

XTRA-GOLD RESOURCES CORP.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

(expressed in U.S. Dollars, except where noted)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Xtra Gold Resources Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Xtra Gold Resources Corp. (the “Company”) as of December 31, 2023, and the related consolidated statement of operations, stockholders’ equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern

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 financial statements, the Company’s uncertainty of gold recovery and the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current year audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Private Company Investments

As disclosed in Note 5 to the financial statements, the Company had equity securities investments in companies without readily determinable market values. The Company adopted the guidance of ASC 321, Investments - Equity Securities, which allows an entity to measure investments in equity securities without a readily determinable fair value using a measurement alternative that measures these securities at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investment of same issuer (the “Measurement Alternative”). The Company made qualitative assessments to evaluate whether the investments are impaired and concluded that the investments are impaired.

We identified the impairment valuation of investments as a critical audit matter. These investments require significant judgements as they are private entities that are not traded on public exchange and require the Company to assess if there are any changes in circumstances that indicate that the carrying amount of an investment may require impairment. There were significant judgments made by management to identify indicators of impairment and determine the fair valuation in the absence of observable prices in an active market which led to a high degree of auditor judgment, subjectivity and effort in evaluating management’s estimation of the fair value of the investment including management’s assessment of the equity investment financial condition, operating performance, prospects and other company-specific information. As of December 31, 2023, the Company had impairment losses of \$1,336,501 which are significant in values to the financial statements of the Company.

The primary procedures we performed to address the critical audit matter included the following:

- a) Inspected Board minutes and other appropriate documentation of authorization to assess whether the transactions were appropriately authorized;
- b) Inquired of management to obtain an understanding of the Company's process in evaluating the indication of impairment and calculation of undiscounted cashflows;
- c) Tested the Company's assessment of impairment of significant investees; and
- d) Considered the adequacy of the disclosures in the financial statements in relation to investments.

Impairment of mineral properties

As disclosed in Note 7 of the financial statements, the Company's mineral properties meet the definition of long-lived assets and were required to be assessed for impairment in accordance with ASC 360-10. The Company made qualitative assessments to evaluate whether the mineral properties are impaired and concluded that the mineral properties are not impaired.

The impairment of mineral properties is considered a key audit matter due to the significant judgments and estimates involved in assessing the recoverable amounts of these assets. These judgments include assumptions about future commodity prices, production levels, operating costs, discount rates, and the regulatory environment. The complexity and subjectivity associated with these assumptions make the impairment assessment a significant area of focus in our audit.

The primary procedures performed to address the critical audit matter include the following:

- a) Verified the existence of the mineral properties by physical observation performed by Independent Chartered Accountant. Confirmed that these properties exist and they are being explored. Evaluated the independence, knowledge, skills and ability of such auditors;
- b) Inquired of management to obtain an understanding of the Company's process in evaluating the indication of impairment and calculation of undiscounted cashflows;
- c) Tested the exploration expenditures to ensure the Company is following through with planned exploration and is able to fund the required expenditures.
- d) Evaluated the Company's cashflow forecasts by reviewing the base data and the assumptions used in calculation of expected future cash inflows from the mineral properties;
- e) Validated the existence of factors like negative working capital, cash resources at hand, subsequent events, material commitments for expenses and negative news releases that may be indicative of impairment; and
- f) Considered the adequacy of the disclosures in the financial statements in relation to investments.

Sincerely,
/s/ Reliant CPA PC
Reliant CPA PC

Served as Auditor since 2023
Newport Beach, CA

April 1, 2024

XTRA-GOLD RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

AS AT	December 31, 2023	December 31, 2022
ASSETS		
Current		
Cash and cash equivalents	\$ 7,154,462	\$ 5,781,000
Investment in trading securities (Note 5)	2,212,401	3,497,166
Prepays (Note 4)	102,185	104,791
Inventory	817,597	795,939
Total current assets	10,286,645	10,178,896
Restricted cash (Note 3, 9)	296,322	296,322
Equipment, net (Note 6)	543,197	671,373
Mineral properties (Note 7)	734,422	734,422
TOTAL ASSETS	\$ 11,860,586	\$ 11,881,013
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 1,281,060	\$ 1,125,192
Due to related parties (Note 11)	152,415	181,973
Asset retirement obligation (Note 9)	85,628	99,514
Total current liabilities	1,519,103	1,406,679
Total liabilities	1,519,103	1,406,679
Commitment and contingencies (Note 14)		
Equity		
Capital stock (Note 10)		
Authorized - 250,000,000 common shares with a par value of \$0.001		
Issued and outstanding		
46,201,217 common shares (December 31, 2022 – 46,446,917 common shares)	46,201	46,447
Additional paid in capital	31,704,814	31,838,291
Shares in treasury	(20,744)	(6,892)
Accumulated deficit	(21,511,326)	(21,345,398)
Total Xtra-Gold Resources Corp. stockholders' equity	10,218,945	10,532,448
Non-controlling interest	122,538	(58,114)
Total equity	10,341,483	10,474,334
TOTAL LIABILITIES AND EQUITY	\$ 11,860,586	\$ 11,881,013

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
OPERATING EXPENSES			
Depreciation	\$ 165,898	\$ 188,356	\$ 173,667
Exploration	815,980	981,554	1,610,502
General and administrative	442,552	535,147	377,345
EXPENSES BEFORE OTHER INCOME (EXPENSES)	<u>(1,424,430)</u>	<u>(1,705,057)</u>	<u>(2,161,514)</u>
OTHER INCOME (EXPENSES)			
Recovery of gold, net (Note 11)	3,527,354	3,704,167	4,074,170
Foreign exchange loss	(203,212)	(938,422)	(426,420)
Net gain (loss) on trading securities	(58,197)	360,754	714,523
Interest earned and dividends	371,525	143,407	55,972
Impairment loss on trading securities	<u>(1,336,501)</u>	<u>-</u>	<u>(211,018)</u>
OTHER INCOME, NET	<u>2,300,969</u>	<u>3,269,906</u>	<u>4,207,227</u>
Income before tax	876,539	1,564,849	2,045,713
Income tax expense	<u>(861,815)</u>	<u>(800,000)</u>	<u>(1,088,192)</u>
Net income	14,724	764,849	957,521
Net income attributable to non-controlling interest	<u>(180,652)</u>	<u>(133,082)</u>	<u>(121,545)</u>
Net income (loss) attributable to Xtra-Gold Resources Corp.	<u>\$ (165,928)</u>	<u>\$ 631,767</u>	<u>\$ 835,976</u>
Basic income attributable to common shareholders			
per common share	\$ (0.00)	\$ 0.01	\$ 0.02
Diluted income attributable to common shareholders			
per common share	\$ (0.00)	\$ 0.01	\$ 0.02
Basic weighted average number of common shares outstanding	46,361,078	46,542,900	46,779,574
Diluted weighted average number of common shares outstanding	46,361,078	48,822,024	48,925,574

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

XTRA-GOLD RESOURCES CORP.
CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in U.S. Dollars)

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Shares in Treasury</u>	<u>Accumulated Deficit</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Amount</u>					
Balance, December 31, 2020	46,817,017	\$ 46,817	\$ 31,998,045	\$ (4,857)	\$ (22,813,141)	\$ (312,741)	\$ 8,914,123
Stock-based compensation	—	—	2,504	—	—	—	2,504
Exercise of stock options	255,000	255	94,674	—	—	—	94,929
Repurchase of shares	(384,500)	(384)	(324,708)	4,857	—	—	(320,235)
Shares in treasury	—	—	—	(13,294)	—	—	(13,294)
Net income	—	—	—	—	835,976	121,545	957,521
Balance, December 31, 2021	46,687,517	46,688	31,770,515	(13,294)	(21,977,165)	(191,196)	9,635,548
Stock-based compensation	—	—	237,078	—	—	—	237,078
Repurchase of shares	(240,600)	(241)	(169,302)	13,294	—	—	(156,249)
Shares in treasury	—	—	—	(6,892)	—	—	(6,892)
Net income	—	—	—	—	631,767	133,082	764,849
Balance, December 31, 2022	46,446,917	46,447	31,838,291	(6,892)	(21,345,398)	(58,114)	10,474,334
Stock-based compensation	—	—	23,750	—	—	—	23,750
Repurchase of shares	(245,700)	(246)	(150,335)	(20,744)	—	—	(171,325)
Shares in treasury	—	—	(6,892)	6,892	—	—	—
Net loss	—	—	—	—	(165,928)	180,652	14,724
Balance, December 31, 2023	46,201,217	\$ 46,201	\$ 31,704,814	\$ (20,744)	\$ (21,511,326)	\$ 122,538	\$ 10,341,483

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 14,724	\$ 764,849	\$ 957,521
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	165,898	188,356	173,667
Stock-based compensation	23,750	237,078	2,504
Unrealized foreign exchange loss (gain)	121,720	192,352	(65,133)
Net gain (loss) on sales of trading securities	58,197	(360,754)	(689,407)
Impairment loss on trading securities	1,336,501	-	211,018
Changes in operating assets and liabilities:			
(Increase) decrease in prepaids	2,606	(1,587)	(2,599)
Decrease (increase) in inventory	(21,658)	179,331	(133,292)
Change in asset retirement obligation	(13,886)	6,171	(47,054)
Increase in accounts payable and accrued liabilities	155,868	186,590	645,082
Increase (decrease) in due to related parties	(29,558)	91,435	102,493
Net cash provided by operating activities	<u>1,814,162</u>	<u>1,483,821</u>	<u>1,154,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of trading securities	(2,036,995)	(2,149,341)	(2,537,144)
Proceeds on sale of trading securities	1,805,342	2,193,935	2,053,292
Acquisition of equipment	(37,722)	(259,602)	(203,419)
Net cash used in investing activities	<u>(269,375)</u>	<u>(215,008)</u>	<u>(687,271)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of options and warrants	-	-	94,929
Repurchase of capital stock	(171,325)	(163,141)	(338,386)
Net cash used in financing activities	<u>(171,325)</u>	<u>(163,141)</u>	<u>(243,457)</u>
Change in cash and cash equivalents and restricted cash during the year	1,373,462	1,105,672	224,072
Cash and cash equivalents and restricted cash, beginning of the year	<u>6,077,322</u>	<u>4,971,650</u>	<u>4,747,578</u>
Cash and cash equivalents and restricted cash, end of the year	\$ 7,450,784	\$ 6,077,322	\$ 4,971,650
Reconciliation of Cash and Cash Equivalents and Restricted Cash			
Cash and cash equivalents at beginning of year	\$ 5,781,000	\$ 4,675,328	\$ 4,451,256
Restricted cash at beginning of year	<u>296,322</u>	<u>296,322</u>	<u>296,322</u>
Cash and cash equivalents and restricted cash at beginning of year	<u>\$ 6,077,322</u>	<u>\$ 4,971,650</u>	<u>\$ 4,747,578</u>
Cash and cash equivalents at end of year	\$ 7,154,462	\$ 5,781,000	\$ 4,675,328
Restricted cash at end of year	<u>296,322</u>	<u>296,322</u>	<u>296,322</u>
Cash and cash equivalents and restricted cash at end of year	<u>\$ 7,450,784</u>	<u>\$ 6,077,322</u>	<u>\$ 4,971,650</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

XTRA-GOLD RESOURCES CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

December 31, 2023

1. HISTORY AND ORGANIZATION OF THE COMPANY

Xtra-Gold Resources Corp., previously Silverwing Systems Corporation, was incorporated under the laws of the State of Nevada on September 1, 1998, pursuant to the provisions of the Nevada Revised Statutes. In 2003, the Company became a resource exploration company. The Company has also engaged in recovery of gold through alluvial operations on its claims. On November 30, 2012, the Company redomiciled from the USA to the British Virgin Islands.

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 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”).

2. GOING CONCERN

The Company is in development as an exploration company. It may need financing for its exploration and acquisition activities. The Company has incurred a loss of \$165,928 for the year ended December 31, 2023, and it has an accumulated deficit of \$21,511,326. Results for the year ended December 31, 2023 are not necessarily indicative of future results. The uncertainty of gold recovery and the fact the Company does not have a demonstrably viable business to provide future funds, raises substantial doubt about its ability to continue as a going concern for one year from the issuance of the financial statements. 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, which is typical for junior exploration companies. The financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management of the Company (“Management”) is of the opinion that sufficient financing will be obtained from external sources and further share issuances will be made to meet the Company’s obligations. Although alluvial gold sales have contributed significantly to the Company, this funding source is nearly depleted and cannot be relied on as a source of future funding. The Company’s discretionary exploration activities do have considerable scope for flexibility in terms of the amount and timing of exploration expenditure, and expenditures may be adjusted accordingly if required.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, XG Exploration and its 90% owned subsidiary, XG Mining . All intercompany accounts and transactions have been eliminated on consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of estimates include the carrying value and recoverability of mineral properties, inputs used in the calculation of stock-based compensation and warrants, inputs used in the calculation of the asset retirement obligation, the valuation allowance applied to level 3 investments, and the valuation allowance applied to deferred income taxes. Actual results could differ from those estimates and would impact future results of operations and cash flows.

XTRA-GOLD RESOURCES CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

December 31, 2023

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, 2023 and 2022, cash and cash equivalents consisted of cash held at financial institutions.

The Company has been required by the Ghanaian government to post a bond for environmental reclamation. This cash has been recorded as restricted cash, a non-current asset.

Prepays

Prepaid amounts are recognized in an earlier period than they are expensed. These amounts are expensed in the period to which they relate.

Inventory

Inventories are initially recognized at cost and subsequently stated at the lower of cost or net realizable value. The Company's inventory consists of raw gold recovered from alluvial operations. Costs are determined using the first-in, first-out ("FIFO") method and includes expenditures incurred in extracting the raw gold, other costs incurred in bringing them to their existing location and condition, and the cost of reclaiming the disturbed land to a natural state.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to declining selling prices, or other issues related to the sale of gold.

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. Recovery of gold, net of expenses, is not related to exploration and is not the core business of the Company, so proceeds from gold recovery are recognized as other income.

Trading securities

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

Non-Controlling Interest

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

Equipment

Equipment is recorded at cost and is being depreciated over its estimated useful lives, which recognizes operating conditions in Ghana, using the declining balance method at the following annual rates:

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

Mineral properties and exploration and development costs

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral property is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral properties are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses). When the Company receives an option payment related to a property, the proceeds of the payment are applied to reduce the carrying value of the exploration asset. The mineral properties do not fall under the guidance of ASC 842.

Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted future cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value.

No impairment charge was deemed necessary for mineral properties in 2023 or 2022. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell.

Asset retirement obligations

The Company records the estimated rehabilitation 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. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the changes in the estimated future cash flows underlying the obligation (asset retirement cost).

Stock-based compensation

The Company accounts for stock compensation arrangements under ASC 718 "*Compensation – Stock Compensation*" using the fair value based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods and services received.

We use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options. The stock based fair value compensation is determined as of the date of the grant (measurement date) and is recognized over the vesting periods.

Warrants

The Company accounts for freestanding warrants within stockholder's equity or as liabilities based on the characteristics and provisions of each instrument. The Company evaluates outstanding warrants in accordance with ASC 480, Distinguishing Liabilities from Equity, and ASC 815, Derivatives and Hedging. If none of the criteria in the evaluation in these standards are

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(Expressed in U.S. Dollars)
December 31, 2023

met, the warrants are classified as a component of stockholders' equity and initially recorded at their grant date fair value without subsequent remeasurement. Warrants that meet the criteria are classified as liabilities and remeasured to their fair value at the end of each reporting period.

Share repurchases

The Company accounts for the repurchase of its common shares as an increase in shares in treasury for the market value of the shares at the time of purchase. When the shares are cancelled, the issued and outstanding shares are reduced by the \$0.001 par value and the difference is accounted for as a reduction in additional paid in capital.

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.

Income (Loss) per share

Basic and diluted earnings or loss per share ("EPS") amounts in the consolidated financial statements are computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 260 – 10 "Earnings per Share", which establishes the requirements for presenting EPS. In the accompanying financial statements, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock and potentially dilutive outstanding shares of common stock during the period to reflect the potential dilution that could occur from common stock issuable through contingent share arrangements, stock options and warrants unless the result would be antidilutive. There were no potentially dilutive shares of common stock outstanding for the years ended December 31, 2023, 2022, and 2021, respectively.

Foreign exchange

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

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trading securities, receivables, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The carrying amounts of cash and cash equivalents, trading securities, receivables, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of those financial instruments. Cash in Canada is primarily held in financial institutions. Balances on hand may exceed insured maximums. Cash in Ghana is held in banks with a strong international presence. Ghana does not insure bank balances.

Fair value of financial assets and liabilities

Our financial assets and liabilities that are measured at fair value on a recurring basis include cash equivalents, marketable securities, derivative contracts, and marketable debt securities. Our financial assets measured at fair value on a nonrecurring basis include non-marketable equity securities, which are adjusted to fair value when observable price changes are identified

XTRA-GOLD RESOURCES CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars)

December 31, 2023

or when the non-marketable equity securities are impaired (referred to as the measurement alternative). Other financial assets and liabilities are carried at cost with fair value disclosed, if required.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.
- Level 3 - Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Cash, Cash Equivalents, and Marketable Securities

We invest all excess cash primarily in time deposits, money market funds, corporate debt securities, equities, limited partnerships, and rights and warrants.

We classify all marketable debt securities that have stated maturities of three months or less from the date of purchase as cash equivalents and those with stated maturities of greater than three months as marketable securities on our Consolidated Balance Sheets.

We determine the appropriate classification of our investments in marketable debt securities at the time of purchase and reevaluate such designation at each balance sheet date. We have classified and accounted for our marketable debt securities as trading securities. After consideration of our risk versus reward objectives, as well as our liquidity requirements, we may sell these debt securities prior to their stated maturities. For all of our marketable debt securities we have elected the fair value option, for which changes in fair value are recorded in other income (expense), net. We determine any realized gains or losses on the sale of marketable debt securities on a specific identification method, and we record such gains and losses as a component of other income (expense), net.

The following tables summarize our investment in debt instruments, at their fair value, by significant investment categories as of December 31, 2023 and 2022:

<u>Level 1 – Cash equivalents</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Money market funds	\$ 6,738,412	\$ 5,559,705
	<u>\$ 6,738,412</u>	<u>\$ 5,559,705</u>

XTRA-GOLD RESOURCES CORP.

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Cash, cash equivalents, and investments

	December 31, 2023		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$	7,154,462	\$	7,124,364	\$	—	\$	—
Restricted cash		296,322		296,322		—		—
Marketable securities		2,212,401		2,212,401		—		—
Total	\$	9,663,185	\$	9,633,087	\$	—	\$	—

	December 31, 2022		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$	5,781,000	\$	5,781,000	\$	—	\$	—
Restricted cash		296,322		296,322		—		—
Marketable securities		3,497,166		3,497,166		—		—
Total	\$	9,574,488	\$	9,574,488	\$	—	\$	—

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

Investment in Debt Securities

We classify our marketable debt securities, which are accounted for as trading securities, within Level 1 or 2 in the fair value hierarchy because we use quoted market prices to the extent available or alternative pricing sources and models utilizing market observable inputs to determine fair value.

Investment in trading securities

The following discusses our marketable equity securities, non-marketable equity securities, gains and losses on marketable and non-marketable equity securities, as well as our equity securities accounted for under the equity method.

Our marketable equity securities are publicly traded stocks or funds measured at fair value and classified within Level 1 and 2 in the fair value hierarchy because we use quoted prices for identical assets in active markets or inputs that are based upon quoted prices for similar instruments in active markets.

Our non-marketable equity securities are investments in privately held companies without readily determinable market values. The carrying value of our non-marketable equity securities is adjusted to fair value for observable transactions for identical or similar investments of the same issuer or impairment (referred to as the measurement alternative). Non-marketable equity securities that have been remeasured during the period based on observable transactions are classified within Level 2 or Level 3 in the fair value hierarchy because we estimate the value based on valuation methods which may include a combination of the observable transaction price at the transaction date and other unobservable inputs including volatility, rights, and obligations of the securities we hold. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3.

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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. The Company held \$6,738,412 and \$5,653,644 as of December 31, 2023 and 2022, respectively, in low-risk cash and money market funds which are not federally insured. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

The Company has contracted to sell all its recovered gold through a licensed exporter in Ghana. The Company sells its raw gold to one smelter. Ownership of the gold is transferred to the smelting company at the mine site. The Company has not experienced any losses from this sole sourced smelter and believes it is not exposed to any significant risks on its gold processing.

Recent Accounting Pronouncements

In October 2021, the FASB issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805). This ASU requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. At the acquisition date, the acquirer applies the revenue model as if it had originated the acquired contracts. The ASU is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of the ASU should be applied prospectively. Early adoption is also permitted, including adoption in an interim period. If early adopted, the amendments are applied retrospectively to all business combinations for which the acquisition date occurred during the fiscal year of adoption. This ASU is currently not expected to have a material impact on our consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, ASC Subtopic “Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions”. These amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments in this update are effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements.

4. PREPAIDS

Prepays consist of the following amounts:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid insurance	\$ 17,581	\$ 25,536
Prepaid permit fees	12,515	-
Legal advances	55,690	73,265
Other	16,399	5,990
	<u>\$ 102,185</u>	<u>\$ 104,791</u>

5. INVESTMENTS IN TRADING SECURITIES

At December 31, 2023, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. All marketable securities are publicly traded and valued using Level 1 methods. As of December 31, 2023 and 2022 respectively, the fair value of trading securities was \$2,212,401 and \$3,497,166. The Company recognized a full impairment of certain investments, of \$1,336,501 in 2023. During 2021 the company recognized a \$211,018 impairment on certain investments.

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investments in trading securities at cost	\$ 3,501,195	\$ 3,239,782
Unrealized gains (losses)	(1,288,794)	257,384
Investments in trading securities at fair market value	<u>\$ 2,212,401</u>	<u>\$ 3,497,166</u>

The fair value carrying value of investments by category is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Marketable Equity Securities - Level 1</u>		
Publicly traded investments	\$ 2,212,401	\$ 2,677,169
<u>Marketable Debt Securities - Level 2</u>		
Corporate bonds	-	117,157
<u>Non-Marketable Equity Securities - Level 3</u>		
Private investments	-	702,840
Total investments	<u>\$ 2,212,401</u>	<u>\$ 3,497,166</u>

The gains and losses on investments by category is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Marketable Equity Securities - Level 1</u>			
Publicly traded investments - realized	\$ 95,688	\$ 354,811	\$ 559,850
Publicly traded investments - unrealized	(480,827)	(148,456)	227,653
<u>Non-Marketable Debt Securities - Level 2</u>			
Private bonds	(194,255)	(20,980)	11,720
<u>Non-Marketable Equity Securities - Level 3</u>			
Private investments - realized	-	-	(275,719)
Private investments - unrealized	(815,304)	175,376	-
Total investments	<u>\$ (1,394,698)</u>	<u>\$ 360,754</u>	<u>\$ 523,504</u>

Reported as:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Net gain (loss) on trading securities	\$ (58,197)	\$ 360,754	\$ 714,523
Impairment loss on trading securities	(1,336,501)	-	(211,018)
Other	-	-	19,999
Total gain (loss) on investments	<u>\$ (1,394,698)</u>	<u>\$ 360,754</u>	<u>\$ 523,504</u>

The Company also recorded interest and dividend income from its investment portfolio as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Interest earned and dividends	\$ 371,525	\$ 143,407	\$ 55,972

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6. EQUIPMENT

	December 31, 2023		
	Cost	Accumulated Depreciation	Net Book Value
Exploration equipment	\$ 2,282,277	\$ 1,909,186	\$ 373,091
Vehicles	800,628	630,522	170,106
	<u>\$ 3,082,905</u>	<u>\$ 2,539,708</u>	<u>\$ 543,197</u>

The company expensed \$165,898 for depreciation in 2023.

	December 31, 2022		
	Cost	Accumulated Depreciation	Net Book Value
Exploration equipment	\$ 2,282,277	\$ 1,802,719	\$ 479,558
Vehicles	762,906	571,091	191,815
	<u>\$ 3,045,183</u>	<u>\$ 2,373,810</u>	<u>\$ 671,373</u>

The company expensed \$188,356 for depreciation in 2022.

The company expensed \$173,667 for depreciation in 2021.

7. MINERAL PROPERTIES

The Kibi, Kwabeng and Pameng Projects were purchased as a group in 2004, and the purchase price was not allocated between the properties and camp facilities. As historical option payments received for the right to purchase projects from the Company in previous years have expired unexercised there are no third-party claims against the Projects. The Mineral Properties have a value of \$734,422 as at December 31, 2023 and 2022. There was no impairment in the carrying value of the properties in the years ended December 31, 2023 and 2022.

Kibi, Kwabeng and Pameng Projects

The Company holds the mineral rights over the lease area for Kibi, Kwabeng, and Pameng Projects, all of which are located in Ghana. The original Kwabeng and Pameng mining leases had an expired date of July 26, 2019, while the Apapam (the "Kibi") lease had an expiry date of December 17, 2015. Under the mineral laws, the Company has the right to apply for extensions of mining leases for up to a maximum of 30 years. The Company has applied for extensions on all three of its leases noted above for a further 15 years. The Kwabeng and Pameng extensions were filed on December 13, 2018, and the Kibi lease extension on June 17, 2015. To date, the Company has not received the extension documents from the government. Under mineral law, the old leases remain fully in force until the government issues the new lease documents. The renewal extension is in accordance with the terms of application and payment of fees to the Minerals Commission.

All gold production will be subject to a 5% production royalty of the net smelter returns ("NSR") payable to the Government of Ghana.

Banso and Muoso Projects

During the year ended December 31, 2010, the Company made an application to Mincom to convert a single prospecting license ("PL") securing its interest in the Banso and Muoso Projects located in Ghana to a mining lease covering the lease area of each of these Projects. This application was approved by Mincom who subsequently made recommendation to the Minister of Lands, Forestry and Mines to grant an individual mining lease for each Project. On January 6, 2011, the Government of Ghana granted two mining leases for these Projects. These mining leases grant the Company mining rights to produce gold in the

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respective leased areas until January 5, 2025 with respect to the Bansa Project and until January 5, 2024 with respect to the Muoso Project. These mining leases supersede the PL previously granted to the Company. Among other things, both mining leases require that the Company:

- i) pay the Government of Ghana a fee of \$30,000 in consideration of granting of each lease (paid in the March 2011 quarter);
- ii) pay annual ground rent of GH¢189,146 (approximately USD\$35,688) for the Bansa Project and GH¢202,378 (approximately USD\$38,185) for the Muoso Project;
- iii) commence commercial production of gold within two years from the date of the mining leases (note: all leases were in production well before the 2 year deadline); and
- iv) pay a production royalty of 5% of gold sales to the Government of Ghana.

No project acquisition costs were recorded for the acquisition of Bansa and Muoso Projects. In June 2023 the Company applied for an extension of the Muoso Project. The Bansa lease expires on January 5, 2025 and the Company expects to apply for an extension of the Bansa lease at that time.

Mining Lease and Prospecting License Commitments

The Company is committed to expend, from time to time fees payable

(a) to the Minerals Commission for:

- (i) a grant or renewal of a mining lease (currently an annual fee maximum of \$1,000.00 per cadastral units/or 21.24 hectare); and
- (ii) annual operating permits;

(b) to the Environmental Protection Agency (“EPA”) (of Ghana) for:

- i) processing and certificate fees with respect to EPA permits;
- ii) the issuance of permits before the commencement of any work at a particular concession; or
- iii) the posting of a bond in connection with any mining operations undertaken by the Company;

(c) for a legal obligation associated with our mineral properties for clean up costs when work programs are completed.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade payables and accrued liabilities are comprised as follows:

	December 31, 2023	December 31, 2022
Trade payables	\$ 2,137	\$ 67,584
Accrued royalties and taxes	1,230,012	1,018,737
Accrued other liabilities	48,911	38,871
	\$1,281,060	\$1,125,192

The following table shows the aging of the Company’s trade payables:

	December 31, 2023	December 31, 2022
Current	\$ 2,137	\$ 67,584
>60 days	-	-
	\$ 2,137	\$ 67,584

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9. ASSET RETIREMENT OBLIGATION

	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 99,514	\$ 93,343
Change in obligation	(13,886)	6,171
Accretion expense	—	—
Balance, end of year	\$ 85,628	\$ 99,514

The Company has a legal obligation associated with its mineral properties for clean up costs when work programs are completed. Most of the cash will be spent to return the grade of disturbed land to its original state and to plant vegetation.

The rehabilitation obligation is estimated at \$85,628 and \$99,514 at December 31, 2023 and 2022, respectively. During 2023 and 2022, the obligation was estimated based on actual reclamation cost experience on an average per acre basis and the remaining acres to be reclaimed. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred. The Company has been required by the Ghanaian government to post a bond of \$296,322 which has been recorded in restricted cash.

10. CAPITAL STOCK**Authorized stock**

The Company's authorized shares are 250,000,000 common shares with a par value of \$0.001 per share.

Issuances of shares

The Company did not issue shares during the years ended December 31, 2023 and 2022.

Cancellation of shares

During the year ended December 31, 2023, a total of 234,200 common shares were re-purchased for \$150,582 and were cancelled. A further total of 11,500 common shares that were re-purchased in 2022 for \$6,892 were cancelled in 2023. A total of 28,500 common shares were re-purchased in 2023 for \$20,744 and held in treasury. These 28,500 shares were cancelled in January 2024.

During the year ended December 31, 2022, a total of 223,000 common shares were re-purchased for \$156,249 and cancelled. A further total of 17,600 common shares were re-purchased in 2021 for \$13,294 were cancelled in 2022. A total of 11,500 common shares were re-purchased for \$6,892 and held in treasury. These 11,500 shares were cancelled in January 2023.

Stock options

At June 30, 2011, the Company adopted a new 10% rolling stock option plan (the "2011 Plan") and cancelled the 2005 equity compensation plan. Pursuant to the 2011 Plan, the Company is entitled to grant options and reserve for issuance up to 10% of the shares issued and outstanding at the time of grant. The terms and conditions of any options granted, including the number and type of options, the exercise period, the exercise price and vesting provisions, are determined by the Compensation Committee which makes recommendations to the board of directors for their approval. The maximum term of options granted cannot exceed 20 years.

The TSX's rules relating to security-based compensation arrangements require that every three years after the institution of a security-based compensation arrangement which does not have a fixed maximum aggregate of securities issuable, all unallocated options must be approved by a majority of the Company's directors and by the Company's shareholders. The Board approved all unallocated options under the Option Plan on May 5, 2023 which was approved by the Company's shareholders at the annual and special meeting held on June 29, 2023.

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At December 31, 2023, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
382,000	CDN\$0.15	December 31, 2032
54,000	CDN\$0.60	June 1, 2040
250,000	CDN\$0.20	October 8, 2035
360,000	CDN\$1.23	October 23, 2040
400,000	CDN\$0.40	May 5, 2036
690,000	CDN\$0.30	July 1, 2037
450,000	CDN\$0.81	December 14, 2042
62,500	CDN\$0.92	April 27, 2043

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

	December 31, 2023		December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,586,000	CAD \$ 0.37	2,381,000	CAD \$ 0.36
Granted	62,500	CAD 0.92	450,000	CAD 0.81
Exercised	—	—	—	—
Cancelled/Expired	—	—	(245,000)	CAD 0.69
Outstanding, end of year	2,648,500	CAD \$ 0.39	2,586,000	CAD \$ 0.37
Exercisable, end of year	2,648,500	CAD \$ 0.39	2,586,000	CAD \$ 0.37

The aggregate intrinsic value for options vested and for total options as of December 31, 2023 and 2022 respectively, is approximately \$1,115,000 and \$786,600. The weighted average contractual term of stock options outstanding and exercisable as at December 31, 2023 and 2022 respectively, is 10.7 years and 11.7 years.

The fair value of stock options granted, vested, and modified during the years ended December 31, 2023, 2022 and 2021 respectively, was \$23,750, \$237,078, and \$2,504 which has been included in general and administrative expense.

The following assumptions were used for the Black-Scholes valuation of stock options granted or amended during the years ended December 31, 2023, 2022, and 2021:

	2023	2022	2021
Risk-free interest rate	3.00%	1.75%	1.75%
Expected life	5.0 years	5.0 years	3.0 years
Annualized volatility	64%	68%	70%
Dividend rate	—	—	—

On April 27, 2023 the Company granted 62,500 options to insiders at \$0.68 (CAD\$0.92) and recognized an expense of \$23,750 as the options vested immediately.

On December 14, 2022 the Company granted 350,000 options to insiders at \$0.60 (CAD\$0.81) and recognized an expense of \$120,563. A further 100,000 options were granted to non-insiders at \$0.60 (CAD\$0.81) and an expense of \$34,447 was

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recognized. On July 1, 2022, the original terms of existing options were extended. The Company recognized an expense of \$77,092 related to the extension of the option terms to maturity. Options granted to consultants were market-to-market until expiry and the Company recognized an expense in 2022 of \$4,976.

The Company did not issue stock options during the years ended December 31, 2021.

Warrants

At December 31, 2023 and 2022, there were no warrants outstanding.

11. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023, 2022 and 2021, the Company entered into the following transactions with related parties:

	December 31, 2023	December 31, 2022	December 31, 2021
Consulting fees paid or accrued to officers or their companies	\$ 1,035,063	\$ 909,314	\$1,124,304
Directors' fees	2,223	2,308	2,398
Stock option grants to officers and directors	\$ 23,750	\$ 120,563	
Stock option grant price range	CAD\$0.92	CAD\$0.81	

Of the total consulting fees noted above, \$720,442, \$691,435, and \$772,494 for the years ended December 31, 2023, 2022, and 2021 respectively, was incurred by the Company to a private company of which a related party is a 50% shareholder and director. The related party was entitled to receive \$360,221 and \$345,717, and \$386,247 of this amount for the years ended December 31, 2023, 2022, and 2021, respectively. As at December 31, 2023 and 2022 respectively, a balance of \$152,415 and a prepaid balance of \$181,973 exists to this related company and \$Nil remains payable in all years to the related party for expenses earned for work on behalf of the Company. The CEO of the company made a \$50,000 payment on behalf of the company in 2021. This balance was repaid in 2022.

During 2023, the Company granted 62,500 options to insiders at a price of \$0.68 (CAD\$0.92). A total of \$23,750 was included in consulting fees related to these options. During 2022, the Company granted 350,000 options to insiders at a price of \$0.60 (CAD\$0.81). A total of \$120,563 was included in consulting fees related to these options. On July 1, 2022, the original terms of existing options were extended. The Company recognized an expense of \$77,092 related to the extension of the option terms to maturity related to insiders. During 2021 the Company did not grant stock options to insiders.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	December 31, 2023	December 31, 2022	December 31, 2021
Cash paid during the period for:			
Interest	\$ —	\$ —	\$ —
Income taxes	\$ 650,540	\$ 581,263	\$ 288,192

During the years ended December 31, 2023, 2022 and 2021 respectively, the Company paid \$660,540, \$581,263, and \$288,192 related to income tax in the current and prior periods and accrued a further \$700,000, \$800,000, and \$720,000 in the years ended December 31, 2023, 2022, and 2021 respectively, for expected income tax payments related to activities in Ghana. There were no other significant non-cash transactions during the years ended December 31, 2023, 2022, or 2021.

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13. DEFERRED INCOME TAXES

On November 30, 2012, the Company changed its residency address from the USA to the British Virgin Islands (“BVI”). The Company has no presence/nexus within the United States of America, nor any of its States and therefore is not required to file Income/Franchise, etc. tax returns in the United States of America, nor any of its States. The Company is not subject to any corporate income tax in the BVI. In Ghana, the Company is subject to a 35% income tax rate.

	2023	2022	2021
Pre tax income	\$ 876,539	\$ 1,564,849	\$ 2,045,713
Tax at the BVI rate 0%	-	-	-
Tax in Ghana at 35%	933,918	745,787	806,761
Other	12,082	(6,043)	-
Temporary differences	(84,185)	60,256	281,431
Income tax	<u>\$ 861,815</u>	<u>\$ 800,000</u>	<u>\$ 1,088,192</u>

In evaluating the ability to recover the deferred tax assets within the jurisdiction from which they arise, the Company considered all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company began with historical results adjusted for changes in accounting policies and incorporates assumptions including the amount of future pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimate the Company are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income.

A reconciliation of the Ghana income tax to our effective income tax is as follows:

	2023	2022	2021
Tax in Ghana at 35%	\$ 933,918	\$ 745,787	\$ 806,761
Accrual for tax – current year	800,000	800,000	800,000
	133,918	(54,213)	6,671
Unaccrued tax payments related to previous years	(61,815)	-	-
Differences, current year	72,103	(54,213)	6,671
Cumulative differences, prior year	(47,452)	6,671	-
Cumulative differences, current year	24,651	(47,452)	6,671
Valuation allowance	(24,651)	47,452	(6,671)
Total deferred income tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company recognizes valuation allowances to reduce deferred tax assets and liabilities to the amount that is more likely than not to be realized. The Company’s net deferred income tax asset is not more likely than not to be realized due to the lack of sufficient sources of future taxable income and cumulative losses that have resulted over the years. During the year ended December 31, 2023 the valuation allowance was reduced by \$72,103 to \$24,651.

14. COMMITMENTS AND CONTINGENCIES

a) Bond deposit

The Company has been required by the Ghanaian government to post an environmental bond of US\$296,322 which has been recorded in restricted cash (see Note 9).

b) Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company’s business. The Company is not aware of any such legal proceedings other

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than disclosed below that will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results.

The Company is a party to two pending lawsuits. One lawsuit claims additional funds of GHC90,000 (approximately US\$9,000) from local government for an annual business operating permit. Another lawsuit claims that workers were terminated unlawfully. The Company will defend itself in each of these lawsuits if required, and believes both cases are completely without merit and frivolous.

The Company is subject to additional legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity.

On October 19, 2022, Minerals Commission issued five invoices totaling \$11,714,800 to our Ghanaian subsidiary. These invoices were titled "Outstanding Annual Mineral Right Fees" for all five of our concessions (Kwabeng, Pameng, Apapam, Muoso and Bansa), which Minerals Commission indicated were related to the period from 2012 to 2022, for new annual mineral fees. However, all of our mining leases all have a one-time fixed consideration fee, which was paid when our leases were granted. Our legal counsel responded to Minerals Commission (the "Letters") on November 15, 2019, objecting to the five improper invoices. Our Letters outline the specific violated terms of our leases and various mineral laws. The Minerals Commission has not responded to our Letters. Should Minerals Commission challenge our Letters, our Company could enter dispute resolution arbitration clause under the Mineral Act. We believe the invoices are not legally enforceable under the Mineral Act, and have not included any amount related to these invoices in our accounts.

Ghana Revenue Agency ("GRA") sent our Ghanaian subsidiary an updated tax assessment letter on May 11, 2023. The letter alleges a total tax liability of \$1,186,701 (the "Assessment"), from 2012 to 2022. Upon a thorough review of the Assessment, we agreed that the only additional liability in the Assessment was \$356,281. The balance of the Assessment was objected to by our company in letter dated June 13, 2023, (the "Objection Letter"). To date, GRA has not responded to our Objection Letter, and our company believes it has settled all amounts owing in the Assessment.

(c) Credit risk

Financial instruments that are potentially subject to credit risk consist principally of trade receivables. The Company believes the concentration of credit risk in its trade receivables is substantially mitigated by its ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

(d) Exchange rate risk

The functional currency of the Company is US\$, to date the majority of the revenues and costs are denominated in Ghana and a significant portion of the assets and liabilities are denominated in both Canada and Ghana. As a result, the Company is exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between US\$ and Ghana currency. If Ghana depreciates against US\$, the value of Ghana revenues and assets as expressed in US\$ financial statements will decline. The Company does not hold any derivative or other financial instruments that expose to substantial market risk.

(e) Economic and political risks

The Company's operations are conducted in Ghana. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in Ghana, and by the general state of the Ghana economy.

The Company's operations in the Ghana are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the

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political and social conditions in Ghana, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation.

f) Commodity price risk

We are exposed to fluctuations in commodity prices for gold. Commodity prices are affected by many factors, including but not limited to, supply and demand.

g) The minerals properties lease status is as follows:

-Apapam Lease expired on December 17th 2015, and extension was submitted on June 17th 2015;

-Kwabeng and Pameng Leases expired on July 26th 2019, and extensions were submitted on June 13th 2018;

-Muoso Lease expired on January 5th 2024, and extension was submitted on June 12th 2023; and

-Banso Lease does not expire until Jan. 5th 2025.

On all the above extensions the company requested a further 15 year extension to each lease, and the old leases are fully in force until the new leases are granted by the government.

All required documentation to extend the lease for our Kibi Project (formerly known as the Apapam Project) for 15 years from December 17, 2015 has been submitted to the Ghana Minerals Commission. No additional information was requested or submitted in the year ended December 31, 2023. As of these extensions generally take years for the regulatory review to be completed, and the Company is not yet in receipt of the renewal extension approval. However, until the Company receives the renewal extension approval, the old lease remains in force under the mineral laws. The renewal extension is in accordance with the terms of application and payment of fees to the Minerals Commission.

15. SUBSEQUENT EVENTS

From the period subsequent to December 31, 2023 to the date of filing of these financial statements, the following occurred:

- 28,500 shares which were purchased in December 2023 and held in treasury at December 31, 2023, were cancelled.
- 74,000 shares were purchased in 2024, of which 53,800 were cancelled and 20,200 remain in treasury, to be cancelled in April 2024.
- the Company announced that it would proceed with a share repurchase plan in 2024. Under the terms of the plan, which commences on March 17, 2024, the Company will be able to repurchase up to 4,000,000 shares.