(476,756)	509,157	(264,616)
Other income	791,057	33,841	43,522	106,883	140,187
Recovery of gold	6,844,610	—	1,183,094	11,603	3,950,535
Gain on disposal of property	96,430	—	—	—	—
	<b>7,474,019</b>	<b>377,135</b>	<b>801,133</b>	<b>691,498</b>	<b>3,746,547</b>
<b>Loss for the period</b>	<b>\$ (8,870,580)</b>	<b>\$ (425,971)</b>	<b>\$ (1,487,680)</b>	<b>\$ (527,623)</b>	<b>\$ (1,725,636)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>		<b>32,378,004</b>	<b>31,130,772</b>	<b>31,919,602</b>	<b>30,037,417</b>

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

	<b>Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to September 30, 2009</b>	<b>Nine Months Ended September 30, 2009</b>	<b>Nine Months Ended September 30, 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period	\$ (8,870,580)	\$ (527,623)	\$ (1,725,636)
Items not affecting cash:			
Amortization	168,822	50,969	48,103
Amortization of deferred financing costs	44,277	1,925	18,609
Accretion of asset retirement obligation	15,437	4,903	—
Shares issued for services	202,365	—	—
Stock-based compensation	663,104	63,974	121,784
Unrealized foreign exchange (gain) loss	(324,723)	(142,089)	127,342
Realized (gain) losses on sale of trading securities	(15,478)	180,740	(37,276)
Purchase of trading securities	(11,422,112)	(635,809)	(1,470,412)
Proceeds on sale of trading securities	9,681,219	842,953	1,002,302
Unrealized (gain) loss on trading securities	347,350	(509,157)	264,616
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	(66,187)	18,380	(1,760)
Increase (decrease) in accounts payable and accrued liabilities	195,543	(329,037)	92,295
Increase (decrease) in due to related party	50,000	—	—
Net cash used in operating activities	<u>(9,397,605)</u>	<u>(979,871)</u>	<u>(1,560,033)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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	<u>9,181,033</u>	<u>951,311</u>	<u>2,489,460</u>
Net cash provided by financing activities	<u>9,977,831</u>	<u>901,311</u>	<u>2,489,460</u>

– Continued –

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

	<b>Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to September 30, 2009</b>	<b>Nine Months Ended September 30, 2009</b>	<b>Nine Months Ended September 30, 2008</b>
<i>Continued...</i>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of equipment	(433,976)	—	(115,993)
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 provided by (used in) investing activities	<u>(387,213)</u>	<u>—</u>	<u>(155,993)</u>
<b>Change in cash and cash equivalents during the period</b>	193,013	(78,560)	773,434
<b>Cash and cash equivalents, beginning of the period</b>	<u>—</u>	<u>271,573</u>	<u>334,265</u>
<b>Cash and cash equivalents, end of the period</b>	<u>\$ 193,013</u>	<u>\$ 193,013</u>	<u>\$ 1,107,699</u>

Supplemental disclosure with respect to cash flows (Note 9)

**XTRA-GOLD RESOURCES CORP.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(Expressed in U.S. Dollars)

(unaudited)

	<u>Common Stock</u>		Additional Paid in Capital	Deficit	Deficit Accumulated During the Exploration Stage	Total
	Number of Shares	Amount				
<b>Balance, December 31, 2008 (Audited)</b>	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
May, 2009 – Repurchase 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
Share issuance costs	—	—	(62,789)	—	—	(62,789)
Stock-based compensation	—	—	63,974	—	—	63,974
Loss for the period	—	—	—	—	(527,623)	(527,623)
<b>Balance, September 30, 2009</b>	32,525,477	\$ 32,525	\$ 13,706,451	\$ (1,427,764)	\$ (8,870,580)	\$ 3,440,632

## **XTRA-GOLD RESOURCES CORP.**

(An Exploration Stage Company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars)

September 30, 2009

(unaudited)

#### **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 \$527,623 for the nine months ended September 30, 2009 and has accumulated a deficit during the exploration stage of \$8,870,580. 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 September 30, 2009, the Company has working capital of \$1,795,084.

### 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 footnote 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, 2008, 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

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company's consolidated financial statements.

### 4. INVESTMENTS IN TRADING SECURITIES

At September 30, 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 September 30, 2009, the fair value of trading securities was \$1,733,744 (December 31, 2008 – \$1,470,382).

### 5. OIL AND GAS PROPERTY

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.

### 6. MINERAL PROPERTIES

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Acquisition costs	\$ 1,607,729	\$ 1,607,729
Asset retirement obligation	54,835	54,835
<b>Total</b>	<b>\$ 1,662,564</b>	<b>\$ 1,662,564</b>

#### 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").

## **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 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 options 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 a 1 year extension by the Minerals Commission.

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. CAPITAL STOCK**

### **Private placements**

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.

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 years from the date of issue.

### **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.



7. **CAPITAL STOCK (cont'd...)**

At September 30, 2009, the following stock options were outstanding:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
540,000	\$ 0.70	May 1, 2013
540,000	\$ 0.75	May 1, 2013

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

	<b>September 30, 2009</b>		<b>December 31, 2008</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	1,080,000	\$ 0.73	1,480,000	\$ 0.75
Granted	—	—	—	—
Exercised	—	—	(100,000)	0.75
Cancelled/Expired	—	—	(300,000)	0.80
Outstanding, end of period	1,080,000	\$ 0.73	1,080,000	\$ 0.73
Exercisable, end of period	990,000	\$ 0.72	783,000	\$ 0.72

The aggregate intrinsic value for options vested as of September 30, 2009 is approximately \$235,000 (September 30, 2008 - \$402,000) and for total options outstanding is approximately \$254,000 (September 30, 2008 - \$731,000).

**Stock-based compensation**

No stock options were granted during the nine month periods ended September 30, 2009 and 2008. During the nine months ended September 30, 2009, \$63,974 (September 30, 2008 - \$121,784) was expensed and included in general and administrative expenses. The remaining \$19,896 will be expensed in future periods.

**Warrants**

At September 30, 2009, the following warrants were outstanding:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
350,000	\$1.00	April 1, 2011
360,000	\$1.00	April 16, 2011
308,000	\$1.00	May 15, 2011
188,438	\$1.00	August 5, 2011

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

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
Balance, beginning of period	1,514,471	1,074,511
Issued	1,206,438	1,146,960
Exercised	—	(631,000)
Expired	(1,514,471)	(76,000)
Balance, end of period	1,206,438	1,514,471

## 8. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2009 and 2008, the Company entered into the following transactions with related parties:

- (a) Paid or accrued consulting fees of \$62,113 (2008 - \$145,594) to officers of the Company or companies controlled by such officers.
- (b) Paid or accrued directors' fees of \$12,015 (2008 - \$28,834) 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.

## 9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Cumulative amounts from the beginning of the exploration stage on January 1, 2003 to September 30, 2009		Nine Month Period Ended September 30, 2009		Nine Month Period Ended September 30, 2008	
Cash paid during the period for:						
Interest	\$	206,857	\$	—	\$	33,607
Income taxes	\$	—	\$	—	\$	—

There were no significant non-cash transaction during the nine months ended September 30, 2009.

The significant non-cash transaction during the nine months ended September 30, 2008 was the issuance of 84,960 finder's warrants in connection with a private placement and the conversion of \$650,000 of convertible debentures into 650,000 common shares.

## 10. SEGMENTED INFORMATION

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

Geographic information is as follows:

	September 30, 2009		December 31, 2008	
Capital assets:				
Canada	\$	57,741	\$	61,307
Ghana		1,923,061		1,953,557
Total capital assets	\$	1,980,802	\$	2,014,864

## 11. 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 \$5,000Cdn per month for three years (renewed to May 1, 2010 at a rate of \$10,000Cdn effective September 1, 2009). 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 (USD/mo) for 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 \$3,868 Cdn per month.
- d) The Company is party to a lawsuit for the sum of \$121,336.66 (USD) filed in the Ghanaian courts pertaining to payment for excavation services provided by a subcontractor. No liability has been recorded in connection with the lawsuit because the Company believes the debt had previously been discharged through the transfer of shares to the subcontractor in 2008; the company plans to defend itself vigorously against the allegations.