

OREZONE GOLD CORPORATION

(A Development Stage Company)

Annual Consolidated Financial Statements (in US dollars)

For the years ended December 31, 2010 and 2009

Management's Report	2
Auditor's Report – Deloitte & Touche LLP	3
Financial Statements	
Consolidated Balance Sheets	4
Consolidated Statements of Operations and Changes in Deficit	5
Consolidated Statements of Deferred Exploration Costs	6
Consolidated Statements of Cash Flows	7
Consolidated Statements of Comprehensive Income (Loss)	8
Notes to Consolidated Financial Statements	9

MANAGEMENT'S REPORT

To the Shareholders of Orezone Gold Corporation

The Annual Consolidated Financial Statements (the "Financial Statements") and the notes thereto are the responsibility of the management of Orezone Gold Corporation (the "Company"). Management is also responsible for ensuring that the information contained in the Financial Statements is consistent with the information contained in Management's Discussion and Analysis for the same period. The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and have been approved by the Company's Board of Directors (the "Board").

In support of its responsibility, management maintains accounting systems and internal controls to provide reasonable assurance that all assets are safeguarded and to ensure that financial information is relevant, reliable and accurate. When alternative accounting methods exist, management has chosen those methods it deems most appropriate in the circumstances. The Financial Statements may contain certain amounts based on estimates and judgments. Management has estimated such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of Directors who are not employees or officers of the Company, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities to the Board who approve the Financial Statements.

The Financial Statements have been audited by Deloitte & Touche LLP, independent auditors, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"), on behalf of the shareholders.

The auditors have full and unrestricted access to the Audit Committee.



Ronald N. Little
Chief Executive Officer



Sean Homuth
Chief Financial Officer

March 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Orezone Gold Corporation.

We have audited the accompanying consolidated financial statements of Orezone Gold Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and changes in deficit, deferred exploration costs, cash flows and comprehensive income (loss) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orezone Gold Corporation as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 31, 2011

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Balance Sheets

(Expressed in United States dollars)

	Notes	December 31, 2010 \$	December 31, 2009 \$
ASSETS			
Current assets			
Cash	4	61,318,213	4,538,551
Sales taxes and other receivables		61,450	21,904
Prepaid expenses and other assets		846,072	273,251
Government deposits		-	108,827
		<u>62,225,735</u>	<u>4,942,533</u>
Interest in exploration properties	3	<u>37,900,584</u>	<u>31,215,118</u>
		<u>100,126,319</u>	<u>36,157,651</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		912,893	482,053
Non-controlling interest	4	1,629,136	-
SHAREHOLDERS' EQUITY			
Capital stock	5	122,818,816	62,990,088
Contributed surplus	5	4,547,697	3,783,071
		<u>127,366,513</u>	<u>66,773,159</u>
Accumulated other comprehensive income		483,211	483,211
Deficit		(30,265,434)	(31,580,772)
		<u>(29,782,223)</u>	<u>(31,097,561)</u>
		<u>97,584,290</u>	<u>35,675,598</u>
		<u>100,126,319</u>	<u>36,157,651</u>

Background and Basis of Presentation (Note 1)

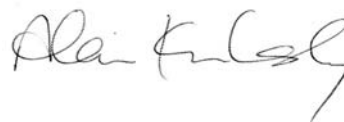
Subsequent Events (Note 13)

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

Signed on behalf of the Board of Directors of Orezone Gold Corporation



Director



Director

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Operations and Changes in Deficit

(Expressed in United States dollars)

	Notes	Year ended December 31, 2010 \$	Year ended December 31, 2009 \$
Administrative expenses			
Salaries, benefits and consulting fees		839,555	634,773
Stock-based compensation	5	866,243	652,149
Public relations and travel		311,771	189,372
Office, general and administrative		263,618	156,839
Public company costs		160,208	144,477
Professional fees		133,021	196,166
Amortization of capital assets		28,186	29,291
		2,602,602	2,003,067
Other items			
Dilution gain	4	(2,563,535)	-
Write-off of deferred exploration costs	3	-	387,541
Foreign exchange gain		(1,330,023)	(638,431)
Interest income, net		(77,795)	(6,273)
Other than temporary impairment of investments available-for-sale		-	6,483
Gain on disposal of capital assets		(7,867)	-
Bad debt		395	-
Capital tax expense		34,777	-
		1,341,446	(1,752,387)
Non-controlling interest	4	(26,108)	-
Net income (loss)		1,315,338	(1,752,387)
Deficit, beginning of year		(31,580,772)	(29,828,385)
Deficit, end of year		(30,265,434)	(31,580,772)
Net earnings (loss) per common share - basic	5	0.02	(0.03)
Net earnings (loss) per common share - diluted	5	0.02	(0.03)
Weighted average number of shares outstanding – basic	5	67,173,805	53,876,556
Weighted average number of shares outstanding – diluted	5	69,870,630	53,876,556

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

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Deferred Exploration Costs

(Expressed in United States dollars)

	Notes	Year ended December 31, 2010 \$	Year ended December 31, 2009 \$
Balance, beginning of year		28,834,896	25,801,870
Additions			
Drilling and assaying		2,545,324	1,248,890
Salary and employee costs		1,216,328	665,125
Camp and facilities costs		798,129	330,342
General office and administration		686,565	473,769
Engineering and consultants		480,550	494,258
Amortization of capital assets		207,500	150,517
Stock-based compensation	5	154,627	87,169
Other		53,682	(29,503)
Total additions		6,142,705	3,420,567
Deductions			
Write-off of deferred exploration costs	3	-	(387,541)
Balance, end of year		34,977,601	28,834,896

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

Orezone Gold Corporation
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Expressed in United States dollars)

	Notes	Year ended December 31, 2010 \$	Year ended December 31, 2009 \$
OPERATING ACTIVITIES			
Net income (loss)		1,315,338	(1,752,387)
Non-cash items:			
Dilution gain	4	(2,563,535)	-
Write-off of deferred exploration costs	3	-	387,541
Stock-based compensation	5	866,243	652,149
Impairment of available-for-sale investments		-	6,483
Gain on sale of capital assets		(7,867)	-
Amortization of capital assets		28,186	29,291
Non-controlling interest	4	26,108	-
Foreign exchange gain		(1,284,312)	(624,535)
Changes in non-cash working capital	6	402,842	17,489
Cash used in operating activities		(1,216,997)	(1,283,969)
INVESTING ACTIVITIES			
Acquisition of mineral interests	4	(559,011)	-
Acquisition of additional shares in a partially owned subsidiary	4	(640,366)	-
Proceeds on disposal of capital assets		7,867	-
Expenditures on exploration properties	6	(6,582,922)	(3,264,291)
Cash used in investing activities		(7,774,432)	(3,264,291)
FINANCING ACTIVITIES			
Proceeds from equity financing	5	62,716,844	-
Share issuance costs	5, 6	(3,643,078)	(58,801)
Net proceeds from private placement	4	4,806,929	-
Proceeds from exercise of stock options	5	374,637	703,765
Proceeds from exercise of warrants	5	222,857	-
Contribution from IMG	5	-	4,424,184
Cash provided by financing activities		64,478,189	5,069,148
Effect of exchange rate changes on cash		1,292,902	646,297
Increase in cash		56,779,662	1,167,185
Cash, beginning of year		4,538,551	3,371,366
Cash, end of year		61,318,213	4,538,551

Supplemental information:

There were no cash payments in respect of interest or taxes during 2010 or 2009.

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

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in United States dollars)

	Year ended December 31, 2010	Year ended December 31, 2009
	\$	\$
Net income (loss)	1,315,338	(1,752,387)
Adjustments, net of tax:		
Other than temporary impairment on available-for-sale investments included in net loss	-	6,483
Realized loss on disposal of available-for-sale investments	-	(6,483)
Comprehensive income (loss)	1,315,338	(1,752,387)

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

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

1 — BACKGROUND AND BASIS OF PRESENTATION

BACKGROUND

Orezone Gold Corporation (the “Company”) is primarily engaged in the acquisition, exploration and development of gold projects in Burkina Faso, West Africa. The Company is also engaged in the exploration for uranium resources in Niger, West Africa. The Company’s operations consist of the former non-Essakane exploration interests of Orezone Resources Inc. (“Resources”), which were acquired on February 25, 2009 as part of Resources’ business combination with IAMGOLD Corporation (“IMG”).

BASIS OF PRESENTATION

The Company was incorporated on December 1, 2008 under the Canada Business Corporations Act with one common share outstanding. On December 11, 2008, Resources announced the signing of a definitive agreement to sell 100% of its interest in the Essakane project to IMG pursuant to a plan of arrangement whereby IMG agreed to acquire each outstanding common share of Resources in exchange for 0.08 IMG shares and 0.125 shares of the Company, formed to hold all of Resources’ non-Essakane exploration interests and to provide shareholders with continued participation in, and exposure to, these operations (the “Transaction”). Resources’ shareholders approved the Transaction at a special meeting held on February 18, 2009. On February 25, 2009, all of Resources’ non-Essakane exploration interests were transferred to the Company including CAD \$9,731,535 in accordance with the terms of the definitive agreement whereby IMG and Resources agreed that the Company would initially be funded with CAD \$10 million in cash subject to certain adjustments. In exchange, 53,955,530 additional shares of the Company were issued to Resources, distributed to its shareholders, and were contemporaneously listed on the Toronto Stock Exchange (the “TSX”).

The annual audited consolidated financial statements (“Financial Statements”) have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and are presented in US dollars. The Financial Statements contain, for the period prior to February 25, 2009, amounts derived from Resources’ historical accounting records. These amounts are presented on a carve-out basis under the assumption that the Company operated as a separate entity comprised of Resources’ non-Essakane assets and liabilities. Certain Resources expenses, assets, and liabilities have been allocated to the Company in the Financial Statements for the period prior to February 25, 2009 based on assumptions that management believes are reasonable under the circumstances. Accordingly, the Financial Statements contain amounts that were estimated based on a carve-out of the historical financial results of the non-Essakane exploration interests of Resources prior to February 25, 2009, as well as the Company’s independent operating results from February 25, 2009 to December 31, 2010. The figures included in the Financial Statements for the period prior to February 25, 2009 are intended to represent what the Company’s results would have been, had it historically been the independent operator of the non-Essakane exploration interests. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Company had been operated as a separate entity.

These allocations include, but are not limited to, administrative expenses and direct costs of carrying out exploration activities on the non-Essakane projects. Included within administrative expenses of the Company are stock-based compensation expenses. Prior to March 25, 2009, the Company did not have its own stock option plan. The stock-based compensation expenses allocated to the Company prior to this date are based on the historical results of Resources’ stock option plan and options issued to the Company’s employees as part of that plan (see Note 5b).

The earnings per share calculation prior to February 25, 2009 is calculated using a weighted average number of shares outstanding that was determined on a carve out basis. The weighted average number of shares outstanding for this period was calculated using the number of Resources’ shares outstanding and applying the exchange ratio of the Transaction.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

1 — BACKGROUND AND BASIS OF PRESENTATION (continued)

The Financial Statements have been prepared on a basis of accounting principles which assumes that the Company will continue operating for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. While the Company has no revenue and relies on external financing to provide funding to carry out its activities, it currently has sufficient working capital to meet its obligations and discharge its liabilities for the foreseeable future.

Administrative Expenses

The consolidated statements of operations include all costs that have been estimated to be attributable to the Company, including allocations of Orezone's administrative expenses. The Company allocates administrative costs to specific projects when there is a direct relationship between the activity giving rise to the expense and the project. Unallocated costs remain as administrative expenses on the statements of operations. Administrative expenses are primarily comprised of head office salaries and stock-based compensation, legal, accounting, tax, insurance, public relations, advertising, human resources, IT services and public company costs.

In preparing the comparative Financial Statements, a portion of Resources' administrative expenses incurred prior to February 25, 2009 were allocated to the Company. Management believes the allocation is a reasonable representation of the costs that would have been incurred if the Company had performed these functions on a stand-alone basis. Following the completion of the transaction, the Company performed these functions using its own resources or through purchased services.

All administrative expenses recorded in the consolidated statements of operations which were performed by Resources for the Company were deemed to have been paid by the Company to Resources in cash, with the exception of stock-based compensation costs which are non-cash, and were reflected as part of shareholders' equity.

Accounting estimates

The preparation of the Financial Statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the Financial Statements and relevant notes. These estimates are based on management's best knowledge of current events, and actions that the Company may undertake in the future. Significant estimates include those related to the going concern assumption, the carve out adjustments, the fair value of financial instruments, stock-based compensation and warrants, the recoverability of the carrying amount of mineral exploration properties and deferred exploration costs, the useful life of fixed assets and the impairment of long-lived assets and inventory. Management has also made estimates of the fair value of stock-based compensation that would have been granted to employees if the Company were operated as a stand-alone public entity prior to the close of the Transaction. Actual results may differ from those estimates.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

2 – ACCOUNTING POLICIES

Principles of consolidation

The Financial Statements include wholly and partially owned subsidiaries and assets and liabilities of the Company's businesses. All material intercompany transactions and balances between and among subsidiaries and the Company's businesses have been eliminated.

Cash

The company holds its cash in interest bearing accounts with high credit quality financial institutions.

Foreign currency translation and functional currency

Management has determined the functional currency of the Company and its subsidiaries, all of which are integrated foreign operations, to be the US dollar. Monetary assets and liabilities of the Company's foreign operations are translated into US dollars at the exchange rate in effect at the balance sheet date.

Non-monetary assets and liabilities are translated at exchange rates in effect at transaction dates. Revenue and expenses are translated at exchange rates in effect at transaction dates, where practical, otherwise they are translated at the average rate, with the exception of amortization, which uses the same historical rates as the assets to which it relates. Foreign exchange gains and losses are included in the statements of operations and statements of deferred exploration costs for the year depending on the nature of the transaction or balance giving rise to the gain or loss.

Financial instruments

Financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as held for trading, available-for-sale and derivative financial instruments, whether part of a hedging relationship or not, are measured at fair value on the balance sheet at each reporting date. All other financial instruments are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

- Cash is classified as a financial asset held for trading and is measured at fair value.
- Other receivables are classified as loans and receivables and are recorded at amortized cost using the effective interest method.
- Government deposits are classified as held for trading and are measured at fair value with unrealized gains and losses recorded in income.
- Deposits are classified as loans and receivables and are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost using the effective interest method.

Investments

Equity investments in companies that are not controlled are accounted for at either fair value or using the equity method, depending on whether the Company exercises significant influence over the company. Unrealized gains and losses on portfolio investments accounted for at fair value are recorded in earnings or as other comprehensive income (loss). The Company does not currently have any equity investments over which it exercises significant influence.

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

2 – ACCOUNTING POLICIES (continued)

Property, plant and equipment

Assets are amortized over their estimated useful service lives using the straight-line method at the following annual rates:

Buildings	10 – 20 years
Office and field equipment	2 – 3 years
Capital improvements	2 years

Inventory

Inventory consists of materials and supplies to be consumed in exploration activities. Inventories are measured at the lower of cost and net realizable value and are included in prepaid expenses and other assets.

Exploration properties and deferred exploration costs

All of the Company's projects are in the exploration stage. The Company follows the practice of capitalizing all costs related to the acquisition, exploration and development of mineral properties until such time as a mineral property is put into commercial production, sold or becomes impaired. If commercial production commences, capitalized costs will be amortized prospectively on a unit-of-production basis. Mineral property acquisition costs and exploration costs are capitalized and accounted for on either an individual property, or area of interest basis. Capitalized expenditures include directly attributable administrative and support costs. The recoverability of amounts shown as mineral property acquisition costs and deferred exploration costs is dependent upon a number of factors including the discovery of economically recoverable mineral deposits on the properties, the ability of the Company to obtain the financing necessary to develop the properties, the ability of the Company to obtain the permits and approvals necessary to develop the properties, and future profitable production from the properties, or their disposition for proceeds in excess of their carrying amount.

The Company assesses its mineral properties on a quarterly basis to determine whether indications of impairment exist. The carrying amount of mineral properties are reviewed when events or changes in circumstances indicate that these amounts may not be recoverable. When assessing impairment, the fair value of a mineral property should be estimated using a discounted cash flow analysis. Estimated future cash flows from a property are calculated on an undiscounted basis and compared to the carrying amount of the mineral property. When the carrying amount exceeds the estimated undiscounted cash flows from the property an impairment exists and the carrying amount is written down to its fair value. When estimating cash flows, assumptions are made regarding a number of factors including reserves and resources, future commodity prices, as well as capital, operating and reclamation costs. Depending on the stage of exploration of a mineral property and whether the Company has completed any economic feasibility work, it may be difficult to estimate future cash flows reliably.

Where reliable estimates of future cash flows are not available, management assesses whether the carrying amount can be recovered based on quantifiable geological resources, empirical evidence such as geochemical analysis, drilling results, assays, mapping and field observation in relation to factors such as commodity markets, equity markets, exchange rates, political risk and proximity to other known operations, managements' plans to continue to explore the property, or the Company's assessment of its ability to sell the property for an amount greater than the carrying amount.

An impairment is also recorded when management determines that it will discontinue exploration or development on a property or when exploration rights or permits expire and are not replaced with a new permit covering the same or substantially the same area of interest.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

2 — ACCOUNTING POLICIES (continued)

The amounts shown for exploration properties represent costs incurred to date net of write-downs and are not intended to reflect present or future values. Government assistance and mining duty credits are applied against the deferred exploration costs.

Comprehensive income (loss)

The Company reports the changes in equity which result from transactions and other events and circumstances from non-shareholder sources on its consolidated statements of comprehensive income (loss). These transactions and events include unrealized gains and losses resulting from changes in the fair value of investments classified as available-for-sale, from foreign currency translation on self-sustaining foreign subsidiaries and from changes in gains and losses on derivative instruments.

Earnings (loss) per share

The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding for each period. Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share. The treasury stock method is used to determine the dilutive effect of the stock options and warrants. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the antidilutive effect of the outstanding stock options and warrants.

Stock-based compensation

The Company has a stock-based compensation plan (the "Plan") as described in Note 5. The Company measures the compensation cost of stock options issued under the Plan using the fair-value method. Compensation costs are measured at the grant date based on the fair value of the award using the Black-Scholes option pricing model, and are recognized over the related service period as an expense or deferred exploration cost, depending on the responsibilities of the employee, with a corresponding increase to contributed surplus.

Prior to the creation of the Company's stock option plan on March 25, 2009, the Company estimated stock compensation costs and cash proceeds from stock option exercises using the share price, volatility and grant dates of options granted to its employees under Resources' stock option plan, under the assumption that the Company's stock would have similar characteristics if it were publicly traded and stock options existed. Compensation costs were measured and recognized in the same manner as they would have been if issued under the Plan.

The Black-Scholes option pricing model used to calculate option values, as well as other currently accepted option valuation models, was developed to estimate the fair value of freely trading, fully transferrable warrants and options without vesting restrictions, which differ from the Company's stock option awards. The model also requires highly subjective assumptions, including volatility, estimated forfeiture rate and expected time until exercise, which affect the calculated values.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

2 — ACCOUNTING POLICIES (continued)

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is likely that some or all of the future income tax assets will not be realized.

CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2010, the Company adopted the amendments to EIC-89 and EIC-94 issued by the Canadian Institute of Chartered Accountants (CICA). The accounting policy changes are as follows:

Exchanges of Ownership Interests Between Enterprises Under Common Control and Accounting for Corporate Transaction Costs

In February 2010, the CICA issued amendments to EIC-89, *Exchanges of Ownership Interests Between Enterprises Under Common Control – Wholly and Partially-Owned Subsidiaries*, and EIC-94, *Accounting for Corporate Transaction Costs*, to exclude companies who have adopted Handbook Section 1582, *Business Combinations*, from the application of these EICs. The Company has not yet adopted Section 1582 therefore it continues to apply these EICs to its financial statements for the year ended December 31, 2010.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises such as the Company. The Company must report its consolidated financial statements in accordance with IFRS no later than for the first quarter of 2011, with restatement of the 2010 comparative information presented.

3 — EXPLORATION PROPERTIES

	December 31, 2010	December 31, 2009
	\$	\$
Assets not subject to amortization		
Mineral property acquisition costs	1,583,262	1,024,251
Deferred exploration costs	34,977,601	28,834,896
Deposits	60,746	64,739
Land	315,295	306,736
	<u>36,936,904</u>	<u>30,230,622</u>
Assets subject to amortization		
Property, plant and equipment, net		
Buildings	959,102	905,864
Accumulated amortization	(173,737)	(83,741)
Office and field equipment	365,902	280,403
Accumulated amortization	(253,515)	(118,030)
Capital improvements	76,133	-
Accumulated amortization	(10,205)	-
	<u>963,680</u>	<u>984,496</u>
	<u>37,900,584</u>	<u>31,215,118</u>

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

3 — EXPLORATION PROPERTIES (continued)

The Company held the following mineral property exploration permits:

	December 31, 2010				
	Number of permits	Area (km ²)	Expiry dates ¹ of current permits	Expiry dates ¹ of potential permit renewals	Expiry dates ² of mining conventions
Sega	2	313	03/13 and 06/12	03/16 and 06/15	n/a
Bomboré	1	105	02/13	n/a	n/a
Bondi	1	224	08/12	08/15	n/a
Niger	5	3,958	11/12, 11/12, 10/12, 10/12 and 04/12	11/18, 11/18, 10/18, 10/18 and 04/18	08/36, 05/27, 05/27, 04/27 and 04/27
	9	4,600			

¹ In Burkina Faso and Niger, exploration permits are valid for a period of three years from the date of issue and may be renewed for two more consecutive terms of three years each (50% permit size reductions accompany each permit renewal in Niger while permits in Burkina Faso are subject to a 25% surface area reduction only upon the second renewal).

² In Niger, mining conventions are valid for a period of twenty years, except in the case of the Abelajouad permit which has a term of 30 years, from the date of issue and are renewable until the reserves are exhausted.

Mineral property acquisition costs and deferred exploration costs were as follows:

	December 31, 2010		December 31, 2009	
	Acquisition Cost	Deferred Exploration Costs	Acquisition Cost	Deferred Exploration Costs
	\$	\$	\$	\$
Sega	11,410	12,284,795	11,410	11,914,115
Bomboré	866,656	13,631,308	866,656	8,743,882
Bondi	146,185	7,895,805	146,185	7,829,906
Niger	559,011	1,165,693	-	346,993
	1,583,262	34,977,601	1,024,251	28,834,896

Sega, Burkina Faso

The Sega project consists of the Tiba (124 km²) and Namasa (189 km²) permits. The Tiba permit is located in the Yatenga province and was renewed in April 2010 for its second consecutive three year term, which expires in March 2013. The Namasa permit is located in the Yatenga and Zandoma provinces, expires in June 2012 and may be renewed for one more consecutive three year term. The Company originally acquired the project from IAMGOLD Corporation (formerly Repadre Corporation) in 2001. Upon transfer, Repadre retained a 3% net smelter royalty ("NSR") in the project of which 2% can be bought back for \$2 million. The Company is also subject to the standard NSR³ and 10% carried interest held by the government in the event that a mining permit is granted.

Bomboré, Burkina Faso

The Bomboré (105 km²) permit is located in the Ganzourgou province and was renewed in January 2010 for its final three year term. The Company now owns a 100% interest in the permit less the standard NSR³ and 10% carried interest held by the government in the event that a mining permit is granted.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

3 — EXPLORATION PROPERTIES (continued)

Bondi, Burkina Faso

The Bondi project consists of the Djarkadougou (224 km²) permit. The permit is located in the Bougouriba province and expires in August 2012. The Company owns a 100% interest in the permit less the standard NSR³ and 10% carried interest held by the government in the event that a mining permit is granted. This permit may be renewed for one more consecutive three year term.

³ On December 31, 2010, the Government of Burkina Faso passed an amendment to its Mining Law whereby the government's royalty interest would be maintained at 3% if the price of gold is less than or equal to \$1,000/oz, increased to 4% if the price of gold is between \$1,000/oz and \$1,300/oz and increased to 5% if the price of gold is greater than or equal to \$1,300/oz. The royalty level is applied to all gold sold or delivered by a refinery, based on the daily spot price of such distribution. The annual mining permit taxes were also increased from \$1,020/km² to \$15,306/km² for the first five years, to \$20,408/km² for the next five years and then to \$30,612/km² from the eleventh year on, based on current XOF exchange rates.

Niger

The Company, through its 67%-owned interest in Brighton Energy Corporation ("Brighton"), has five uranium exploration permits in Niger. Zéline 1 (482 km²) and Zéline 4 (500 km²) expire in October 2012 and may be renewed for two more three year terms with permit size reductions. The Company also holds Mining Conventions relating to these permits with terms of 20 years, which are renewable until the reserves are exhausted.

The Abelajouad (2,000 km²) permit expires in April 2012, while the Assaouas 1 (491 km²) and Assaouas 2 (485 km²) permits expire in November 2012. All three permits may be renewed for two more three year terms with permit size reductions. During the three months ended September 30, 2010, the Company received formal approval from the Government of the Republic of Niger for a 27-month extension on all permits issued prior to August 1, 2007. Permits issued subsequent to August 1, 2007 were subject to the same extension however the length of the extension was reduced by the time elapsed between August 1, 2007 and the permit issuance date. This extension benefited all three of the newly acquired permits, as well as the Company's two existing uranium exploration permits.

In the year ended December 31, 2009, deferred exploration costs of \$387,541, the majority of which represents the carrying amount of the Kossa permit, were written off as the Company was not undertaking any exploration activities on the project and was evaluating its options with respect to continuing exploration on the permit or other strategic alternatives. During Q2 2010, the Company advised the Government of the Republic of Niger that it intended to officially abandon its Kossa permit and submitted its final report relating to the permit.

4 — NON-CONTROLLING INTEREST

On March 2, 2010, Niger Resources Inc. ("NIREs"), a subsidiary of the Company, acquired three uranium exploration permits, Abelajouad, Assaouas 1 and Assaouas 2 from North Atlantic Resources Ltd. ("NAC") in exchange for a 20% interest in NIREs and CAD \$250,000 (US \$238,854) in cash consideration. This resulted in the Company's interest in NIREs being reduced from 100% to 80%. A non-controlling interest was not recorded as a result of this transaction as the net book value of the net assets of NIREs on that date was nominal.

On June 30, 2010, the Company's 80%-owned subsidiary NIREs completed a non-brokered private placement whereby it issued 5,000,000 common shares in exchange for net proceeds of CAD \$4,984,695 (US \$4,806,929). As a result, the Company's ownership interest in NIREs was reduced to 53.33%. Accordingly, the Company's proportionate share of the increase in net assets of NIREs (CAD \$2,658,338 or US \$2,563,535) was recorded as a dilution gain with the balance of the increase (CAD \$2,326,357 or US \$2,243,394) recorded as Non-Controlling Interest on the Consolidated Balance Sheets.

On August 31, 2010, all of the participants in the private placement, as well as NAC, exchanged their 7,000,000 common shares of NIREs for equivalent common shares of Brighton, a parent of NIREs.

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

4 — NON-CONTROLLING INTEREST (continued)

On September 8, 2010, the Company closed a share purchase agreement to purchase all outstanding shares of Brighton owned by NAC for CAD \$1 million (US \$960,523). As a result of the transaction, the Company's interest in Brighton increased to 66.67% and the Non-Controlling Interest on the Consolidated Balance Sheets was reduced by CAD \$666,685 (US \$640,366) resulting in a purchase price discrepancy of CAD \$333,315 (US \$320,157) which was allocated to Mineral Property Acquisition Costs.

\$4.1 million of the cash held at December 31, 2010, and included in the consolidated cash balance on the Consolidated Balance Sheets, was raised in NIRES to be used only to advance uranium exploration projects in Niger.

5 — CAPITAL STOCK

(a) Capital stock

Authorized:

An unlimited number of common shares, without par value.

Capital stock and contributed surplus are as follows:

	Common Shares	Capital Stock	Contributed Surplus
		\$	\$
Balance, December 31, 2008	1	57,349,863	3,573,542
Stock-based compensation	-	-	780,606
Contribution from IMG	-	4,424,184	-
Stock options exercised ¹	-	1,274,842	(571,077)
Issue costs	-	(58,801)	-
Common shares issued at closing of Transaction between IMG and Resources ²	53,955,530	-	-
Balance, December 31, 2009	53,955,531	62,990,088	3,783,071
Stock-based compensation	-	-	1,020,870
Proceeds from common shares	27,715,000	62,716,844	-
Stock options exercised	947,500	630,881	(256,244)
Warrants exercised	250,000	222,857	-
Issue costs	-	(3,741,854)	-
Balance, December 31, 2010	82,868,031	122,818,816	4,547,697

¹ Represents stock options exercised by the Company's employees on Resources' stock. No shares of the Company were issued upon exercise.

² See Note 1.

On January 26, 2010, the Company completed a CAD \$10,005,000 (US \$9,470,844) equity financing whereby it issued 13,340,000 common shares at a price of CAD \$0.75 per share. The net proceeds of CAD \$9,155,779 (US \$8,666,640) from the Offering were used principally to fund ongoing exploration and development activities at the Company's West African projects.

On December 21, 2010, the Company completed a CAD \$53,906,250 (US \$53,246,000) equity financing whereby it issued 14,375,000 common shares at a price of CAD \$3.75 per share. The net proceeds of CAD \$50,934,774 (US \$50,308,350) from the Offering are to be used principally to fund ongoing exploration and development activities at the Company's West African projects.

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

5 — CAPITAL STOCK (continued)

(b) Stock option plans

Orezone Gold Corporation

On May 15, 2009, the Company's shareholders approved the Company's stock option plan (the "Plan"). Under the terms of the Plan, options may be granted to directors, officers, employees and persons providing ongoing services to the Company. Stock options are issued at market value based on the volume weighted average price for the five trading days immediately preceding the date of grant and can have a contractual term of up to ten years. The grant date fair value is calculated using the Black-Scholes option valuation model. The maximum number of common shares reserved for issuance under the Plan is equal to 10% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security based compensation arrangement for the Company. The Company does not presently have any other security based compensation arrangement. A total of 8,286,803 options are available for issue under the Plan (representing 10% of the shares outstanding at December 31, 2010).

As at December 31, 2010, there was \$887,554 (December 31, 2009 - \$744,855) of total unrecognized compensation costs related to unvested share-based compensation awards granted under the stock option plan which are expected to be recognized over a weighted average period of 0.95 years.

Stock options were granted, exercised, forfeited and outstanding as follows:

	Year ended December 31, 2010	
	Number of options	Weighted average exercise price
		CAD\$
Outstanding, beginning of year	5,320,000	0.39
Granted	995,000	1.44
Exercised	(947,500)	(0.41)
Forfeited	(440,000)	(0.50)
Outstanding, end of year	4,927,500	0.59
Options exercisable, December 31, 2010	2,775,000	0.46

The Company's policy is to issue new shares to satisfy share option exercises. Share options are issued with a life of ten years.

As at December 31, 2010, the following options were outstanding:

Range of exercise prices	Outstanding			Exercisable	
	Outstanding options	Remaining contractual life (in years)	Weighted average outstanding exercise price	Vested options	Weighted average vested exercise price
			CAD\$		CAD\$
\$0.00 to \$0.49	3,827,500	8.35	0.39	2,517,500	0.38
\$0.50 to \$0.99	750,000	9.24	0.75	157,500	0.61
\$1.00 to \$1.99	-	-	-	-	-
\$2.00 to \$2.99	300,000	9.81	2.35	100,000	2.35
\$3.00 to \$3.99	50,000	9.88	3.65	-	-
	4,927,500	8.59	0.59	2,775,000	0.46

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

5 — CAPITAL STOCK (continued)

As at December 31, 2009, the following options were outstanding:

Range of exercise prices CAD\$	Outstanding			Exercisable	
	Outstanding options	Remaining contractual life (in years)	Weighted average outstanding exercise price CAD\$	Vested options	Weighted average vested exercise price CAD\$
\$0.30 to \$0.39	1,735,000	9.24	0.36	1,735,000	0.36
\$0.40 to \$0.49	3,235,000	9.41	0.40	-	-
\$0.50 to \$0.59	350,000	9.56	0.52	125,000	0.52
	<u>5,320,000</u>	<u>9.36</u>	<u>0.39</u>	<u>1,860,000</u>	<u>0.37</u>

During the year, the Company granted 645,000 options with an exercise price greater than the grant date market price (CAD \$0.80). These options were issued at a weighted average exercise price of CAD \$0.85 and had a weighted average grant date fair value of CAD \$0.65. The Company also granted 350,000 options during the year with an exercise price equal to the grant date market price. These options were granted with a weighted average exercise price of CAD \$2.54 and a weighted average grant date fair value of CAD \$1.53.

The fair value of each option award in the year ended December 31, 2010 was estimated on the grant date using the Black-Scholes option valuation model, using the following weighted average assumptions:

Expected option life*	7.8 years
Volatility**	83%
Risk-free interest rate***	2.45%
Dividend yield	0.00%

* The expected option life (estimated period of time outstanding) of options granted was estimated using the historical exercise behaviour of employees with reference to the current weighted average life and intrinsic value of options outstanding as at December 31, 2010.

**The expected volatility was based on historical volatility of the Company since its listing date excluding the first three months of trading data as trading volume and behaviour during this period is not indicative of longer term expected volatility.

***The risk-free rate is based on the yield of a Government of Canada marketable bond in effect at the time of grant with an expiry commensurate with the expected life of the award.

For the year ended December 31, 2010, stock-based compensation costs of \$866,243 were expensed and \$154,627 were capitalized to deferred exploration costs (December 31, 2009 - \$652,149 and \$128,457).

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

5 — CAPITAL STOCK (continued)

Brighton Energy Corporation

On December 22, 2010, the Board of Directors of Brighton, a 67%-owned subsidiary of the Company, approved the Brighton Energy Corporation stock option plan (the "2010 Plan"). Under the terms of the 2010 Plan, options may be granted to directors, officers and employees of the Corporation or a related entity of the Corporation and persons providing ongoing services to Brighton. Stock options shall be issued at a price fixed by Brighton's board of directors, if the board does not set a price the options shall be issued at no less than the price of the common shares issued as part of the most recent private placement (or other equity transaction) prior to the grant date. The options can have a contractual term of up to ten years. The maximum number of common shares reserved for issuance under the 2010 Plan is equal to 10% of Brighton's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security based compensation arrangement for Brighton. Brighton does not presently have any other security based compensation arrangement. A total of 1,500,000 options are available for issue under the 2010 Plan (representing 10% of the shares outstanding at December 31, 2010).

On December 22, 2010, the Board of Brighton granted 1,500,000 options with an exercise price of CAD \$1.00 and a life of ten years. The options vest one year subsequent to an initial public offering by Brighton or other corporate transaction or immediately upon change of control.

Given the early stage of development of Brighton's permits, the fact that the company is not publicly traded and the uncertainty with respect to whether the options will ever vest, and if they will on what timing, no compensation costs have been recorded for the year ended December 31, 2010 related to the grant.

As at December 31, 2010, 1,500,000 stock options were granted and outstanding with a weighted average exercise price of CAD \$1.00, a weighted average grant date fair value of CAD \$0.18 and a remaining contractual life of 9.98 years.

The Company's policy is to issue new shares to satisfy share option exercises. Share options are issued with a life of ten years.

The fair value of each option award in the year ended December 31, 2010 was estimated on the grant date using the Black-Scholes option valuation model, using the following weighted average assumptions:

Expected option life	3.4 years
Volatility	20%
Risk-free interest rate	2.08%
Dividend yield	0.00%

(c) Common share purchase warrants

Prior to the execution of the Transaction, Standard Bank ("Standard") held 2,000,000 warrants to purchase common shares of Resources at a price of CAD \$1.30 per share, expiring on August 29, 2010. Pursuant to the warrant agreement and the terms of the business combination, the warrants do not expire upon a change of control. Standard is entitled to receive 0.08 common shares of IMG and 0.125 common shares of the Company for each warrant exercised subsequent to February 25, 2009. On March 13, 2009, IMG and the Company agreed on the ratio of the exercise price that would be received by each in the event that Standard exercises the warrants.

On August 26, 2010, Standard exercised its warrants in the Company and as a result the Company issued 250,000 common shares in exchange for CAD \$234,000 (US \$222,857).

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

5 — CAPITAL STOCK (continued)

On October 4, 2010, the Board of Orezone Inc., a wholly-owned subsidiary of the Company, approved the issuance of 545,000 warrants to certain members of the Company and its subsidiaries' management and board of directors to purchase 545,000 of the common shares of Brighton held by Orezone Inc. The warrants were issued at a price of CAD \$1.00, vest immediately and expire one year subsequent to the date of an initial public offering by Brighton or other corporate transaction. The Company has recorded compensation costs of \$66,928 with respect to these warrants for the year ended December 31, 2010.

(d) Earnings (loss) per share

Basic earnings (loss) per share computation:

	<u>2010</u>	<u>2009</u>
	\$	\$
Numerator:		
Net income (loss)	<u>1,315,338</u>	<u>(1,752,387)</u>
	Number	Number
Denominator:		
Weighted average common shares outstanding	<u>67,173,805</u>	<u>53,876,556</u>
Basic earnings (loss) per share	<u><u>\$0.02</u></u>	<u><u>\$(0.03)</u></u>

Diluted earnings (loss) per share computation:

	<u>2010</u>	<u>2009</u>
	\$	\$
Numerator:		
Net income (loss)	<u>1,315,338</u>	<u>(1,752,387)</u>
	Number	Number
Denominator:		
Weighted average common shares outstanding	<u>67,173,805</u>	<u>53,876,556</u>
Dilutive effect of employee stock options and warrants	<u>2,696,825</u>	<u>-</u>
Total average common shares outstanding	<u>69,870,630</u>	<u>53,876,556</u>
Diluted earnings (loss) per share	<u><u>\$0.02</u></u>	<u><u>\$(0.03)</u></u>

None of the outstanding stock options or warrants have been included in the diluted loss per share calculation for the year ended December 31, 2009 as the impact would be antidilutive.

6 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash working capital related to operating activities for the years ended December 31 were as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Sales taxes and other receivables	<u>(32,805)</u>	<u>125,093</u>
Prepaid expenses and other assets	<u>(46,212)</u>	<u>107,485</u>
Investments	<u>-</u>	<u>18,261</u>
Accounts payable and accrued liabilities	<u>481,859</u>	<u>(233,350)</u>
	<u><u>402,842</u></u>	<u><u>17,489</u></u>

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

6 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Items not affecting cash related to the additions to expenditures on exploration properties for the years ended December 31 were as follows:

	2010	2009
Non-cash items	\$	\$
Amortization of capital assets	207,500	150,517
Stock-based compensation	154,627	128,457
	362,127	278,974
Changes in non-cash working capital		
Sales taxes and other receivables	(5,162)	3,177
Prepaid expenses and other assets	(526,609)	87,349
Accounts payable and accrued liabilities	(159,964)	211,051
	(691,735)	301,577

Items not affecting cash related to the share issuance costs for the years ended December 31 were as follows:

	2010	2009
Changes in non-cash working capital	\$	\$
Accounts payable and accrued liabilities	98,776	-

7 — SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition, exploration and potential development of precious metal properties. Operations are carried out through a wholly owned subsidiary, Orezone Inc., incorporated in the British Virgin Islands. Exploration properties (see Note 3) segmented by geographic area were as follows:

	December 31, 2010	December 31, 2009
	\$	\$
Canada	30,201	37,651
Burkina Faso	35,938,592	30,662,508
Niger	1,931,791	514,959
	37,900,584	31,215,118

Total expenditures for additions to capital assets segmented by geographic area were as follows:

	December 31, 2010	December 31, 2009
	\$	\$
Canada	20,557	-
Burkina Faso	5,536,070	3,198,381
Niger	1,585,306	349,761
	7,141,933	3,548,142

These amounts include additions to property, plant and equipment as well as mineral property acquisition costs and deferred exploration costs on the basis that both of these have the characteristics of property, plant and equipment.

8 — FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, other receivables, deposits, accounts payable and accrued liabilities. The fair value of other receivables, deposits and accounts payable and accrued liabilities are equivalent to their carrying amounts given their short maturity period. The other receivables balance of \$61,450 and the accounts payable and accrued liabilities balance of \$912,893 at December 31, 2010 includes taxes receivable of \$31,758 and taxes payable of \$93,262 which do not meet the definition of financial instruments.

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

8 — FINANCIAL INSTRUMENTS AND RISKS (continued)

Financial instrument risks

(a) Currency risk

In the normal course of operations, the Company is exposed to currency risk due to business transactions in foreign countries. The Company mainly transacts in United States dollars (“USD”), Canadian dollars (“CAD”), Euros (“EUR”), and Communauté Financière Africaine francs (“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.

The US dollar equivalent of the Company’s financial instruments by currency of denomination were as follows:

	December 31, 2010			Total
	USD	CAD	EUR & CFA¹	
Financial assets				
Cash	883,221	59,578,326	856,666	61,318,213
Other receivables	-	26,693	2,999	29,692
Deposits	-	-	60,746	60,746
	883,221	59,605,019	920,411	61,408,651
Financial liabilities				
Accounts payable and accrued liabilities	(54,544)	(634,295)	(130,792)	(819,631)
Net financial assets	828,677	58,970,724	789,619	60,589,020

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

A 10% weakening against the US dollar of the currencies to which the Company had exposure at December 31, 2010 would have had the following effects in the year ended December 31, 2010 (a 10% strengthening against the US dollar would have had the opposite effect):

	Foreign exchange losses
CAD	(5,897,072)
EUR & CFA	(78,962)
	(5,976,034)

The fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheets is as follows:

	December 31, 2010	December 31, 2009
	Level 1	Level 1
Cash	61,318,213	4,538,551
Government deposits	-	108,827

The Company does not have financial instruments which are valued based on Level 2 or Level 3 inputs.

(b) Liquidity risk

The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Company has sufficient resources to meet its obligations as they become due as a result of the equity financings which closed on January 26, 2010 and December 21, 2010 (see Note 5) and the private placement which closed on June 30, 2010 (see Note 4). There can be no assurance that the Company will be able to continue to raise sufficient capital to meet future obligations as they become due.

The Company’s accounts payable and accrued liabilities are due within one year of the balance sheet date.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

8— FINANCIAL INSTRUMENTS AND RISKS (continued)

(c) Credit risk

The Company's cash 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 insignificant due to cash being held in a Canadian chartered bank and the limited amount of other receivables.

(d) Title risk

Title to mineral properties and exploration rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyancing history characteristic of many mining properties and from political risk associated with the countries in which the Company carries out its exploration activities. The Company has taken all reasonable steps to ensure it has proper title to its properties. However, no guarantees can be provided that there are no unregistered agreements, claims or defects which may result in the Company's title to its properties being challenged. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business and there can be no assurance that they will be renewed upon expiry. The Company is also subject to the risk that a new mineral exploration permit or mining permit will not be issued upon expiration of the third term of an exploration permit.

9 — INCOME TAXES

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. As of the closing of the Transaction on February 25, 2009 (Note 1), the Company was no longer able to realize the benefits associated with the loss carry-forwards of Resources. On this basis, these amounts were included as permanent differences for periods prior to February 25, 2009. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2010	2009
	\$	\$
Income (loss) before income taxes	1,315,338	(1,752,387)
Statutory rate	31.00%	33.00%
Estimated balance due (recovery) of income taxes	407,755	(578,288)
Permanent differences	(515,901)	486,643
Change in valuation allowance	77,356	26,141
Other	30,790	65,504
Recovery of income taxes	-	-

The Canadian statutory income tax rate of 31.00% is comprised of the federal income tax rate at approximately 18.00% and the provincial income tax rate at approximately 13.00%.

The primary differences which give rise to the future income tax recoveries at December 31 are as follows:

	2010	2009
	\$	\$
<i>Future income tax assets</i>		
Mineral exploration properties	-	1,297,440
Share issuance costs	765,455	7,275
Operating losses carried forward	342,900	65,386
Property, plant and equipment	556,775	217,673
	1,665,130	1,587,774
Less: valuation allowance	(1,665,130)	(1,587,774)
Net future taxes	-	-

Orezone Gold Corporation
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in United States dollars)

9 — INCOME TAXES (continued)

The tax benefit of share issuance costs when recorded will increase share capital.

Since February 25, 2009, the Company's operations have generated income tax loss carry forwards of approximately \$1,371,600 (December 31, 2009 - \$261,245) for Canadian income tax purposes. The unamortized balance, for income tax purposes, of share issuance fees related to shares issued by Orezone to raise equity capital for the benefit of the Company amounts to approximately \$3,061,820 (December 31, 2009 - \$29,099) and will be deductible by Orezone over the next four years. These tax deductions and loss carry forwards reside in Orezone.

The Company's foreign operations have generated cumulative resource-related tax deductions of approximately \$34,977,601 (December 31, 2009 - \$33,159,695) available to reduce future income taxes over an indefinite period in Burkina Faso and Niger. The Burkinabe corporate income tax rate is 27.5% while the rate in Niger is 30%. Resource-related deductions are tracked by project and can be applied to reduce future income earned on the same project should it be taken to production. These tax deductions and carry forwards reside in the Company's subsidiary operations in Burkina Faso and Niger.

10 — CAPITAL MANAGEMENT

As at December 31, 2010, the Company's capital consisted of cash of \$61,318,213 and common shares of \$122,818,816 (December 31, 2009 - \$4,538,551 and \$62,990,088 respectively).

The Company's primary objectives in managing its capital are to maintain sufficient levels of capital to continue its current exploration, development and other operating activities, and to maintain sufficient financial strength and flexibility to support additional future investments in the development of the Company's mining properties. The Company achieves its objectives by rationally allocating capital in accordance with management's strategies and periodically raising capital from investors.

The Company's capital structure was modified during the year ended December 31, 2010 in order to meet these objectives. In January 2010, the Company undertook an equity financing at CAD \$0.75 per share with gross proceeds of CAD \$10,005,000 (net proceeds of CAD \$9,155,779) and in December 2010, the Company undertook another equity financing at CAD \$3.75 per share for gross proceeds of CAD \$53,906,250 (net proceeds of CAD \$50,934,774). As well, in August 2010, the Company's warrants were exercised, resulting in the issuance of 250,000 common shares at CAD \$0.94 per share for gross proceeds of CAD \$234,000.

11 — COMMITMENTS

During the year the Company entered into contracts for drilling, metallurgical testing, airborne geophysical surveys, in-hole geophysics and camp construction costs in the amounts of \$3,802,687. The schedule of payments is dependent upon the contractors' ability to complete the various milestones however it is expected that all of the commitments will be payable during the 2011 fiscal year.

Subsequent to year-end, the Company entered into additional contracts for a Preliminary Economic Assessment and scoping study on its Bomboré and Sega projects, additional drilling, satellite imagery and camp construction costs in the amount of \$3,111,516 which are expected to be payable during the 2011 fiscal year.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

12 — RELATED PARTY TRANSACTIONS

In the year ended December 31, 2010, the Company charged \$34,055 (December 31, 2009 – \$15,103) in administrative fees to Northern Graphite (“Northern”) for rent, expenses incurred on its behalf and administrative and geological services that were provided by the Company to Northern during the period. During these periods, the Company’s former Senior Vice President (“SVP”) was a director and President of Northern as well as a director of Northern’s parent company, Industrial Minerals Inc. The Company’s former SVP continues to act in the capacity of director for three of the Company’s subsidiaries. The Company’s President and CEO is a director of Northern.

13 — SUBSEQUENT EVENTS

On February 9, 2011 the Board approved the issuance of 1,055,000 stock options to the Company’s employees and directors at a strike price of CAD \$4.00 per share. The options vest in two years, except for new participants in the Plan for whom one-third of the options vest immediately and the remaining two-thirds vest in equal amounts on the one and two year anniversary dates. All of the options granted on February 9, 2011 expire on February 9, 2021.

14— COMPARATIVE FIGURES

Certain comparative figures in the Financial Statements have been reclassified to be consistent with the current year’s presentation. The TVA, gain on disposal of capital assets and foreign exchange gain categories previously presented separately on the consolidated statements of deferred exploration costs have been combined and presented under the category “Other.”