



# **OREZONE GOLD CORPORATION**

## **Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

*(Expressed in United States dollars)*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates, and choices of accounting principles. Management maintains a system of internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial information reported is accurate and reliable.

The Board of Directors approves the consolidated financial statement and ensures that management discharges its financial reporting responsibilities principally through oversight by the Audit Committee of the Board. The Audit Committee has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, Deloitte LLP, have conducted an audit in accordance with Canadian generally accepted auditing standards, and their report follows.

/s/ Patrick Downey

**Patrick Downey**  
Chief Executive Officer

March 31, 2020

/s/ Peter Tam

**Peter Tam**  
Chief Financial Officer

March 31, 2020

# Independent Auditor's Report

To the Shareholders of Orezone Gold Corporation

## Opinion

We have audited the consolidated financial statements of Orezone Gold Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joanna Pearson.

/s/ Deloitte LLP

Chartered Professional Accountants  
Vancouver, British Columbia  
March 31, 2020

**Orezone Gold Corporation**  
**Consolidated Statements of Financial Position**  
*(Expressed in United States dollars)*

<b>As at</b>	<b>December 31, 2019</b>	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	<b>\$11,855,497</b>	\$31,453,567
Trade and other receivables	<b>46,735</b>	125,745
Inventories	<b>471,371</b>	380,885
Prepaid expenses and deposits	<b>821,058</b>	721,915
<b>Total current assets</b>	<b>13,194,661</b>	32,682,112
<b>Non-current assets</b>		
Mineral properties, plant and equipment (Note 6)	<b>3,065,967</b>	2,184,853
Marketable securities (Note 7)	<b>516,213</b>	316,669
<b>Total assets</b>	<b>\$16,776,841</b>	\$35,183,634
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<b>\$3,657,593</b>	\$3,011,672
<b>Non-current liabilities</b>		
Lease liabilities (Note 8)	<b>230,780</b>	-
<b>Total liabilities</b>	<b>3,888,373</b>	3,011,672
<b>Equity</b>		
Share capital (Note 9)	<b>198,203,211</b>	196,711,419
Reserves	<b>19,838,222</b>	18,270,665
Accumulated deficit	<b>(197,149,242)</b>	(176,315,027)
<b>Equity attributable to shareholders</b>	<b>20,892,191</b>	38,667,057
Non-controlling interest	<b>(8,003,723)</b>	(6,495,095)
<b>Total equity</b>	<b>12,888,468</b>	32,171,962
<b>Total liabilities and equity</b>	<b>\$16,776,841</b>	\$35,183,634

Commitments (Note 16)  
Subsequent Event (Note 18)

The accompany notes form an integral part of these consolidated financial statements.

These annual consolidated financial statements were approved by the Board of Directors of Orezone Gold Corporation on March 31, 2020:

/s/ Patrick Downey  
**Patrick Downey**  
**Director**

/s/ Ronald Batt  
**Ronald Batt**  
**Director**

**Orezone Gold Corporation**  
**Consolidated Statements of Loss and Comprehensive Loss**  
For the years ended December 31, 2019 and 2018  
*(Expressed in United States dollars, except for number of share amounts)*

	2019	2018
<b>Expenses</b>		
Exploration and evaluation costs (Note 10)	\$17,325,061	\$11,083,467
General and administrative costs (Note 10)	3,825,932	2,750,273
Share-based compensation (Note 9(b))	1,232,437	1,619,609
Depreciation and amortization (Note 6)	624,793	342,184
<b>Total Expenses</b>	<b>23,008,223</b>	15,795,533
<b>Other (loss) income</b>		
Foreign exchange loss	(59,617)	(45,656)
Finance income	489,839	602,723
Finance expense	(24,088)	-
Fair value gain (loss) on marketable securities (Note 7)	179,994	(534,648)
<b>Other income</b>	<b>586,128</b>	22,419
<b>Net loss before tax</b>	<b>(22,422,095)</b>	(15,773,114)
Income tax expense (Note 11)	-	-
<b>Net loss for the year</b>	<b>(22,422,095)</b>	(15,773,114)
Net loss attributable to:		
Shareholders	(20,834,215)	(14,974,814)
Non-controlling interest	(1,587,880)	(798,300)
<b>Net loss for the year</b>	<b>(22,422,095)</b>	(15,773,114)
<b>Other comprehensive income (loss)</b>		
Foreign currency translation gain (loss)	1,050,982	(2,955,344)
<b>Total other comprehensive income (loss)</b>	<b>1,050,982</b>	(2,955,344)
<b>Comprehensive loss for the year</b>	<b>(21,371,113)</b>	(18,728,458)
Comprehensive loss attributable to:		
Shareholders	(19,862,485)	(18,243,511)
Non-controlling interest	(1,508,628)	(484,947)
<b>Comprehensive loss for the year</b>	<b>(21,371,113)</b>	(\$18,728,458)
Net loss per common share attributable to the shareholders of the Company, basic and diluted	(\$0.10)	(\$0.08)
Weighted-average number of common shares outstanding, basic and diluted	212,586,592	195,001,802

The accompany notes form an integral part of these consolidated financial statements.

## Orezone Gold Corporation

### Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in United States dollars, except for number of share amounts)

	Share capital		Reserves			Accumulated deficit	Equity attributable to shareholders	Non-controlling interest	Total Equity
	Shares #	Amount \$	Share-based payments (Note 9(b)) \$	Foreign currency translation \$	Contributed Surplus \$				
<b>Balance, January 1, 2019</b>	210,385,364	196,711,419	15,356,496	(2,133,919)	5,048,088	(176,315,027)	<b>38,667,057</b>	(6,495,095)	<b>32,171,962</b>
Shares issued (Note 9)	3,037,500	1,491,792	(636,610)	-	-	-	<b>855,182</b>	-	<b>855,182</b>
Shares cancelled (Note 9)	(45,958)	-	-	-	-	-	-	-	-
Share-based compensation	-	-	1,232,437	-	-	-	<b>1,232,437</b>	-	<b>1,232,437</b>
Foreign currency translation	-	-	-	971,730	-	-	<b>971,730</b>	79,252	<b>1,050,982</b>
Net loss for the year	-	-	-	-	-	(20,834,215)	<b>(20,834,215)</b>	(1,587,880)	<b>(22,422,095)</b>
<b>Balance, December 31, 2019</b>	<b>213,376,906</b>	<b>198,203,211</b>	<b>15,952,323</b>	<b>(1,162,189)</b>	<b>5,048,088</b>	<b>(197,149,242)</b>	<b>20,892,191</b>	<b>(8,003,723)</b>	<b>12,888,468</b>
	Share capital		Reserves			Accumulated deficit	Equity attributable to shareholders	Non-controlling interest	Total Equity
	Shares #	Amount \$	Share-based payments (Note 9(b)) \$	Foreign currency translation \$	Contributed Surplus \$				
<b>Balance, January 1, 2018</b>	154,235,364	161,497,821	13,736,887	1,134,778	5,048,088	(161,340,213)	<b>20,077,361</b>	(6,010,148)	<b>14,067,213</b>
Shares issued (Note 9)	56,150,000	35,599,100	-	-	-	-	<b>35,599,100</b>	-	<b>35,599,100</b>
Share issuance costs (Note 9)	-	(385,502)	-	-	-	-	<b>(385,502)</b>	-	<b>(385,502)</b>
Share-based compensation	-	-	1,619,609	-	-	-	<b>1,619,609</b>	-	<b>1,619,609</b>
Foreign currency translation	-	-	-	(3,268,697)	-	-	<b>(3,268,697)</b>	313,353	<b>(2,955,344)</b>
Net loss for the year	-	-	-	-	-	(14,974,814)	<b>(14,974,814)</b>	(798,300)	<b>(15,773,114)</b>
<b>Balance, December 31, 2018</b>	<b>210,385,364</b>	<b>196,711,419</b>	<b>15,356,496</b>	<b>(2,133,919)</b>	<b>5,048,088</b>	<b>(176,315,027)</b>	<b>38,667,057</b>	<b>(6,495,095)</b>	<b>32,171,962</b>

The accompany notes form an integral part of these consolidated financial statements.

**Orezone Gold Corporation**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2019 and 2018  
*(Expressed in United States dollars)*

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(\$22,422,095)	(\$15,773,114)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization (Note 6)	624,793	342,184
Share-based compensation (Note 9(b))	1,232,437	1,619,609
Finance income	(489,839)	(602,723)
Finance expense	24,088	-
Unrealized foreign exchange loss	59,617	45,656
Fair value (gain) loss on marketable securities	(179,994)	534,648
Changes in non-cash operating working capital (Note 12)	211,518	1,890,055
<b>Total cash outflows used in operating activities</b>	<b>(20,939,475)</b>	<b>(11,943,685)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (Note 6)	(949,054)	(688,436)
Proceeds on sale of property, plant and equipment (Note 6)	-	1,845
Interest received	521,735	552,241
<b>Total cash outflows from investing activities</b>	<b>(427,319)</b>	<b>(134,350)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement of common shares (Note 9(a))	-	35,599,100
Share issue costs (Note 9(a))	-	(385,502)
Proceeds from exercise of stock options	855,182	-
Lease payments	(56,802)	-
Interest paid	(24,088)	-
<b>Total cash inflows from financing activities</b>	<b>774,292</b>	<b>35,213,598</b>
<b>Effect of foreign currency translation on cash</b>	<b>994,432</b>	<b>(2,830,797)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(19,598,070)</b>	<b>20,304,766</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>31,453,567</b>	<b>11,148,801</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$11,855,497</b>	<b>\$31,453,567</b>

Supplemental cash flow information is provided in Note 12.

The accompany notes form an integral part of these consolidated financial statements.



# Orezone Gold Corporation

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in United States dollars)

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### 1. GENERAL INFORMATION

Orezone Gold Corporation (the "Company") was incorporated on December 1, 2008 under the Canada Business Corporations Act and is listed as a Tier 1 listed company on the TSX Venture Exchange (TSXV) under the symbol ORE (common shares) and ORE.WT (warrants). The Company is engaged in the exploration and development of gold properties in Burkina Faso, West Africa and has recently completed an updated optimized definitive feasibility study for its permitted 90%-owned Bomboré Gold Project ("Bomboré"). The Company is focussed on increasing shareholder value through the advancement of Bomboré into a commercially viable gold mining operation.

The address of the Company's principal office is 1111 Melville Street, Suite 910, Vancouver, British Columbia, Canada V6E 3V6.

References to "\$" or "US\$" are to United States dollars, references to "C\$" are to Canadian dollars, references to "EUR" are to Euro and references to "CFA" are to West African Communauté Financière Africaine francs.

### 2. BASIS OF PRESENTATION

#### (a) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies followed in the preparation of these financial statements are presented in Note 3 and have been consistently applied in each of the years presented, except as it relates to the adoption of IFRS 16, Leases, on January 1, 2019 as disclosed in Note 4.

These financial statements were authorized for issue by the Board of Directors on March 31, 2020.

#### (b) BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value as disclosed elsewhere in the notes to the financial statements.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that may have a significant impact to the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgments and estimates are presented in Note 5.

These financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Management has not yet determined if the necessary financing for the construction of Bomboré can be obtained on terms and timeframe acceptable to the Company. Management believes its existing cash resources and funds raised from its January 2020 bought deal equity financing will be sufficient to fund its project and corporate activities for the upcoming year.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF CONSOLIDATION

The consolidated financial statements are prepared by consolidating the financial statements of Orezone Gold Corporation and its subsidiaries as defined in IFRS 10 *Consolidated Financial Statements*. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists where more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. All intercompany transactions and balances are eliminated on consolidation.

# Orezone Gold Corporation

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in United States dollars)

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Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if it results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The subsidiaries of the Company and their principal activities as at December 31, 2019 and 2018 were as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation</b>	<b>Ownership interest</b>	<b>Principal activity</b>
Orezone Inc.	British Virgin Islands	100%	Exploration & Development
Orezone Inc. SARL	Burkina Faso	100%	Exploration & Development
Orezone Bomboré SA	Burkina Faso	90% <sup>1</sup>	Exploration & Development
Burkina Resources Inc.	British Virgin Islands	100%	Inactive

<sup>1</sup> In accordance with the mining laws of Burkina Faso, the Government of Burkina Faso will have a 10% carried equity interest in the company holding the mining permit for any mineral project of the Company in Burkina Faso.

### (b) FOREIGN, FUNCTIONAL AND PRESENTATION CURRENCIES

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its Burkina Faso subsidiaries is the CFA. The presentation currency of these financial statements is the US dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing the consolidated financial statements, the assets and liabilities are first expressed in the entity's respective functional currency and translated into the presentation currency using exchange rates prevailing at the reporting date, while the income and expense items are translated at the average exchange rates for the period. Translation differences are recognized in other comprehensive loss and recorded in the "foreign currency translation reserve" included in equity.

### (c) FINANCIAL INSTRUMENTS

On initial recognition, a financial asset is classified as: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification of financial assets is made in accordance with their contractual cash flow characteristics and the business models under which they are held.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit and loss. Gains or losses on equity financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company's financial assets are cash, trade and other receivables, deposits, and marketable securities.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current based on their maturity dates.

#### *Financial assets at FVTPL*

Financial assets at FVTPL are initially recognized at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in fair value of the financial asset held at FVTPL are

# Orezone Gold Corporation

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in United States dollars)

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included in profit and loss in the period in which they arise. Derivatives are also recognized as FVTPL unless they are designated as hedges.

### *Financial assets at FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investment in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment.

### *Financial Liabilities*

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provision of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities are its accounts payable and accrued liabilities and lease liabilities. Financial liabilities are classified as current or non-current based on their maturity dates.

## **(d) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in interest-bearing accounts with high credit quality financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. The Company does not currently have cash equivalents at December 31, 2019 and 2018.

## **(e) INVENTORIES**

Inventories are measured at the lower of cost and net realizable value and consist of materials and supplies to be consumed in exploration activities. The cost of inventories is based on weighted average cost formula, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

## **(f) PREPAID EXPENSES AND DEPOSITS**

Prepaid expenses and deposits are measured at the lower of cost and net realizable value and consist of prepayments on service, rental and construction contracts and short-term deposits on purchases of supplies and property, plant and equipment. Net realizable value is the estimated recovery value in the ordinary course of business less the costs necessary to recover the prepayment or deposit. Any initial deposits on property, plant and equipment are included in the acquisition cost of the asset when it is received.

## **(g) MINERAL PROPERTIES, PLANT AND EQUIPMENT**

### **Pre-exploration expenditures**

Costs during the pre-exploration phase are expensed as incurred in profit and loss.

### **Exploration and evaluation expenditures**

Once the legal right to explore a mineral property has been acquired, costs directly related to the acquisition of the mineral property rights are capitalized and accounted for on either an individual property or area-of-interest basis. Subsequently, the mineral property rights are carried at cost, less any impairment, until such time as the assets

# Orezone Gold Corporation

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

*(Expressed in United States dollars)*

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are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale. Purchased mining properties are recognized as assets at their acquisition date fair value if purchased as part of a business combination. Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred in profit and loss.

### **Mine development costs**

Once the technical feasibility and commercial viability of a mineral property have been established, the property is no longer in the exploration and evaluation phase and is considered to be a mine property under development. Thereafter, costs incurred directly related to mine development and construction are capitalized, including associated acquisition costs, directly attributable administrative or support costs and depreciation of related property, plant and equipment, and are accounted for on either an individual property or area-of-interest basis. Subsequently, the mine properties under development are carried at the aforementioned cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Technical feasibility and commercial viability are established once all of the following conditions have been met:

- The Company has established a NI 43-101 compliant estimate of property resources and/or reserves;
- The Company has obtained a mining permit or otherwise has the right to extract the resources and/or reserves; and
- The Company has established that it is economically viable to mine the resources and/or reserves. This includes the completion of a NI 43-101 compliant study to a pre-feasibility level at a minimum and binding approval of project financing for the development of the project.

As the Company currently has no operational income and is not capitalizing exploration expenditures during the exploration and evaluation phase, any incidental revenues earned in connection with the exploration activities, or government assistance or mining duty credits realized during this phase, are applied against the exploration costs in profit and loss.

### **Property, Plant and Equipment**

Upon initial acquisition, property, plant and equipment including land are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. In subsequent periods, property, plant and equipment excluding land are stated at cost less accumulated depreciation and any impairment in value, while land is stated at cost less any impairment in value.

Property, plant and equipment unrelated to production are depreciated using the straight-line method over the estimated useful lives of the assets. Mineral properties are depleted on a unit-of-production basis over mineral reserves or the life of the mine. Land is not depreciated. Where significant components of assets have differing useful lives, depreciation is calculated on each separate component.

Estimates of remaining useful lives and residual values are reviewed annually, with any changes accounted for prospectively.

Depreciation and amortization are provided on a straight-line basis over the following estimated useful lives:

Buildings	5 – 20 years
Field equipment	2 – 10 years
Equipment and furniture	2 – 5 years
Vehicles	3 – 5 years
Capital improvements	2 – 10 years

### **(h) LEASES**

As of January 1, 2019, at the commencement date of a lease, the Company recognizes a lease liability and an asset representing the right to use the underlying asset during the lease term (i.e. the “right-of-use” asset) unless the

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underlying asset has a low value or the lease term is twelve months or less, which are expensed in the period incurred. At this date, the right-of-use asset is measured at cost, which includes the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The right-of-use asset is then depreciated using the straight-line method from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset may also be reduced for any impairment losses, if any.

At the lease commencement date, the lease liability is measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is the rate the Company would pay for similar assets at similar locations over a similar term. The lease liability is measured at amortized cost using the effective interest method.

The lease liability is re-measured when there is a change in future lease payments due to a change in an index or rate, a change in the Company's estimate of an amount payable under residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase, termination or extension option. When the lease liability is re-measured, a corresponding adjustment is made to the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### **(i) REHABILITATION LIABILITIES**

The Company is subject to various government laws and regulations and constructive obligations related to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred, including estimated costs of restoration, reclamation and re-vegetation of the affected exploration sites. When the liability is recognized at the present value of the estimated costs, the carrying amount of the capitalized related mining assets is correspondingly increased. Subsequently, the liability is adjusted for changes in the present value based on current market discount rates and liability-specific risks.

The Company does not currently have any rehabilitation liabilities.

### **(j) IMPAIRMENTS**

#### *(1) Financial assets at amortized cost*

At each reporting date, the Company assesses whether there has been a significant increase in credit risk that would provide objective evidence that a financial asset at amortized cost is impaired. The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

#### *(2) Non-financial assets*

At each reporting date, the Company reviews its mineral properties, plant and equipment at the cash generating unit ("CGU") level to determine whether there is any indication that these assets are impaired. If any such indication exists, the recoverable amount of the relevant CGU is estimated in order to determine the extent of impairment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company's principal CGU is Bomboré.

Impairment of a CGU is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, being the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For fair value less costs to sell, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by

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quotes from an active market or a binding sales agreement. Discounted cash flow techniques require management to make estimates and assumptions concerning future production revenues and expenses. The determination of discounted cash flows is dependent on many factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures and site rehabilitation costs. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized in profit and loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there had been a change in the estimates used to determine the recoverable amount. If an impairment is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Capitalized mineral property rights are tested for impairment before the assets are transferred to the mineral property costs upon achieving technical and commercial feasibility.

**(k) PROVISIONS**

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the present value of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

**(l) INCOME TAXES**

Income tax expense consists of current and deferred income taxes and includes all domestic and foreign taxes based on taxable profits. Current and deferred income taxes are included in profit and loss except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income (loss) for the current period and any adjustment to income taxes payable or receivable in previous periods. Current income taxes are determined based on enacted or substantively enacted tax rates and laws at the end of the current financial reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income taxes are determined using the liability method where there are differences between the carrying amounts and tax bases of assets and liabilities, and unused tax losses and credits. Deferred tax liabilities and assets are measured by applying tax rates that are expected to apply when the amounts are realized or settled respectively, based on enacted or substantively enacted tax rates and laws at the end of the current financial reporting year. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be realized and is later reduced if the Company determines it is no longer probable to be realized. The Company has not currently recognized any deferred tax assets or liabilities. In particular, no deferred tax asset has been recognized in respect of tax loss carry-forwards or deductible temporary differences as it is not probable at the end of the financial reporting year that future taxable profits will be available such that a tax asset can be realized.

**(m) SHARE-BASED COMPENSATION**

The Company has a share-based compensation plan (the "Plan") described in Note 9. Compensation costs are measured at the grant date based on the fair value of the award and are recognized on a graded basis over the vesting period in profit and loss, with a corresponding increase to reserves. Upon exercise, common shares are issued from treasury and the amount reflected in reserves is credited to share capital, as adjusted for any consideration paid.

The Black-Scholes option pricing model is used to determine the fair value of new grants. This model incorporates subjective assumptions, including volatility and expected life. At the end of each reporting period, the Company revises

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its estimate of the number of options expected to vest. The impact of the revision, if any, is recognized in profit and loss, with a corresponding adjustment to reserves.

Options issued to non-employees are measured based on the fair value of the services received at the date of receiving those services. If the fair value of the goods or services cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

### (n) SHARE CAPITAL

The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of common shares are shown in equity as a deduction from the proceeds of issuance.

### (o) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders of the Company by the weighted-average number of outstanding common shares for the year.

Diluted earnings (loss) per share is computed by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted-average number of outstanding common shares for the year including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares. The weighted average number of common shares used to calculate the dilutive effect assumes that the proceeds that could be obtained upon exercise of stock options would be used to purchase common shares at the average market price during the period.

In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options would be anti-dilutive.

## 4. ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2019, the Company adopted IFRS 16 *Leases* which replaces IAS 17 *Leases* and related interpretations. The new standard eliminates the previous classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires lessee to recognize assets and liabilities for all leases. The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within twelve months as of the date of adoption and lease contracts for which the underlying asset is of low value. The Company adopted IFRS 16 using the modified retrospective approach and recognized the right-of-use assets at the amount equal to the lease liabilities. As a result, there was no impact to accumulated deficit upon adoption. On transition to IFRS 16, the Company recognized right of use assets and lease liabilities for leases which were previously classified as operating leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the rate that reflects the Company's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 10%.

The impact of adoption is disclosed below:

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<b>Lease commitments disclosed as at December 31, 2018</b>	<b>\$346,000</b>
Short-term leases	(10,120)
Low value leases	-
Effect of discounting	(57,037)
<b>Lease liability recognized as at January 1, 2019</b>	<b>\$278,843</b>

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## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actuals outcomes could differ from these estimates and assumptions. Estimates and

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underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which estimates are revised and in any future period affected.

Significant estimates and judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

#### *Determination of functional currency*

Management has made determinations with respect to its functional currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* based on the primary economic environment in which the entities operate and has determined that the current functional currency of all entities is the Canadian dollar except for its subsidiaries, Orezone Inc. SARL and Orezone Bomboré SA, which have a current functional currency of the CFA.

#### *Exploration and evaluation expenditures within Mineral Properties, Plant and Equipment*

The Company expenses exploration and evaluation expenditures during the exploration and evaluation phase. Once the technical feasibility and commercial viability of a mineral property have been established, the property is no longer in the exploration and evaluation phase and is now a mine property under development. Thereafter, costs incurred on mine development and construction are capitalized.

With the release of the updated feasibility study in 2019 on Bomboré, the Company assessed whether the technical feasibility and commercial viability of Bomboré had been established. Management concluded that the commercial viability has not yet been achieved as project financing is not yet reasonably advanced to provide adequate assurance that Bomboré will be fully financed into commercial production.

#### *Current income taxes*

The Company's operating subsidiary tax filings may be reviewed from time to time in accordance with the Burkina Faso Tax Code. The Company's interpretations of underlying tax regulations may differ from those of the tax department. Judgment is required in order to determine the appropriate accounting and disclosure treatment based on the facts. To the extent that a dispute arises, management must determine whether it is probable that a tax liability exists and whether the extent of the liability may be estimated and accrued in the financial statements in addition to determining the appropriate level of disclosure regarding the dispute.

#### *Share-based compensation related to stock options*

Management assesses the fair value of stock options using the Black-Scholes option pricing model. This model requires management to make estimates and assumptions with respect to inputs including the risk-free interest rate, volatility and expected life of the equity-settled instruments. As well, management must make assumptions about anticipated forfeitures based on the historical actions of plan participants which may not be a true representation of future participant exercise behaviour.



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**6. MINERAL PROPERTIES, PLANT AND EQUIPMENT**

	As at December 31, 2019	As at December 31, 2018
<b>Mineral properties, plant and equipment</b>		
	\$	\$
<b>Cost, beginning of year</b>	<b>7,741,656</b>	7,519,504
Additions	1,500,056	653,779
Disposals	(126,483)	(1,845)
Foreign currency translation	(21,017)	(429,782)
<b>Cost, end of year</b>	<b>9,094,212</b>	7,741,656
<b>Accumulated depreciation, beginning of year</b>	<b>5,556,803</b>	5,519,955
Depreciation	624,793	342,184
Disposals	(126,483)	-
Foreign currency translation	(26,868)	(305,336)
<b>Accumulated depreciation, end of year</b>	<b>6,028,245</b>	5,556,803
<b>Carrying amounts, beginning of year</b>	<b>2,184,853</b>	1,999,549
<b>Carrying amounts, end of year</b>	<b>3,065,967</b>	2,184,853

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Assets not subject to depreciation	Land	Mineral property rights	Construction in progress	Total
	\$	\$	\$	\$
<b>Cost, being carrying amount</b>				
<b>Balance, January 1, 2018</b>	<b>164,590</b>	<b>750,007</b>	<b>1,884</b>	<b>916,481</b>
Additions	-	-	306,671	306,671
Disposals	-	-	(1,845)	(1,845)
Foreign currency translation	(8,009)	(57,689)	(2,215)	(67,913)
<b>Balance, December 31, 2018</b>	<b>156,581</b>	<b>692,318</b>	<b>304,495</b>	<b>1,153,394</b>
Additions	-	-	245,360	245,360
Transfers	-	-	(544,416)	(544,416)
Foreign currency translation	(2,700)	28,616	(5,439)	20,477
<b>Balance, December 31, 2019</b>	<b>153,881</b>	<b>720,934</b>	<b>-</b>	<b>874,815</b>

Assets subject to depreciation	Building	Capital improvements	Field equipment	Vehicles	Equipment and furniture	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance, January 1, 2018</b>	<b>2,277,976</b>	<b>1,383,666</b>	<b>2,146,031</b>	<b>528,566</b>	<b>266,784</b>	<b>6,603,023</b>
Additions	-	62,352	168,125	-	116,631	347,108
Foreign currency translation	(110,847)	(66,969)	(144,506)	(25,840)	(13,707)	(361,869)
<b>Balance, December 31, 2018</b>	<b>2,167,129</b>	<b>1,379,049</b>	<b>2,169,650</b>	<b>502,726</b>	<b>369,708</b>	<b>6,588,262</b>
Additions	461,644	95,934	4,774	203,441	488,903	1,254,696
Disposals	-	-	(19,810)	(4,720)	(101,953)	(126,483)
Transfers from CIP	498,370	10,200	32,232	-	3,614	544,416
Foreign currency translation	(34,435)	(23,495)	20,854	(10,584)	6,166	(41,494)
<b>Balance, December 31, 2019</b>	<b>3,092,708</b>	<b>1,461,688</b>	<b>2,207,700</b>	<b>690,863</b>	<b>766,438</b>	<b>8,219,397</b>
<b>Accumulated depreciation</b>						
<b>Balance, January 1, 2018</b>	<b>1,623,646</b>	<b>1,326,609</b>	<b>1,830,419</b>	<b>524,359</b>	<b>214,922</b>	<b>5,519,955</b>
Depreciation for the year	225,022	16,414	64,022	1,243	35,483	342,184
Foreign currency translation	(86,759)	(65,119)	(112,313)	(25,677)	(15,468)	(305,336)
<b>Balance, December 31, 2018</b>	<b>1,761,909</b>	<b>1,277,904</b>	<b>1,782,128</b>	<b>499,925</b>	<b>234,937</b>	<b>5,556,803</b>
Depreciation for the year	294,478	36,917	92,378	63,799	137,221	624,793
Disposals	-	-	(19,810)	(4,720)	(101,953)	(126,483)
Foreign currency translation	(28,396)	(21,887)	29,132	(6,681)	964	(26,868)
<b>Balance, December 31, 2019</b>	<b>2,027,991</b>	<b>1,292,934</b>	<b>1,883,828</b>	<b>552,323</b>	<b>271,169</b>	<b>6,028,245</b>
<b>Carrying amounts as at</b>						
December 31, 2018	405,220	101,145	387,522	2,801	134,771	1,031,459
<b>December 31, 2019</b>	<b>1,064,717</b>	<b>168,754</b>	<b>323,872</b>	<b>138,540</b>	<b>495,269</b>	<b>2,191,152</b>

**Bomboré, Burkina Faso**

The Company's only material mineral property right is the Bomboré gold project.

The original Bomboré I exploration permit (104.5 km<sup>2</sup>) expired on February 17, 2016 after the Company had applied for a mining permit in May 2015. Three exploration permits were received on January 17, 2017 that covers much of the previous exploration permit area that surrounds the mining permit. On January 25, 2017, the Company received the Bomboré mining permit Decree dated December 30, 2016 with the permit referenced against the 2015 Mining Code. The Bomboré project now consists of the mining permit (25 km<sup>2</sup>) and four exploration permits; Toéyoko (46.7

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km<sup>2</sup>), Bomboré II (18.2 km<sup>2</sup>), Bomboré III (48.1 km<sup>2</sup>) and Bomboré IV (12.4 km<sup>2</sup>). On August 1, 2017, the Company received the official *arrêté* from the Ministry of Mines for the final three-year term for the Toéyoko exploration permit. The Bomboré II, Bomboré III and Bomboré IV permits were renewed in January 2020 for an additional three-year term and will now expire in January 16, 2023.

#### 7. MARKETABLE SECURITIES

At December 31, 2019, the Company's marketable securities consist of 9.6 million Sarama Resources Ltd. ("Sarama") common shares (December 31, 2018 – 9.6 million) and nil Sarama warrants (December 31, 2018 – 2.0 million).

On May 24, 2016, the Company agreed to a sale and transfer of the Bondi project to Sarama in exchange for 9.6 million shares, plus 3.0 million warrants at an exercise price of C\$0.195 per share with a December 12, 2018 expiry, and 2.0 million warrants at an exercise price of C\$0.24 per share with a December 12, 2019 expiry. The transaction also included a future royalty of \$20 per ounce on the first 200,000 ounces sold out of production from the Bondi Permit area.

#### 8. LEASES

The Company's right-of-use assets are included in mineral properties, plant and equipment.

	Building	Equipment and furniture	Total
<b>January 1, 2019 transition</b>	<b>\$261,819</b>	<b>\$17,024</b>	<b>\$278,843</b>
Depreciation for the year	(63,437)	(5,685)	(69,122)
Foreign currency translation	11,248	377	11,625
<b>Balance, December 31, 2019</b>	<b>\$209,630</b>	<b>\$11,716</b>	<b>\$221,346</b>

During the year ended December 31, 2019, the Company made lease payments of \$292,934 of which \$212,044 related to short-term leases.

During the year ended December 31, 2019, the Company incurred finance expenses of \$24,088 related to interest on its leases.

Lease liabilities recognized at December 31, 2019 are as follows:

<b>Lease liabilities as at January 1, 2019</b>	<b>\$278,843</b>
Payments of lease liabilities	(80,890)
Interest expense on lease liabilities	24,088
Foreign currency translation	8,739
<b>Lease liabilities as at December 31, 2019</b>	<b>\$230,780</b>

#### 9. SHARE CAPITAL

##### (a) CAPITAL STOCK

Authorized capital stock consists of an unlimited number of common shares, without par value.

On March 25, 2019, 45,958 common shares of the Company were cancelled. These common shares were previously issued for exchange on the spin-out of Orezone Gold Corporation upon the acquisition of Orezone Resources Inc. by IAMGOLD Corporation on February 25, 2009.

On April 10, 2018, the Company completed a non-brokered private placement of 56,150,000 common shares of the Company at a price per share of C\$0.80 ("2018 Private Placement"). No finders' fee or commissions were payable on

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the 2018 Private Placement. The Company recorded C\$44,920,000 (\$35,599,100) as an increase to share capital offset by share issuance costs of \$385,502 for net proceeds of \$35,213,598.

A new strategic investor, Resource Capital Funds VII L.P. ("RCF VII"), subscribed for 42,056,250 common shares of the 2018 Private Placement for a then 19.99% equity ownership in the Company. In connection with the 2018 Private Placement, the Company and RCF VII entered into an Investor Rights Agreement whereby RCF VII has been granted the following rights: (a) participation rights in favour of RCF VII to maintain its pro-rata shareholding interest up to 19.99% in the Company for as long as it remains at least a 10% shareholder; (b) the right to nominate up to two members to the board of directors of the Company; (c) participation rights to subscribe for up to one-third of any future debt or non-equity financings by the Company to assist with the construction of Bomboré; and (d) participation on project oversight committees to assist with the development of Bomboré.

**(b) SHARE-BASED PAYMENTS**

The equity compensation plans which the Company has in place are the 2009 Stock Option Plan ("2009 Plan") that was re-approved by the shareholders at the Annual and Special Meeting of Shareholders on June 11, 2015 and the 2016 Stock Option Plan ("2016 Plan") that was adopted by the Company in connection with the Company's voluntary move from the TSX to the TSXV in December 2015. The Company's 2016 Plan is a 10% "rolling" plan and, under the policies of the TSXV, must be approved on an annual basis by the shareholders of the Company. The number of shares reserved for issuance under the 2009 Plan and the 2016 Plan combined shall not exceed 10% of the Company's issued and outstanding common shares on a non-diluted basis. The 2016 Plan allows for options to be issued to directors, officers, employees and consultants of the Company or a subsidiary of the Company. Options granted must be exercised no more than ten years from the date of grant or such lesser period as may be determined by the Company's board of directors and in accordance with the policies of the TSXV. The board of directors also determines the time period during which options shall vest and the method of vesting which are also subject to the policies of the TSXV.

The following table summarizes the number of stock options that the Company has outstanding at December 31, 2019 including details of options granted, exercised, expired and forfeited during the 2019 year:

Grant date	Expiry date	Exercise price	Opening balance	Activity during the year			Closing balance	Vested and exercisable
				Granted	Exercised	Expired/ Forfeited		
		C\$	#	#	#	#	#	
05/15/2009	03/25/2019	0.36	850,000	-	850,000	-	-	-
05/26/2009	05/26/2019	0.40	1,712,500	-	1,712,500	-	-	-
07/08/2010	07/08/2020	0.85	295,000	-	-	-	295,000	295,000
10/21/2010	10/21/2020	2.35	200,000	-	-	-	200,000	200,000
01/30/2014	01/30/2019	0.65	1,155,000	-	-	1,155,000	-	-
05/26/2014	05/26/2019	0.65	300,000	-	-	300,000	-	-
10/13/2014	10/13/2019	0.75	300,000	-	-	300,000	-	-
02/08/2016	02/08/2026	0.30	1,830,000	-	425,000	-	1,405,000	1,405,000
06/23/2017	06/23/2027	0.78	4,850,000	-	-	350,000	4,500,000	4,500,000
07/17/2017	07/17/2027	0.78	300,000	-	-	-	300,000	300,000
01/11/2018	01/11/2028	0.81	1,353,500	-	-	59,995	1,293,505	929,039
07/23/2018	07/23/2023	0.80	3,285,000	-	-	316,667	2,968,333	1,990,008
02/21/2019	02/21/2024	0.53	-	4,065,000	50,000	200,000	3,815,000	1,305,004
04/17/2019	04/17/2024	0.53	-	600,000	-	-	600,000	200,000
04/23/2019	04/23/2024	0.53	-	200,000	-	-	200,000	66,666
11/21/2019	11/04/2024	0.62	-	800,000	-	-	800,000	266,666
<b>2019 Totals</b>			<b>16,431,000</b>	<b>5,665,000</b>	<b>3,037,500</b>	<b>2,681,662</b>	<b>16,376,838</b>	<b>11,457,383</b>
<b>Weighted average exercise price</b>			<b>C\$0.68</b>	<b>C\$0.54</b>	<b>C\$0.38</b>	<b>C\$0.69</b>	<b>C\$0.69</b>	<b>C\$0.72</b>
2018 Totals			11,992,500	4,638,500	-	200,000	16,431,000	12,105,420
Weighted average exercise price			C\$0.65	C\$0.80	C\$-	C\$1.50	C\$0.68	C\$0.64

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The outstanding options as at December 31, 2019 have a weighted average remaining contractual life of 4.42 years (2018 – 5.24 years).

The grant date fair value is calculated using the Black-Scholes option pricing model. Where relevant, the expected life has been adjusted based on management’s best estimate for the effects of historical forfeitures and behavioural considerations. Expected volatility is based on the historical share price volatility.

The Black-Scholes option valuation model input factors for stock options granted in 2018 and 2019 were as follows:

Grant date	Expiry date	Grant date market price	Exercise price	Weighted average value per stock option				Grant date fair value
				Risk-free interest rate	Expected life	Expected volatility	Dividend yield	
		C\$	C\$	%	(in years)	%	%	C\$
01/11/2018	01/11/2028	0.81	0.81	1.76	3.9	79.03	-	0.47
07/23/2018	07/23/2023	0.75	0.80	1.88	3.8	75.60	-	0.40
02/21/2019	02/21/2024	0.53	0.53	1.81	2.8	69.05	-	0.24
04/17/2019	04/17/2024	0.48	0.53	1.47	2.7	64.53	-	0.18
04/23/2019	04/23/2024	0.47	0.53	1.47	2.0	53.99	-	0.12
11/21/2019	11/04/2024	0.62	0.62	1.59	3.0	57.92	-	0.25

**10. NATURE OF EXPENSES**

Exploration and evaluation costs and general and administrative costs for the years ended December 31 were as follows:

	2019	2018
Exploration and development studies	\$2,587,871	\$2,775,660
Salaries and employee costs	3,739,958	1,984,068
Resettlement Action Plan implementation	7,703,273	1,969,069
General, camp, infrastructure and other	3,134,743	3,175,368
Drilling and assaying	159,216	1,179,302
<b>Total exploration and evaluation costs</b>	<b>\$17,325,061</b>	<b>\$11,083,467</b>
Salaries and employee costs	\$2,140,359	1,270,479
Public company costs	281,013	301,799
Professional fees	819,878	547,212
General and office costs	469,200	371,258
Investor relations	115,482	259,525
<b>Total general and administrative costs</b>	<b>\$3,825,932</b>	<b>\$2,750,273</b>

Within exploration and evaluation costs, salaries and employee costs have been presented separately for the year ended December 31, 2019. For the year ended December 31, 2018, salaries and employee costs of \$1,098,903 were previously included within the other cost categories for exploration and evaluation costs and \$885,165 were previously included within general and administrative costs. The comparatives have been reclassified to conform with the current year presentation.

The Resettlement Action Plan (“RAP”) implementation relates to the relocation of several villages to eight nearby resettlement sites required to access key areas for construction within the project’s mining lease.

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**11. INCOME TAXES**

The provision for income taxes differs from the expected amount calculated using the combined Canadian federal and provincial statutory income tax rates as follows:

	2019	2018
Loss before income taxes	(\$22,422,095)	(\$15,773,114)
Statutory Canadian federal and provincial tax rates	27.0%	27.0%
Expected income tax recovery	6,053,966	4,258,741
Effect of income taxes recorded at rates other the Canadian income tax rate	129,751	(97,531)
Effect of changes in income tax rates	-	85,070
Effect of expenses that are not deductible for tax purposes	(655,695)	(802,357)
Unrecognized change in deductible temporary differences	(17,310)	11,197
Unrecognized change in share issuance costs	58,553	(2,276)
Unrecognized change in Canadian non-capital loss carry-forwards	(976,444)	(698,306)
Unrecognized change in foreign resource-related income tax deductions	(4,600,307)	(2,555,635)
Other	7,486	(198,903)
<b>Income tax expense</b>	<b>\$-</b>	<b>\$-</b>

The following deferred tax assets have not been recognized as it is not considered probable that sufficient future taxable profit will be generated to allow these assets to be recovered as at the following dates:

As at	December 31, 2019	December 31, 2018
Canadian non-capital loss carry-forwards	\$6,017,702	\$5,033,058
Foreign resource-related income tax deductions	30,456,839	26,388,333
Unamortized share issuance costs deductible for tax purposes	141,703	200,256
	<b>\$36,616,244</b>	<b>\$31,621,647</b>

If not utilized, these Canadian non-capital loss carry-forwards expire between 2029 and 2038. The unamortized share issuance costs as at December 31, 2019 will be deductible for Canadian income tax purposes between 2020 and 2022.

The resource-related deductions generated by the Company's foreign subsidiaries are available to reduce future income taxes in Burkina Faso over an indefinite period. These deductions are tracked by project and can be applied to reduce future profit earned in Burkina Faso on the same respective projects should they be taken into production or can be used to offset taxable gains associated with associated permit sales if such a sale is undertaken. The effective corporate income tax rate in Burkina Faso is 27.5% (2018 – 27.5%).

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**12. SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental details of the changes in non-cash working capital for the years ended December 31 were as follows:

	2019	2018
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Trade and other receivables	\$38,873	(\$27,453)
Inventories	(90,486)	(26,011)
Prepaid expenses and deposits	(249,830)	(330,407)
Accounts payable and accrued liabilities	512,961	2,273,926
	<b>\$211,518</b>	<b>\$1,890,055</b>

Changes in non-cash working capital impacting cash flows from investing activities were as follows:

Trade and other receivables, related to interest received	\$31,896	(\$50,482)
Prepaid expenses and deposits, related to property, plant and equipment	161,937	(161,937)
Accounts payable, related to property, plant and equipment	99,531	127,280

**13. SEGMENTED INFORMATION**

The Company operates in business units based on mineral properties and has one business segment, being the acquisition, exploration and potential development of precious metal properties.

The carrying amounts of mineral properties, plant and equipment segmented by geographic area were as follows:

As at	December 31, 2019	December 31, 2018
Canada	\$281,863	\$94,110
Burkina Faso	2,784,104	2,090,743
	<b>\$3,065,967</b>	<b>\$2,184,853</b>

**14. FINANCIAL INSTRUMENTS**

The Company's existing operations involve the exploration and development of its Bomboré gold project in Burkina Faso which exposes the Company to a variety of financial instrument related risks. These risks include foreign currency risk, liquidity risk, credit risk and other risks. The Company's board of directors provides oversight for the Company's risk management processes.

**(a) Foreign currency risk**

The Company is exposed to currency risk due to business transactions in foreign countries. The Company mainly transacts in Canadian dollars, United States dollars, Euros, and CFA. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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The US dollar equivalent of the Company's financial instruments by originating denomination currency was as follows:

<b>As at December 31, 2019</b>	<b>US\$</b>	<b>C\$</b>	<b>EUR &amp; CFA<sup>1</sup></b>	<b>Total</b>
<b>Financial assets</b>				
Cash	\$224,939	\$10,846,293	\$784,265	\$11,855,497
Trade and other receivables	2,721	24,661	641	28,023
Deposits	3,547	11,146	762,042	776,735
Marketable securities	-	516,213	-	516,213
	\$231,207	\$11,398,313	\$1,546,948	\$13,176,468
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	302,017	226,459	3,003,129	3,531,605
Lease liabilities	-	226,864	3,916	230,780
<b>Net financial instruments</b>	<b>(\$70,810)</b>	<b>\$10,944,990</b>	<b>(\$1,460,097)</b>	<b>\$9,414,083</b>
<b>As at December 31, 2018</b>				
	<b>US\$</b>	<b>C\$</b>	<b>EUR &amp; CFA<sup>1</sup></b>	<b>Total</b>
<b>Financial assets</b>				
Cash	\$122,511	\$30,200,298	\$1,130,758	\$31,453,567
Trade and other receivables	-	63,909	-	63,909
Deposits	-	6,157	21,464	27,621
Marketable securities	-	316,669	-	316,669
	\$122,511	\$30,587,033	\$1,152,222	\$31,861,766
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$475,894	\$811,853	\$1,630,459	\$2,918,206
<b>Net financial instruments</b>	<b>(\$353,383)</b>	<b>\$29,775,180</b>	<b>(\$478,237)</b>	<b>\$28,943,560</b>

A 10% weakening against the US dollar of the currencies to which the Company had exposure would have had the following effects (a 10% strengthening against the US dollar would have had the opposite effect):

<b>As at</b>	<b>Dec. 31 2019</b>	<b>Dec. 31, 2018</b>
C\$	(\$1,094,499)	(\$2,977,518)
EUR & CFA	\$146,010	\$47,824

The Company is also exposed to foreign currency risk on the CFA currency held, as the peg rate to the EUR is periodically reviewed and could be adjusted which may result in a devaluation of currency on hand. The Company manages this risk by minimizing the amount of CFA held and by monitoring for any available information concerning a possible adjustment to the peg rate prior to its implementation.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations as they fall due. The Company manages its liquidity by preparing cash flow forecasts on a regular basis to assess whether the Company will likely have sufficient cash resources to meet its future operational and working capital requirements.

As the Company is in the exploration and pre-development stage, the Company will periodically need to raise funds to continue operations.

<sup>1</sup> The financial instruments held in EUR and CFA have been presented together as the CFA is pegged to the EUR.



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**(c) Credit risk**

The Company's cash and trade and other receivables are exposed to credit risk, which is the risk that the counterparties to the Company's financial instruments will fail to discharge their obligations to the Company. The amount of credit risk to which the Company is exposed is considered insignificant as the majority of the Company's cash is held with a large Canadian chartered bank in interest-bearing accounts and from the limited carrying amount of trade and other receivables.

**(d) Fair value measurements**

The fair value of a financial instrument is measured within a "fair value hierarchy" that prioritizes the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities;

**Level 2:** Valuation techniques using input other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

**Level 3:** Valuation techniques using inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's financial instruments measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Dec. 31, 2019	Level 1	Level 2	Dec. 31, 2018
	\$	\$	\$	\$	\$	\$
Cash	11,855,497	-	11,855,497	31,453,567	-	31,453,567
Marketable securities	516,213	-	516,213	316,656	13	316,669

The fair value of the Company's trade and other receivables, deposits, and accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these balances. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of each reporting period. The Company does not have any financial assets or liabilities measured at and recognized at fair value on a non-recurring basis.

**15. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or acquire new debt. The Company does not currently pay dividends.

The realization of the Company's long-range strategic objectives is dependent on its ability to raise financing from lenders, shareholders and other financiers. Management continues to regularly review and consider financing alternatives to fund the Company's future exploration and development efforts.

The Company considers the components of shareholders' equity to be its capital. The Company is not subject to any externally imposed capital requirements.

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**16. COMMITMENTS**

As at December 31, 2019, the Company had contractual obligations of \$1,547,000 (2018 – \$3,246,000) in connection with the resettlement action plan and detailed engineering and design of its Bomboré gold project. The following table summarizes the remaining contractual maturities of the Company’s operating and capital commitments at December 31, 2019, shown in contractual undiscounted cashflows:

	<b>2019</b>
Less than one year	<b>\$1,411,000</b>
Between one and five years	<b>50,000</b>
Thereafter	<b>86,000</b>
	<b>\$1,547,000</b>

Commitments for the RAP predominantly consist of contracts signed with local contractors for the construction of over 1,100 new homes and associated public buildings on eight new resettlement sites under Phase I of the RAP.

**17. KEY MANAGEMENT COMPENSATION**

Key management and director compensation for the years ended December 31 was as follows:

	<b>2019</b>	<b>2018</b>
Short-term key management personnel compensation and benefits and director fees	<b>\$1,378,340</b>	\$1,142,655
Key management personnel termination benefits	<b>307,431</b>	-
Share-based compensation	<b>1,052,935</b>	1,455,455
	<b>\$2,738,706</b>	\$2,598,110

**18. SUBSEQUENT EVENTS**

On January 29, 2020, the Company closed a bought-deal public offering of 37,595,900 units at a price of C\$0.54 per unit (“Units”) for gross proceeds of C\$20,301,786 and net proceeds of C\$18,736,673. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole share purchase warrant, a “Warrant”). Each Warrant entitles the holder to acquire one common share of the Company until January 29, 2023 at an exercise price of C\$0.80. The Warrants have been listed for trading on the TSXV under the symbol ORE.WT. In connection with the public offering, the Company paid the underwriters a cash commission equal to 6.0% of the gross proceeds.

Subsequent to December 31, 2019, global financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant global economic uncertainty and consequently, at this time, it is difficult to reliably measure the potential impact of this uncertainty on the Company’s future financial results. As of March 26, 2020, the Company has temporarily suspended all non-essential activities at its Bomboré Gold Project as an additional prevention measure to reduce the risk of a COVID-19 transmission within the project or in the surrounding communities.