OREZONE GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND TOTAL COMPREHENSIVE LOSS

FOR THE YEAR ENDED DECEMBER 31, 2011

March 28th, 2012

General

This Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess material changes in the financial position and total comprehensive loss for Orezone Gold Corporation (the "Company") for the year ended December 31, 2011, in comparison to the corresponding prior-year period. This document should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2011 and 2010 ("Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). As a result, this MD&A should also be read in conjunction with the Annual Financial Statements and Annual Information Form ("AIF") on file with the Canadian provincial securities regulatory authorities, for the years ended December 31, 2011 and 2010. All dollar amounts in this MD&A are in United States dollars, unless otherwise specified. References to "$" or "US$" are to United States dollars and references to "C$" are to Canadian dollars. This MD&A has taken into account information available up to and including March 28, 2012.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out our exploration programs or the need for future financing are forward-looking statements. Statements regarding expected results, including the potential for expansion of current National Instrument 43-101 ("NI 43-101") qualified resources of the Company are also forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language at the end of this document. Readers are advised to refer to the cautionary language included at the end of this MD&A when reading any forward-looking statements.

The MD&A is prepared in conformity with NI 51-102F1 and has been approved by the Board of Directors prior to its release.

Corporate Information

The Company was incorporated on December 1, 2008 under the Canada Business Corporations Act and is a publicly listed corporation on the Toronto Stock Exchange (the "TSX"). The Company's operations include the former exploration interests of Orezone Resources Inc. ("Resources"), excluding the Essakane gold project in Burkina Faso ("Essakane") which was acquired by IAMGOLD Corporation ("IMG") on February 25, 2009 as part of its business combination with Resources. The Company is primarily engaged in the acquisition, exploration and development of gold properties in Burkina Faso, West Africa and uranium properties in Niger, West Africa. Management has been operating in West Africa for over 15 years. The Company is in the exploration and evaluation phase and has not yet determined whether any of its mineral properties are technically feasible and commercially viable. The Company's primary objective is to maximize shareholder value by identifying and developing commercially viable gold mining operations.

Although the Company began trading publicly on February 25, 2009, the projects, Management and Board represent the continuation of Resources' successful track record in Burkina Faso, extending back to its inception in 1996. This includes the acquisition, exploration, development, financing, construction and divestiture of Essakane, the largest gold deposit in Burkina Faso. Burkina Faso will be the fourth largest African gold producer in 2012 and much of this production will come from Essakane. Burkina Faso has similar geology, but is relatively underexplored, compared to the neighboring countries of Mali and Ghana where more major discoveries have been made and a number of large mines have been built.

Burkina Faso has good infrastructure relative to much of West Africa, and has provided the opportunity to acquire both relatively large unexplored tracts of land, as well as more advanced stage assets, on reasonable terms. The Company will continue to focus the majority of its efforts in Burkina Faso.

The Company has three advanced stage gold projects: Bomboré, Sega[1] and Bondi, which are all located in Burkina Faso. The Bomboré project is currently one of the largest undeveloped gold deposits in Burkina Faso and was acquired by Resources in 2002, when the gold price was $300 per ounce. In 2011, the Company's main focus continued to be the advancement of Bomboré towards a production decision, which the Company expects to be in a position to make by Q4 2012.

The Company also has uranium exploration permits in Niger, which it operates through its 67%-owned[2] subsidiary Brighton Energy Corporation ("Brighton"). The Company has made significant discoveries on three of the five exploration permits held by Brighton, and in Q1 2012 has commenced a 15,000 m drill program to follow up these discoveries.

The following table provides the NI 43-101 qualified resources on the Company's projects:

Table 1 – NI 43-101 Qualified Resources

Category	**Tonnes**	**Grade**	**Contained Gold**	**Date Released**
	(million)	(Au g/t)*	(oz)*	
Bomboré				
Indicated resources	60.9	0.81	1,589,000	October 2010
Inferred resources	60.6	0.96	1,873,000	
Sega				
Indicated resources	8.3	1.69	450,000	January 2010
Inferred resources	2.9	1.58	147,300	
Bondi				
Measured and indicated resources	4.1	2.12	282,000	February 2009
Inferred resources	2.5	1.84	149,700	
Total				
Measured and indicated resources	**73.3**	**0.98**	**2,321,400**	
Inferred resources	**66.0**	**1.02**	**2,170,000**	

* Using a 0.50 g/t cut-off, except for Bomboré which uses a cut-off of 0.30 g/t for oxide material, 0.35 g/t for transition material and 0.50 g/t for fresh material.

Significant developments during, and subsequent to December 31, 2011 included:

General

- On April 6, 2011, the Company expanded the Board with the addition of Mr. Patrick Downey, a mining engineer with over 30 years of experience that includes senior positions at several large-scale gold mining operations and Mr. Keith Peck, a financial advisor focused on the resource sector. The Company also announced the re-appointment of Sean Homuth as Chief Financial Officer ("CFO").

Bomboré

- Throughout 2011 and Q1 2012, the Company announced positive drill results from an infill and expansion drill program at its Bomboré gold project in Burkina Faso that began in Q4 2010 and has been expanded to 215,000 m. The program was completed in Q1 2012 and a full NI 43-101 compliant resource update is planned for release at the end of Q2 2012;
- On June 20, 2011, the Company announced the results of a positive NI 43-101 compliant Preliminary Economic Assessment ("PEA") that evaluated the potential of both open pit heap leach ("HL") and carbon-in-leach ("CIL") scenarios for its Bomboré gold project. The Company expects to release a Bankable Feasibility Study ("BFS") by the end of Q4 2012 examining a phased approach to building a large tonnage open pit CIL operation. Phase I would process the softer oxide ores that could be later expanded from cash flows to process the sulphide ores at a higher capacity; and

[1] In February 2012, the Company announced the sale of the Sega project to Cluff Gold plc ("Cluff") for $15 million in cash and 11 million shares of Cluff.

[2] In Q1 2012, the Company completed a repurchase of the 33% minority interest in Brighton by issuing 1,818,000 new common shares of the Company with a value of C$5 million. Refer to Note 17 (b) of the Annual Financial Statements for a detailed description of the significant terms of the exchange.

- On August 8, 2011, the Company announced it had been granted exploration rights to an additional 63 km^2 of prospective ground adjacent to its Bomboré gold project.

Sega

- On January 5, 2011, the Company announced a revised NI 43-101 compliant gold resource estimate of its Sega project in Burkina Faso;
- On August 18, 2011, the Company announced positive detailed metallurgical test results for the sulphide resources from its Sega gold project in Burkina Faso. Final results from column leach tests for the sulphide resources are 77% recovery for the material that is crushed to 1.7 mm and agglomerated with 7 kg/t of cement; and
- On February 3, 2012, the Company announced that it signed a definitive agreement with Cluff Gold plc ("Cluff") for the sale and transfer of the Sega gold project in Burkina for consideration of approximately $30M.

Brighton

- Throughout the year, the Company made significant discoveries on its Zéline 1, Assaouas 1, and Zéline 4 uranium properties in Niger;
- Brighton also completed a 46,049 line-km airborne magnetometry-radiometry survey, at 100 meter line spacing, over its 5 exploration permits covering a total area of 3,958 km^2. Several new targets have been identified from the geophysical data and a 15,000 m program has commenced; and
- Subsequent to December 31, 2011, the Company executed definitive share exchange agreements with the minority shareholders of Brighton to repurchase their shares and consolidate the ownership in Brighton.

Exploration Activity

The following table summarizes the Company's exploration and evaluation costs and meters drilled by project for the years ended December 31, 2011 and 2010. All figures are presented in US$, except for meters drilled.

Table 2 – Exploration and Evaluation Costs

Year Ended December 31, 2011	Meters Drilled*	Drilling & Assaying	Exploration Surveys	General, Camp, Infrastructure & Other	Exploration & Development Studies	Total Exploration & Evaluation Costs
	m	$	$	$	$	$
Bomboré	**162,939**	16,503,991	409,926	1,579,260	1,339,258	**19,832,435**
Sega	**10,000**	333,746	138,168	207,453	61,623	**740,990**
Bondi	**-**	-	111,782	24,270	-	**136,052**
Brighton, Niger (Uranium)	**23,588**	1,725,256	1,732,322	360,644	-	**3,818,222**
Total	**196,527**	**18,562,993**	**2,392,198**	**2,171,627**	**1,400,881**	**24,527,699**

* includes 22,146 m of auger drilling; 12, 146 m on Bomboré and 10,000 m on Sega.

Year Ended December 31, 2010	Meters Drilled*	Drilling & Assaying	Exploration Surveys	General, Camp, Infrastructure & Other	Exploration & Development Studies	Total Exploration & Evaluation Costs
	m	$	$	$	$	$
Bomboré	**48,597**	3,072,419	289,345	483,748	177,603	**4,023,115**
Sega	**-**	3,207	86,910	56,675	148,631	**295,423**
Bondi	**-**	-	20,710	28,789	-	**49,499**
Brighton, Niger (Uranium)	**1,637**	135,519	136,504	240,628	-	**512,651**
Total	**50,234**	**3,211,145**	**533,469**	**809,840**	**326,234**	**4,880,688**

* includes 3,054 m of auger drilling on Bomboré.

Bomboré Project

The Company is focused on developing its 100%-owned Bomboré gold project into a world-class deposit. Resources as of October 2010 include 1.6M oz indicated (61M t @ 0.8 g/t) and 1.9M oz inferred (61M t @ 1 g/t) based on 120,000 m of drilling to an average depth of 60 m resulting in over 35,000 oz per vertical meter (the "2010 Resource Model"). The resources are constrained within optimized open pitshells that span 11 km, and remain open at depth and for the most part along strike. From surface to an average depth of 40-50 m, the resources are oxidized and amenable to both CIL and HL processing. The project is situated 85 km east of the capital city, adjacent to an international highway with access to sufficient water, power and a large labor force.

In November 2010, the Company launched a $24 million, 170,000 m infill and expansion drilling program ("the Program"). The Program consisted of 85,000 m of reverse circulation ("RC") drilling focused mostly on upgrading the near-surface oxide material and 85,000 m of core drilling to upgrade and expand the deeper sulphide material. In response to the continued positive results received throughout 2011, the Company expanded the Program to 215,000 m including an additional 30,000 m of RC and 15,000 m of Core drilling. The Company also launched a 12,000 m auger drilling program designed to identify possible lateral extensions of the known resources and to test other gold in soil anomalies. Results from the Program continue to demonstrate improved continuity both within and outside of the economic pitshells constraining the 2010 Resource, and that a substantial upgrade and expansion of the resource should be expected. A NI 43-101 compliant resource update is expected to be released at the end of Q2 2012 where the Company has been targeting a 2 million ounce oxide resource and a sulphide resource of up to 3 million ounces.

In June 2011, the Company completed and released the PEA, which evaluated both a HL and a CIL operation. The results demonstrated that both stand-alone scenarios are positive and economically feasible if inferred resources can be substantially upgraded to the indicated category and more extensive technical studies confirm the preliminary assumptions and information generated by the PEA. A BFS is now underway and expected to be completed by Q4 2012. The BFS will examine the potential for a large tonnage open pit CIL operation to process first the softer surface oxide material, with subsequent expansion to process the larger sulphide resource. This phased approach will reduce the initial capital requirements and provide the opportunity to finance the second phase of construction through cash flows. Production could commence as early as 2015 at 150,000 oz/yr and increase to 250,000 oz/yr with the addition of the sulphide ores.

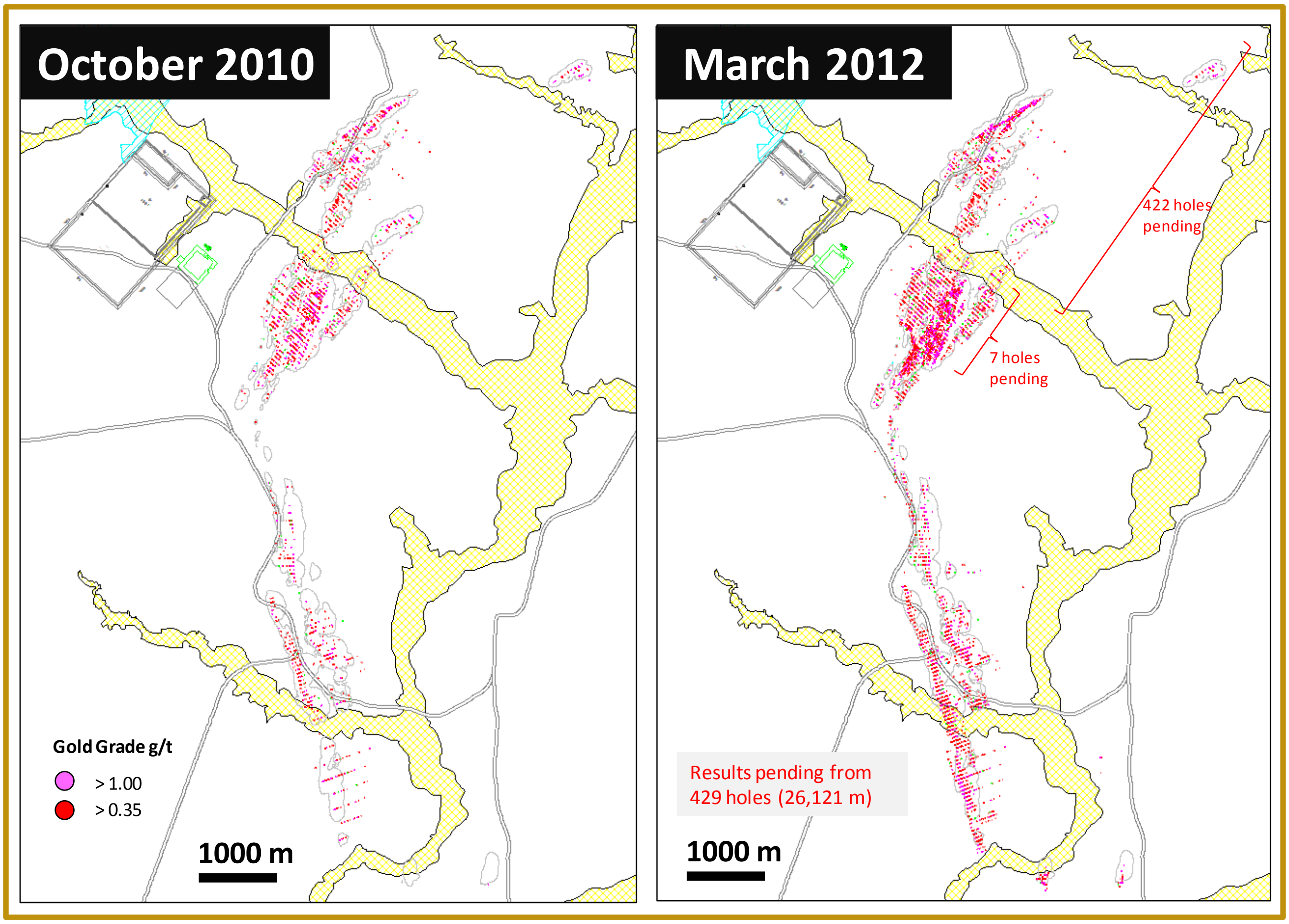
Drilling progress

Approximately 90%, or 153,880 m, of the 170,000 m of drilling originally planned for 2011 was completed by December 31, 2011. Of this drilling, 78% of the assays were received during the year, including 100% of the RC assays and 96% of the core assays from the southern portion of the project, for which the geological modeling is in progress. The 215,000 m of drilling was completed in Q1 2012. The majority of the results of this drilling will be included in a full NI 43-101 compliant resource update planned for release at the end of Q2 2012.

The drilling to date has improved the continuity of the mineralization along strike and between the pitshells, which should result in a lower overall strip ratio. One example is the Siga South zone where drilling has confirmed that it connects with the Siga West zone resulting in 3.7 km of a continuous mineralized structure with a vertical depth of up to 200 m. The zone remains open at depth and along strike and warrants further drilling to test the full potential. In the 2010 Resource Model, Siga South amounted to only 1.6 km of the 11 km Bomboré resource and was classified as inferred, supported only by shallow widely-spaced drill holes.

The results from the near surface oxide zone, both within and outside the economic pitshells that constrain the 2010 Resource, are very positive and indicate that a significant expansion and upgrade of the oxide resources should also be expected.(see Map 1 below). The Company is targeting a 2 million ounce oxide resource, and up to 3 million sulphide, in the next resource update. The original 170,000 m drill program was expanded to 215,000 m with the addition of 30,000 m of RC and 15,000 m of core drilling. During Q1 2012, the remaining 61,000 m of the Program occurred in the northern half of the deposit where grades and continuity were more robust than in the southern half of the 2010 Resource Model, but will also include the evaluation of several new drilling targets identified by the 2011 auger drilling program. Those targets are located in the vicinity of the Maga, P8P9, CFU and Kin Tanga prospects and their evaluation is required for the BFS as positive results would not only increase the oxide resources of the project but would also impact the site layout.

Map 1 – Comparison of Oxide drill hole intersections projected to surface for the 2010 Resource vs. all Oxide Results to date from the Program



Economics and optimal mining scenario

The base case presented in the PEA demonstrated an after-tax IRR of 6.9%[1] (CIL) to the Company, using $1,000/oz Whittle pitshells, revenues based on $1,100/oz gold, $80/bbl oil and all other costs being current market. The after-tax IRR improves to 28% (HL) and 20% (CIL) from revenues at a $1,500/oz gold price, $120/bbl oil and the same $1,000/oz Whittle pitshells. Upon completion of the Program and further technical studies the Company hopes to improve on the economics presented in the PEA by:

1. **Lowering the initial capital expenditure by building the plant in two phases:** By starting with only an oxide plant, capital requirements would be substantially reduced and a phase II expansion to process the fresh or sulphide ores could be built using project cash flows. The oxide ores are softer to mine, have the highest recoveries, use less power and reagents, and have the lowest strip ratio. The Company is currently evaluating the economic feasibility of this scenario (including completion of engineering and metallurgical testing) and the related capital requirements;

2. **Resource expansion:** The ongoing expansion and infill drilling program and expected Q2 2012 resource update will expand the NI 43-101 compliant gold resource; and

3. **Improved continuity:** The drilling to date has improved the continuity of the mineralization which will improve the strip ratios.

[1] Represents the Company's Burkina Faso subsidiary cash flows net of royalties and local taxes.

Feasibility and infrastructure work

The environmental impact study, detailed metallurgical studies and optimization studies all commenced in 2011 and remained in progress at year-end. A detailed socio-economic field inventory was completed in September and an interim report was received in December. Approximately one tonne of material (76 samples) representative of the various oxide and sulphide mineralized zones was collected and delivered to McClelland Laboratories Inc. in Nevada, USA, in October. The samples will be subject to detailed ore variability testing, including work index and abrasion index test work and cyanidation tests, carbon and sulfur speciation, ICP scan, whole rock analysis and granulometry and particle size distribution analysis. Metallurgical testing completed to date indicates recoveries of +90% from oxides using a CIL process. The various ores of Bomboré are not refractory with the gold being fine grained and free-milling. Detailed variability test work will be completed by Q2 2012 to optimize recoveries of the sulphide (fresh) ore that are expected to be dependent primarily on grind size. All results will be integrated into the next round of Whittle pit resource modeling. The test work results will form the basis for developing a processing flow sheet, plant capacity, equipment selection and sizing and capital and operating cost estimates for the BFS.

The new site camp, office and access roads were built during 2011 and are fully functional. Construction of a sample preparation facility with the capacity to process 18,000 samples per month has commenced during Q4 2011 and when commissioned in Q2 2012 will improve the turn-around time for assay results. The facility will be managed by an independent certified international laboratory (SGS Group). With these investments, the Company continues to improve the efficiency of its exploration programs and ultimately the development of the project.

Permit expansion

The original Bomboré I permit (105 km^2) was renewed in January 2010 for its final three-year term, and in August 2011, the Company announced it had been granted exploration rights to the Toéyoko permit, an additional 63 km^2 of prospective ground adjacent to Bomboré. Toéyoko is within its first three-year term and may be renewed for two more consecutive three-year terms. The new permit extends the Bomboré project footprint to the south and southwest by 60%. Regional gold-in-soil geochemistry and auger drilling results indicate there is potential for mineralization to extend from Bomboré onto Toéyoko (see Map 2 below). "P13" on Map 2 is one example of a gold-in-soil geochemistry anomaly that is being targeted with future auger drilling. A 1,900 line-km high resolution airborne geophysical survey was completed in November over the Toéyoko permit and the Company received the magnetometry and radiometric data at the end of December.

The Company will merge the Toéyoko and Bomboré geophysical datasets (both at 50 m line spacing) and high-resolution photo-satellite base maps. Reconnaissance mapping and prospecting is planned during Q1 2012 with auger drilling to follow in Q2 2012.

Ownership

The Company owns a 100% interest in the permits less the standard sliding net smelter royalty[1] ("NSR") and 10% carried interest held by the government in the event that a mining permit is granted. As of December 31, 2010 the NSR is a variable rate based on the price of gold with a 3% minimum at a gold price of $1000/oz or less, 4% up to 1,300/oz; and 5% at $1,300/oz or greater. The royalty level is applied to all gold sold or delivered by a refinery, based on the daily spot price of such distribution.

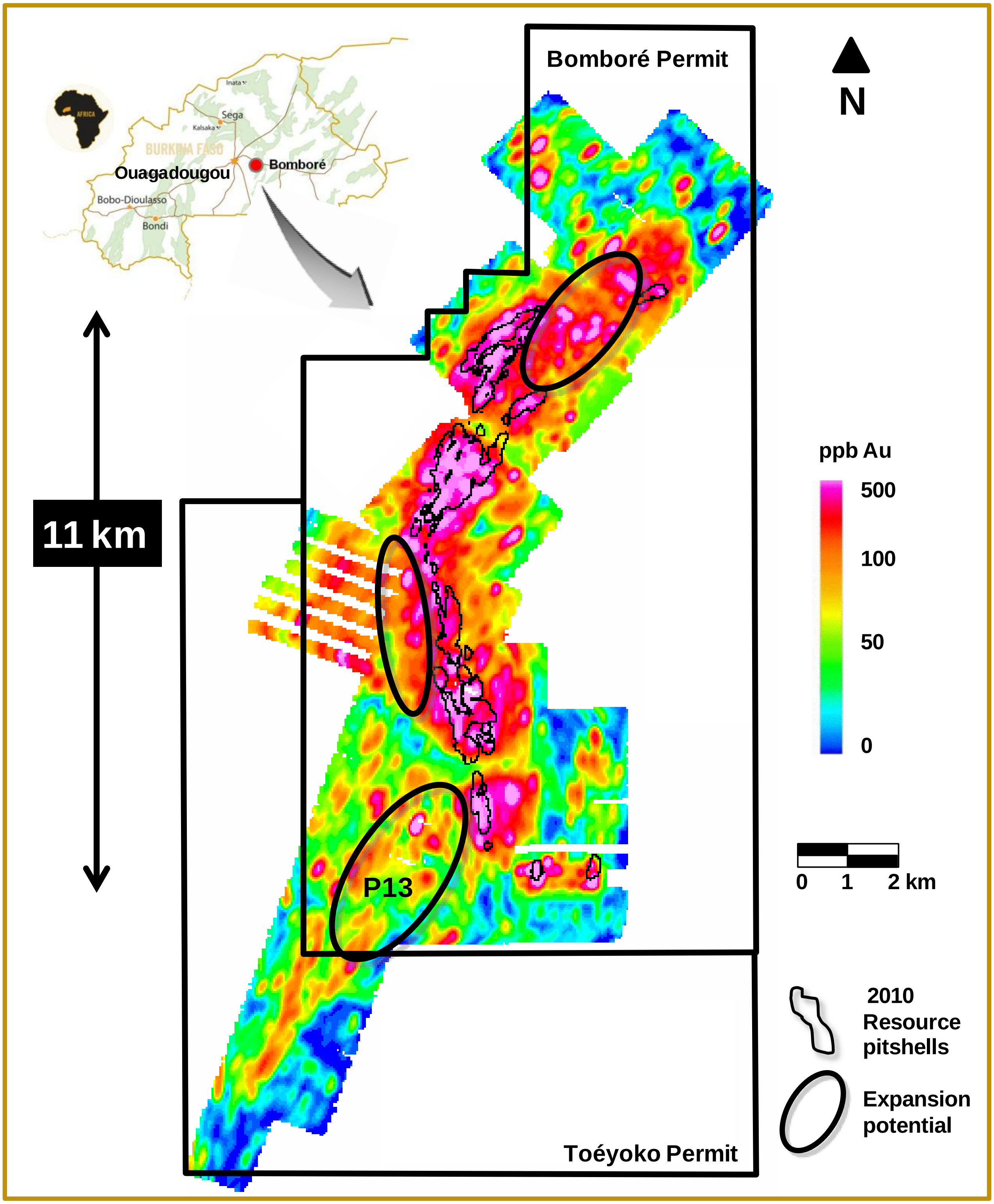
Analysis of expenditures

Drilling and assaying expenditures at Bomboré in the year ended December 31, 2011 increased by $13.43 million over the prior-year comparative period due to both an increase in the number of meters drilled as well as an increased proportion of more expensive core drilling. The Company completed 69,110 m of diamond drilling ("DD") out of total drilling of 162,939 m in the year ended December 31, 2011 versus a total of 48,597 m drilled in 2010, including only 3,087 m of DD drilling completed. General camp, infrastructure and other costs in the year ended December 31, 2011 have increased by $1.10 million over the prior-year comparative period as the Company has completed several camp and road construction projects and has

[1] 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% between $1,000/oz and $1,300/oz; and, increased to 5% at 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 $1,020/$km^2$ to $15,306/$km^2$ for the first five years, to $20,408/$km^2$ for the next five years and then to $30,612/$km^2$ from the eleventh year on, based on 2010 Communauté Financière Africaine francs ("CFA") exchange rates. The Mining Code was updated in 2012 and the foregoing remained unchanged.

substantially increased its camp activities to support the increased drilling activity. Expenses related to exploration and development studies in the year ended December 31, 2011 have increased by $1.16 million and $0.12 million respectively over the prior-year comparative period, mainly due to the completion of the PEA and the initiation of the socio-economic study in 2011.

Map 2 – Bomboré Project gold-in-soil geochemistry map



Sega Project

On February 3, 2012, the Company signed a definitive agreement with Cluff for the sale and transfer of the Sega project for consideration consisting of $15 million in cash and 11 million new common shares of Cluff (the "Sega Transaction"). Under the terms of the agreement, Cluff will acquire the Tiba and Namasa exploration permits as well as the Sega exploration camp and data accumulated from exploration work completed on the predecessor permits. Refer to Note 17 (a) to the Annual Financial Statements for a detailed description of the significant terms of the Sega Transaction.

Drilling and assaying expenditures for the Sega project in the year ended December 31, 2011 increased by $0.33 million over the comparative prior-year period as a result of the detailed metallurgical study undertaken in 2011 and the execution of a 10,000 m auger drilling program. Other exploration and evaluation costs in the year ended December 31, 2011 have increased by $0.12 million over the prior-year comparative period, primarily due to increased camp activities to support 2011 drilling. Work during the previous year was limited to the completion of an in-house NI 43-101 compliant resource update. The Company commenced a 10,000 m RC drill program on the project in Q1 2012, the costs of which will be assumed by Cluff under the terms of the definitive agreement.

Bondi Project

The Bondi gold project is a 100%-owned, shallow and structurally controlled, 4 km long shear zone hosted gold deposit that contains 282,000 oz of measured and indicated gold resources at a grade of 2.12 g/t and 149,700 oz of inferred at a grade of 1.84 g/t. During 2009, the Company undertook an air core drilling program to test an additional 4 km strike extension south along the Bondi structure. The program was successful and intercepted geochemical anomalies 50 times the background level of gold, along the trend on widely-spaced (≥1,000 m) drill fences. The Company is currently evaluating the potential for a northern extension and thereby a means to increase the resource to a level necessary to support a mining operation. The Company completed a high-resolution airborne geophysics survey in Q4 2011 to assist in the identification of high priority drill targets. The Company also plans on initiating a metallurgical testing program to help better evaluate the economic potential of the project.

Limited external work was completed during the years ended December 31, 2011 and 2010. Expenditures for the year ended December 31, 2011 increased marginally over the comparative prior-year period due primarily to an increase in geophysics survey work. The Company's 2011 expenditures of $0.14 million, combined with excess carry-forward amounts spent on the permit in previous years, allowed the Company to continue to satisfy minimum annual expenditure requirements under the permit at the year ended December 31, 2011.

In 2012, the Company is planning to complete a metallurgical study during the first half of the year, and to define new exploration targets using the new high-resolution airborne geophysics survey completed during Q4 2011, to be auger drill tested during Q2 2012. New RC and DD targets will be defined in light of the metallurgical study and auger drilling results; the RC and DD drilling program is planned for Q4 2012, after the rainy season.

Brighton Energy, Niger (Uranium)

The exploration activities in Niger are operated by Brighton, a 67%-owned subsidiary (now 100%)[1] of the Company holding five Niger uranium permits through its wholly owned subsidiary Niger Resources Inc. ("NIRES").

In 2011, the Company completed 23,588 m of drilling on four permits, and 25,225 m since December 2010, for a total of 141 drill holes. A 46,049 line-km airborne magnetometry-radiometry survey was completed during Q3 2011, at 100 m line spacing, over its 5 exploration permits totaling 3,958 km^2.

Zéline 1

The 30-hole, 5,327 m reconnaissance drilling program conducted between Q4 2010 and Q1 2011 on the 482 km^2 Zéline 1 permit indicated a significant presence of uranium with 14 of 30 holes have >200 ppm eU_3O_8, in the same sequence of Carboniferous rocks along with a similar structural setting to that of the neighboring mines. During Q3 2011, the Company continued drilling on Zéline 1 to achieve an 800 m by 800 m drilling pattern, completing 29-holes for 4,257 m l and the results

[1] In Q1 2012, the Company completed a repurchase of the 33% minority interest in Brighton by issuing 1,818,000 new common shares of the Company for a value of C$5 million. Refer to Note 17(b) of the Annual Financial Statements for a detailed description of the significant terms of the exchange.

further expanded the uranium discovery made earlier in the year. The drill results indicate that the area of significant uranium mineralization extends to the north by an additional 2.5 km, expanding the total area from 6 to 14 km^2.

Assaouas 1

In Q2 2011 the Company announced that the 39-hole, 9,446 m reconnaissance drilling program at Assaouas 1 indicated the presence of uranium. 20 of 24 holes had >100 ppm eU_3O_8, including 534 ppm eU_3O_8 over a cumulative 5.1 m in hole AM10056.

Zéline 4

The Company completed a 19-hole, 1,566 m drilling program on its Zéline 4 permit and identified shallow reduced uranium mineralization in the Carboniferous Guezouman Formation over an area of about 5 km^2 where follow up drilling is warranted. The Company also discovered low grade uranium mineralization in the Proterozoic basement under the mineralized Carboniferous rocks.

Assaouas 2 and Abelajouad

In 2011, the Company also completed initial scout drilling (1,600 m drill spacing) programs on its Assaouas 2 permit, and commenced a similar program on its Abelajouad permit completing 24 holes and 4,629 m by December 31, 2011.

Outlook and Analysis of Expenditures

In the first half of 2012, the Company will complete the scout drilling programs on its Abelajouad (2,850 m) and Assaouas 2 (1,500 m) permits and will also complete follow up drilling programs (10,750 m) on its Assaouas 1 and Zéline 1 permits. All permits are due for a 50% reduction in area and for their first renewal in 2012. At this stage, the results obtained on Zéline 1 and Assaouas 1 permits support the renewal of both permits, and the Q1 2012 follow up drilling program will assist in selecting the area to be abandoned to achieve the mandatory reduction. A budget of $2 million has been allocated to complete the evaluation and the renewal of the current permits.

In the year ended December 31, 2011, drilling and assaying expenses and exploration survey expenses each increased by $1.59 million respectively over the comparative prior-year period as a result of 2011 scout drilling activities on the Zéline 1, Zéline 4, Assaouas 1 and Abelajouad permits, as well as compilation, water well sampling and high-resolution airborne geophysics on all the permits in 2011. These 2011 activities account for the marked increase in total exploration and evaluation costs over the comparative prior-year period during which work was limited as a result of the force majeure.

Financial Review

Total comprehensive loss for the years ended December 31, 2011 and 2010 was as follows:

	2011	2010
	$	$
Expenses		
Exploration and evaluation costs	**24,527,699**	4,880,688
General and administrative costs	**4,079,321**	2,577,829
Share-based compensation	**3,000,568**	944,408
Depreciation and amortization	**548,601**	226,003
	32,156,189	8,628,928
Other income (loss)	**361,289**	(669,317)
Non-controlling interest	**1,524,617**	355,342
Net loss attributable to common shareholders	**(30,270,283)**	(8,942,903)
Foreign currency translation (loss) gain attributable to common shareholders	**(758,431)**	1,730,892
Total comprehensive loss attributable to common shareholders	**(31,028,714)**	(7,212,011)
Net loss per common share, basic and diluted	**(0.36)**	(0.13)

The Company is still in the exploration and evaluation phase and does not yet have revenue-generating activities. Accordingly, the Company's financial performance is largely a function of the level of exploration activities undertaken on the active projects and the administrative expenses required to operate and carry out its exploration activities as well as other items such as interest income and foreign exchange gains/losses. Below is a discussion of the major items impacting net loss for the years ended December 31, 2011 and 2010.

Exploration and evaluation costs in the year ended December 31, 2011 increased by $19.65 million over the prior-year comparative period. The increased expenditures are mainly due to increased drilling activity at Bomboré and Niger, expenses related to camp and road construction at Bomboré, the airborne survey in Niger and the PEA completed on the Bomboré gold project as described above (refer to Exploration Activity).

General and administrative costs ("G&A") include both the Company's head office G&A and local office G&A related to the Company's subsidiaries. Total G&A increased by $1.50 million in the year ended December 31, 2011 over the prior-year comparative period, mainly due to:

- An increase in salaries and benefits of $0.81 million due to the hiring of additional staff and annual salary revisions;
- An increase in investor relations and travel of $0.24 million due to increased presence at key conferences and trade shows as well as increased investor relations activities;
- An increase in public company costs of $0.19 million due mostly to higher TSX listing fees and annual revisions to Directors' fees; and
- An increase in professional fees of $0.14 million due to the implementation of IFRS and increased audit and legal fees for the Company and Brighton.

Head office G&A encompasses the costs of head office salaries and benefits, Director compensation, investor relations and travel, facilities and IT, as well as all costs associated with maintaining the Company's listing on the TSX. Total G&A pertaining to the Company's head office for the year ended December 31, 2011 is $2.78 million, representing an increase of $1.19 million over the prior-year comparative period, mainly due to increased headcount and annual salary revisions, increased investor relations activities and increased audit fees resulting from the implementation of IFRS.

Share-based compensation expense recognized during the year ended December 31, 2011 represents an increase of $2.06 million over the prior-year comparative period, resulting primarily from the impact of 2,714,000 options granted during the year ended December 31, 2011, of which 16% vested immediately upon issuance. During the year ended December 31, 2010, 995,000 options were granted, of which 14% vested immediately upon issuance.

Offsetting the increase in net loss and net loss per share were the following items:

- Foreign exchange loss in the year ended December 31, 2011 decreased to $0.10 million from a loss of $0.72 million in the prior-year comparative period, mainly due to the appreciation of the Euro/CFA and US$ currencies versus C$;
- Interest income for the year ended December 31, 2011 increased by $0.40 million over the prior-year comparative period as a result of a higher treasury balance in 2011;
- In the year ended December 31, 2011 the non-controlling interest ("NCI") share of the net loss increased by $1.17 million over the prior-year comparative period. The Company's NCI represents equity interests in Brighton owned by outside parties. Under IFRS, income or loss as well as a portion of the accumulated other comprehensive income must be attributed to the NCI. Subsequent to the year ended December 31, 2011 the Company executed definitive share exchange agreements to acquire the remaining common shares held by minority interests.

Summary of Quarterly Results

The following summarized financial data has been prepared in accordance with IFRS. This data should be read in conjunction with the Company's consolidated interim financial statements and Annual Financial Statements for the respective periods. All net loss figures in the table are presented in US$ millions, except for the net loss per common share amounts (basic and diluted).

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
	$	$	$	$	$	$	$	$
Net loss attributable to common shareholders	8.06	8.78	8.20	5.23	2.67	1.55	2.03	2.69
Net loss per share	0.09	0.11	0.10	0.06	0.04	0.02	0.03	0.04

Variations in net losses over the four quarters in 2011, and the increase in net loss compared to 2010, resulted primarily from an increased spend on exploration and evaluation activities. Variations in net losses over the four quarters in 2010 resulted mainly from quarterly fluctuations in the level of exploration and evaluation costs, general and administrative costs, and exposure to foreign currency fluctuations.

Liquidity and Capital Resources

The Company had cash of $28.70 million at December 31, 2011, a decrease of $32.62 million compared to the $61.32 million cash position at December 31, 2010.

The Company has no cash flow generating operations and its long-term financial success is highly dependent on Management's ability to discover economically viable mineral deposits. The Company has sufficient capital resources to pursue its exploration and feasibility programs on its projects in 2012 based on its December 31, 2011 net working capital balance of $28.6 million and the anticipated proceeds of approximately $30 million from the sale of its Sega project subsequent to year end. Additional financing will be required in the future should the Company decide to bring one of its projects into production. There can be no assurance that the Company will be able to obtain adequate financing in the future to fund such activities or that the terms of such financing will be favorable.

Use of Proceeds from 2010 Financings

On January 26, 2010, the Company completed a C$10,005,000 (US$9,470,844) equity financing that resulted in net proceeds of C$9,155,779 (US$8,666,640). On December 21, 2010, the Company completed a C$53,906,250 (US$53,246,000) equity financing that resulted in net proceeds of C$50,934,774 (US$50,308,350).

The table below provides a summary of the January 26, and December 21, 2010 financings (the "2010 Financings"), broken down by the use of proceeds categories disclosed in the Company's short-form prospectuses. Approximate actual expenditures by 2010 Financing Category for all of 2010 and 2011 are also presented in the table for comparative purposes. All figures in the table are presented in US$ millions.

Table 5 – Use of Proceeds from 2010 Financings

2010 Financing Categories	January 2010 Prospectus	December 2010 Prospectus	Total 2010 Financings	Actual expenditures from January 1, 2010 to December 31, 2011
	$	$	$	$
Bomboré gold project exploration and development	3.81	26.83	30.64	23.86
Sega gold project exploration	1.43	3.22	4.65	1.04
Bondi gold project exploration	0.48	2.15	2.63	0.19
Regional project generation and exploration	0.95	1.07	2.02	0.08
General and administrative expenses	2.29	17.04	19.33	6.58
Underwriting fees	0.51	2.94	3.45	3.74
Total use of proceeds	**9.47**	**53.25**	**62.72**	**35.49**

The Company has sufficient funds to complete the current 215,000 m drilling program on its Bomboré gold project as well as the planned exploration activities on its other permits. In addition, the Company has sufficient funds to prepare and release a full NI 43-101 compliant resource update, scheduled for Q2 2012, and to complete a full BFS on the Bomboré gold project by Q4 2012.

On June 30, 2010, the Company's 80%-owned subsidiary NIRES completed a non-brokered private placement that resulted in net proceeds of C$4,984,695 (US$4,806,929) and that reduced the Company's ownership interest in NIRES to 53.33%, the proceeds of which were designated for the advancement of uranium project exploration in Niger. Of the net proceeds of $4.81 million, $4.33 million has been used on uranium exploration activities in Niger in the year ended December 31, 2010 and 2011 combined. On August 31, 2010, all of the participants in the NIRES private placement exchanged their common shares of NIRES for equivalent shares of Brighton, a parent of NIRES. On September 8, 2010, the Company closed a share purchase agreement to purchase all the outstanding shares of Brighton owned by North Atlantic Resource Ltd. ("NAC") for C$1,000,000 (US$960,523). As a result of this transaction, the Company's interest in Brighton increased to 66.67%. Subsequent to the year ended December 31, 2011, the Company executed definitive share exchange agreements and thereby acquired the remaining common shares held by minority interests.

Share Capital Information

As at December 31, 2011, the Company had 83,724,531 common shares outstanding (fully diluted – 90,139,031), as well as the following outstanding stock options:

Table 6 – Stock Options Outstanding as at December 31, 2011

	Outstanding			Exercisable	
Range of exercise prices	**Outstanding options**	**Remaining contractual life**	**Weighted-average outstanding exercise price**	**Vested options**	**Weighted-average vested exercise price**
C$		(in years)	C$		C$
$0.00 to $0.49	3,240,000	7.35	0.39	3,240,000	0.39
$0.50 to $0.99	455,500	8.53	0.85	47,000	0.85
$2.00 to $2.99	200,000	8.81	2.35	200,000	2.35
$3.00 to $3.99	959,000	9.93	3.74	33,000	3.65
$4.00 to $4.99	1,560,000	9.21	4.35	420,000	4.43
	6,414,500	**8.32**	**1.95**	**3,940,000**	**0.95**

As at March 28, 2012, the Company had 85,624,531 common shares outstanding (fully diluted – 91,957,031), as well as 6,332,500 outstanding stock options. Subsequent to December 31, 2011, 82,000 stock options with an exercise price range of $0.40 to $0.85 were exercised.

Contractual Obligations

As at December 31, 2011, the Company had contractual obligations for drilling activities, social-economic and environmental impact studies, sample analysis and laboratory management services, construction and facilities costs and equipment and inventory purchases in the amount of $3.80 million (commitments as at December 31, 2010 – $3.80 million). The schedule of certain payments is dependent upon the contractors' ability to complete various milestones, however it is expected that the majority of the commitments will be payable during the first quarter of 2012. Subsequent to December 31, 2011, the Company entered into further contractual obligations in the amount of $1.34 million for drilling activities, sample analysis services, construction and facilities costs and vehicle, equipment and inventory purchases and facilities costs which are expected to be payable during the first half of 2012.

Off Balance Sheet Agreements

The Company does not have any off-balance sheet agreements.

Transactions with Related Parties

The Company has no transactions with any related party relationships under IFRS as at December 31, 2011. The fact that the Company, its subsidiaries and Northern Graphite have some common Directors does not create a related party relationship under IFRS as none of these Directors control the respective entities.

Events after the Reporting Date

On February 3, 2012, the Company announced that it had signed a definitive agreement with Cluff for the sale and transfer of the Company's Sega project in Burkina Faso to Cluff for consideration consisting of $15 million in cash and 11 million new common shares of Cluff. Refer to Note 17 (a) in the Annual Financial Statements for a detailed description of the significant terms of the transaction.

In Q1 2012, the Company completed a repurchase of the 33% minority interest in Brighton by issuing 1,818,000 new common shares of the Company for a value of C$5 million. Refer to Note 17(b) in the Annual Financial Statements for a detailed description of the significant terms of the exchange.

Proposed Transactions

The Company continually reviews potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value, however, at the current time, there are no reportable proposed transactions.

Risks and Uncertainties

The Company is in the business of exploring for minerals and if successful, ultimately mining them. The natural resource industry is by its nature, both cyclical and risky. Even though Management has been successful in the past in developing economic deposits there is no assurance that economic deposits will be found and in fact, most companies are unsuccessful due to the very low odds of finding an economic deposit. Once a potentially economic deposit is identified, the Company's ability to establish a profitable mining operation is subject to a host of variables including technical considerations, economic factors and regulatory issues. Many of these are beyond the control of the Company. The most significant risks and uncertainties faced by the Company are (in no specific order):

- Impact of fluctuations in the gold price;
- Risk of political instability and/or changes in government regulations affecting our permits in Burkina Faso and Niger;
- Foreign currency risk;
- Risk that the Company will not find mineralization that is economic to extract;
- Technical and market factors affecting the Company's ability to bring a deposit into production;
- General economic risk;
- Financing risk;
- Title risk;
- Environmental risk; and
- Risks related to the Company's reliance on a small number of key individuals to carry out its mandate.

For a more detailed discussion of the above risk factors, refer to the Company's Annual Information Form filed for the year ended December 31, 2011.

Recently Issued Accounting Pronouncements

IFRS 1, "First-Time Adoption of International Financial Reporting Standards"

This amendment replaces references to a fixed date of '1 January 2004' with the 'date of transition to IFRSs', eliminates the need to derecognize transactions that occurred before the date of transition to IFRS and provides disclosure guidance where an entity elects to measure its assets and liabilities at fair value and to use that fair value as the deemed cost in its opening IFRS statement of financial position because of severe hyperinflation. This amendment is effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. This pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 7, "Financial Instruments: Disclosures"

This amendment provides disclosure guidance on transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IFRS 9, "Financial Instruments"

This new standard is part of the International Accounting Standard Board's ("IASB") project to replace IAS 39, "Financial Instruments: Recognition and Measurement" and provides guidance on the classification and measurement of financial assets, financial liabilities, hedge accounting and derecognition. This new standard will also supersede International Financial Reporting Interpretations Committee 9, "Reassessment of Embedded Derivatives". This standard is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IFRS 10, "Consolidated Financial Statements"

This new standard provides guidance on the determination of control where this is difficult to assess and replaces the consolidation requirements in IFRS Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities". This new standard will also supersede the portion of IAS 27, "Consolidated and Separate Financial Statements", that addresses the accounting for consolidated financial statements. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IFRS 11, "Joint Arrangements"

This new standard provides guidance on how to account for interests in jointly controlled entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. This pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 12, "Disclosure of Interests in Other Entities"

This new standard provides disclosure guidance on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IFRS 13, "Fair Value Measurement"

This new standard sets out a single IFRS definition and measurement framework for fair value. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IAS 1, "Presentation of Financial Statements"

This amendment contains new standards regarding the presentation of items of other comprehensive income. This amendment is effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IAS 12, "Income Taxes"

This amendment contains new standards related to deferred tax: recovery of underlying assets and supersedes SIC 21, "Income Taxes – Recovery of Revalued Non-Depreciable Assets". This amendment is effective for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IAS 19, "Employee Benefits"

This amendment contains new standards related to employee benefits from defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IAS 27, "Consolidated and Separate Financial Statements"

This amendment contains accounting and disclosure requirement for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. This amendment requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9, "Financial Instruments". This amendment is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IAS 28, "Investments in Associates"

This amendment prescribes the accounting for investments in associates and sets out the requirement for the application of the equity method when accounting for investments in associates and joint ventures. The amendment is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"

This Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The application of this pronouncement is not expected to have an impact on the Company's consolidated financial statements as the Company is currently in the exploration and evaluation phase.

Critical Accounting Estimates

The preparation of the Annual Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the consolidated financial statements. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the year of change and future years if the change impacts both periods.

Significant judgments include those related to the going concern assumption, the determination of functional currency and the accounting policy selection for interests in exploration properties and property, plant and equipment. Significant estimates include share-based compensation related to stock options and warrants, the useful lives of property, plant and equipment and the impairment of non-financial assets.

Conversion to International Financial Reporting Standards

For all periods up to and including the year ended December 31, 2010, the Company prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Previous CGAAP"). Conversion to IFRS was required for all Canadian publicly listed companies for the first financial period ending subsequent to January 1, 2011. Given the requirement to present comparative financial information, the Company's effective date of transition to IFRS was January 1, 2010 (the "Transition Date"). The Annual Financial Statements referenced herein have been prepared in accordance with IAS 1, "Presentation of Financial Statements", and IFRS 1. The Company continues to monitor changes in IFRS issued by the IASB and their potential impact on the Company's financial statements. The Company will make necessary adjustments as the new pronouncements and changes become effective.

Note 18 to the Annual Financial Statements contains a detailed discussion of the differences between the Company's financial statements under Previous CGAAP and IFRS. Note 18 also includes a detailed reconciliation from Previous CGAAP to IFRS of the Company's statement of equity and financial position as at January 1 and December 31, 2010 as well as its statement of comprehensive loss for the year ended December 31, 2010. Below is a summary discussion of some of the key impacts of conversion to IFRS:

1. Optional exemptions on first-time adoption

IFRS 1 allows for certain optional exemptions on first time adoption of IFRS. The Company has elected to apply the following exemptions:

Business combinations

IFRS 1 allows first time adopters to elect not to apply the requirements of IFRS 3, "Business Combinations" ("IFRS 3"), retrospectively to business combinations that occurred prior to the Transition Date. The Company has chosen to apply this election. Accordingly, the Company has, for business combinations completed prior to January 1, 2010, retained the same classification as reported under Previous CGAAP.

Cumulative translation differences

IFRS 1 allows first time adopters to elect to eliminate all previously recorded cumulative translation differences related to foreign operations at the Transition Date. The Company has chosen to apply this election. The application of this election has resulted in a decrease in accumulated other comprehensive income of $0.48 million, with a corresponding decrease in deficit, as at January 1, and December 31, 2010.

Share-based compensation

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "Share-Based Payments" ("IFRS 2"), to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the Transition Date. The majority of the Company's stock option grants under its 2009 Stock Option Plan were not vested prior to January 1, 2010. The Company has therefore elected to apply IFRS 2 to all stock options granted under the 2009 Stock Option Plan. The application of IFRS 2 has resulted in an increase to contributed surplus, and a corresponding increase to deficit, of $0.14 million and $0.06 million as at January 1, 2010 and December 31, 2010 respectively. Share-based compensation expense decreased by $0.08 million for the year ended December 31, 2010.

2. Key financial impact of policy selections and application of IFRSs

Mineral exploration costs

Both Previous CGAAP and IFRS allow the choice of either capitalizing or expensing costs related to mineral exploration. Under Previous CGAAP, the Company's policy was to capitalize all such costs and assess the resulting asset for impairment on a periodic basis. IFRS only provides guidance on the treatment of costs incurred in the exploration phase. Subsequent to the point of technical and economic feasibility, all costs must be evaluated against the capitalization criteria for property, plant and equipment and intangible assets. Under IFRS, the Company has chosen to expense all costs related to mineral exploration incurred prior to the point of defining a NI 43-101 compliant resource, attaining economic feasibility, and the acquisition of a mining permit.

The application of this policy has resulted in a decrease in exploration property interests by $34.97 million and $28.83 million as at December 31, 2010 and January 1, 2010 respectively with a corresponding increase in deficit. As at December 31, 2010, NCI has decreased by $0.38 million, with corresponding decrease in deficit. The application of this policy has also resulted in an increase to net loss of $6.10 million for the year ended December 31, 2010. Of these amounts $4.88 million for the year ended December 31, 2010 has been allocated to exploration and project development expenses. The NCI share of net losses increased by $0.38 million for the year ended December 31, 2010. The application of this policy also primarily accounted for an increase of cash flows used in operating activities for the year ended December 31, 2010 by $6.50 million, with a corresponding decrease to cash flows used in investing activities of $6.53 million along with an impact on the effect of foreign currency translation on cash. There were several other less significant impacts to various line items on the statement of financial position and statement of comprehensive loss.

Changes in subsidiary ownership interests that do not result in a loss of control

Subsequent to the Transition Date, the main impact to the Company's financial results of the application of IFRS 3 has been the accounting for changes in subsidiary ownership interests that do not result in a loss of control, including that under IFRS NCI is presented as a component of equity whereas under Previous CGAAP it is not included in equity.

Under IFRS, NCI is presented as a component of equity whereas under Previous CGAAP it is not. The reconciliation of equity includes the impact of reclassifying the Previous CGAAP NCI interest balance of $1.63 million into equity.

On March 2, 2010, under IFRS the Company recorded a NCI of ($0.08 million), with a corresponding addition of $0.08 million to contributed surplus, as part of the transaction whereby NAC acquired a 20% interest in the Company's subsidiary NIRES. Under Previous CGAAP $nil was allocated to contributed surplus and NCI for the same transaction. The difference in treatment is largely driven by the fact that under Previous CGAAP, NIRES had capitalized mineral exploration costs that offset its liabilities at the transaction date, whereas under IFRS, the net assets of NIRES were ($0.42 million) immediately before the transaction primarily because mineral exploration costs are no longer capitalized. IFRS permits a negative NCI to be recorded whereas it would not be recorded under Previous CGAAP.

On June 30, 2010, under Previous CGAAP the Company recorded a dilution gain, and a corresponding increase to net income, of $2.56 million as part of the $4.81 million private placement financing whereby the NCI of NIRES increased by $2.25 million, and from 20% to 46.67% ownership. Under IFRS the Company recorded additions of $2.76 million to contributed surplus and $2.05 million to NCI. Under IFRS no dilution gain is recorded so the deficit is also $2.56 million higher than the treatment under Previous CGAAP for the same transaction.

On September 8, 2010, the Company closed a share purchase agreement to purchase all the outstanding shares of the Company's subsidiary Brighton held by NAC for $0.96 million, and under Previous CGAAP recorded $0.32 million in capitalized mineral property acquisition costs and a $0.64 million decrease to NCI. Under IFRS, the exchange is accounted for as an equity transaction with owners. The Company recorded decreases of $0.43 million to contributed surplus and $0.53 million to NCI respectively for the same transaction and no amounts were capitalized to mineral property acquisition costs.

Functional currency determination

Both Previous CGAAP and IFRS require that functional currency be evaluated by legal entity. IAS 21, "Changes in Foreign Exchange Rates" ("IAS 21"), outlines the criteria that must be used in determining functional currency by legal entity. Some key differences exist between the criteria outlined in IAS 21 and those required under Previous CGAAP. Upon application of the criteria of IAS 21, the Company reached different conclusions as to the functional currency of each of its legal entities. Further, the Company has chosen to retain the US dollar as its presentation currency.

The application of IAS 21 has had the impact of creating a foreign exchange loss by $2.05 million for the year ended December 31, 2010, with a corresponding increase to deficit. The change also had the impact of creating a foreign currency translation gain of $1.73 million, and a related NCI gain of $0.15 million as at December 31, 2010. There was no impact to foreign currency translation reserve as at January 1, 2010 as the Company elected under IFRS 1 to eliminate the impact of the change in functional currency as at the Transition Date. There were several other less significant impacts to various line items on the statement of financial position. For a complete discussion, reference should be made to Note 18 in the Annual Financial Statements.

Controls and Procedures

Disclosure controls

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to Management as appropriate to allow timely decision-making regarding required disclosures. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures, that these controls and procedures provide reasonable assurance that material information is made known to them by others within the Company. However, a control system, no matter how well conceived, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal control over financial reporting

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings". The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. ICFR should include those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of the Company's Management and Board; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives due to its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to error, collusion, or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis. It is possible to design into the financial reporting process safeguards to reduce, though not eliminate, this risk.

Management, including the CEO and CFO, has assessed the effectiveness of internal controls over financial reporting as of December 31, 2011 and concluded, subject to the limitations noted above, that the Company has sufficient controls to meet the requirements as stated above. The assessment was completed using the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Changes in Internal Controls*.

There have been no significant changes to internal controls in the year ended December 31, 2011. On September 29, 2010, the Company's CFO, Mr. Sean Homuth, resigned then resumed his position with the Company on January 12, 2011. During this period, the Company's system of internal controls continued to be applied consistently with an interim CFO such that Management has deemed the impact on internal controls was not significant.

Forward Looking Statements

Management's Discussion and Analysis of Financial Condition and Total Comprehensive Loss for the year ended December 31, 2011 (the "MD&A") may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs and capital costs, the ability to demonstrate the economic feasibility of the mineral deposits to a level up to an including that of a bankable feasibility study, the ability to obtain adequate financing as needed in the future to fund ongoing exploration or production activities and the timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals and sufficient financing, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Cautionary Note to U.S. Investors Concerning Resource Estimates

The resource estimates in the MD&A were prepared in accordance with National Instrument ("NI") 43-101 adopted by the Canadian Securities Administrators. The requirements of NI 43-101 differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"). The MD&A uses the terms "measured", "indicated" and "inferred" resources. Although these terms are recognized and required in Canada, the SEC does not recognize them. The SEC permits US mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves".

Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.

Qualified Persons

Dr. Pascal Marquis, P. Geo., Vice President of Exploration, the Company's qualified person under NI 43-101, supervises all work associated with exploration and development programs in West Africa. Mr. Ron Little, P. Eng., the President and Chief Executive Officer, is also a qualified person under NI 43-101.

Other MD&A Requirements

All relevant information related to the Company is filed electronically at **www.sedar.com**.