OREZONE GOLD CORPORATION

(A Development Stage Company)

Annual Consolidated Financial Statements
(Expressed in United States dollars)

For the years ended December 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Orezone Gold Corporation.

The accompanying annual consolidated financial statements (the "Financial Statements") of Orezone Gold Corporation (the "Company") and all the information in the Management's Discussion and Analysis ("MD&A") are the responsibility of Management and have been approved by the Company's Board of Directors (the "Board").

The Financial Statements have been prepared by Management in accordance with International Financial Reporting Standards. The Financial Statements include certain amounts that are based on the best estimates and judgments of Management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. When alternate accounting methods exist, Management has chosen those methods it deems most appropriate under the circumstances.

Management is responsible for the integrity of the Financial Statements and has developed and maintains a system of internal controls, which they believe provide reasonable assurance that transactions are properly authorized and recorded, that financial records are reliable and form a proper basis for the preparation of Financial Statements and that the Company's assets are properly accounted for and safeguarded. The internal control processes include Management's communication to employees of policies that govern ethical business conduct.

The Board is responsible for overseeing Management's performance of its responsibility for financial reporting and is ultimately responsible for reviewing and approving the Financial Statements. The Audit Committee meets periodically with Management, as well as the independent external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities and to review the Financial Statements and the external auditor's report. The Audit Committee reports its findings to the Board for consideration when the Board approves the Financial Statements for issuance. The Audit Committee also considers, for review by the Board and approval by the Company's shareholders, the engagement or re-appointment of the independent external auditors.

The Financial Statements have been audited by Deloitte LLP, the independent external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Company's shareholders. Deloitte LLP have full and free access to the Audit Committee.

/s/ Ronald N. Little

Ronald N. Little
Chief Executive Officer

March 28, 2013

/s/ Sean Homuth

Sean Homuth
Chief Financial Officer

March 28, 2013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Orezone Gold Corporation.

We have audited the accompanying consolidated financial statements of Orezone Gold Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows 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 International Financial Reporting Standards, 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 controls 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 purposes 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, 2012 and December 31, 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

”Deloitte LLP”

Chartered Accountants
Licensed Public Accountants
March 28, 2013
Toronto, Ontario

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Financial Position

(Expressed in United States dollars)

As at	**December 31, 2012**	December 31, 2011
	$	$
ASSETS		
Current assets		
Cash	**16,833,596**	28,698,108
Trade and other receivables	**62,595**	53,782
Inventories (Note 5)	**672,625**	546,327
Prepaid expenses and deposits	**605,151**	748,538
Total current assets	**18,173,967**	30,046,755
Non-current assets		
Investment (Note 6)	**10,106,288**	-
Interests in exploration properties (Note 7)	**6,592,846**	6,304,631
Total assets	**34,873,101**	36,351,386
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**1,875,406**	1,417,732
Equity		
Share capital	**128,599,858**	123,566,961
Reserves	**11,305,551**	10,631,625
Accumulated deficit	**(106,907,714)**	(99,034,665)
Total shareholders' equity	**32,997,695**	35,163,921
Non-controlling interest (Note 9)	**-**	(230,267)
Total equity	**32,997,695**	34,933,654
Total liabilities and equity	**34,873,101**	36,351,386

Commitments (Note 16)

These financial statements were approved by the Board of Directors of Orezone Gold Corporation on March 28, 2013:

/s/ Ronald N. Little

Ronald N. Little
Director

/s/ Alain Krushnisky

Alain Krushnisky
Director

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

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2012 and 2011
(Expressed in United States dollars, except for number of share amounts)

	2012	2011
	$	$
Expenses		
Exploration and evaluation costs (Note 10)	**21,501,493**	24,527,699
General and administrative costs (Note 10)	**3,696,222**	4,079,321
Share-based compensation (Note 8(b)&(d))	**3,329,665**	3,000,568
Depreciation and amortization (Note 7)	**1,186,683**	548,601
	29,714,063	32,156,189
Other income (loss)		
Foreign exchange gain (loss)	**782**	(104,495)
Finance income	**257,194**	480,000
Finance expense	**(15,211)**	(19,557)
Gain on sale of Sega project (Note 7)	**25,953,888**	-
Gain on sale of PP&E (Note 7)	**278,450**	-
Write-off of PP&E	**(6,744)**	-
Recovery of capital tax	**-**	5,341
Other income	**26,468,359**	361,289
Net loss before tax (Note 11)	**(3,245,704)**	(31,794,900)
Current income tax expense (Notes 7 & 11)	**(1,871,888)**	-
Net loss for the year	**(5,117,592)**	(31,794,900)
Net loss for the year attributable to:		
Common shareholders	**(4,777,856)**	(30,270,283)
Non-controlling interest	**(339,736)**	(1,524,617)
Net loss per common share, basic and diluted	**(0.06)**	(0.36)
Weighted-average number of common shares outstanding, basic and diluted (Note 8(d))	**85,336,631**	83,277,950
Other comprehensive loss		
Net loss for the year	**(5,117,592)**	(31,794,900)
Net change in fair value of available-for-sale financial assets	**(1,649,702)**	-
Foreign currency translation gain (loss)	**1,437,789**	(692,782)
Total other comprehensive loss	**(211,913)**	(692,782)
Comprehensive loss	**(5,329,505)**	(32,487,682)
Comprehensive loss attributable to:		
Common shareholders	**(4,978,219)**	(31,028,714)
Non-controlling interest	**(351,286)**	(1,458,968)

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

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

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

	Share capital		Reserves						
	Shares	Amount	Share-based payments (Note 8(b))	Foreign currency translation	Investment revaluation	Changes in subsidiary ownership interests	Accumulated deficit	Non-controlling interest	Total
	#	$	$	$	$	$	$	$	$
Balance, January 1, 2012	83,724,531	123,566,961	7,245,954	972,461	-	2,413,210	(99,034,665)	(230,267)	34,933,654
Stock options exercised	96,167	106,047	(42,166)	-	-	-	-	-	63,881
Change in subsidiary ownership interests (Note 9)	1,818,000	4,926,850	-	-	-	(2,413,210)	(3,095,193)	581,553	-
Share-based compensation	-	-	3,329,665	-	-	-	-	-	3,329,665
Net change in the fair value of available-for-sale financial assets	-	-	-	-	(1,649,702)	-	-	-	(1,649,702)
Foreign currency translation	-	-	-	1,338,551	110,788	-	-	(11,550)	1,437,789
Net loss for the year	-	-	-	-	-	-	(4,777,856)	(339,736)	(5,117,592)
Balance, December 31, 2012	**85,638,698**	**128,599,858**	**10,533,453**	**2,311,012**	**(1,538,914)**	**-**	**(106,907,714)**	**-**	**32,997,695**

	Share capital		Reserves						
	Shares	Amount	Share-based payments (Note 8(b))	Foreign currency translation	Investment revaluation	Changes in subsidiary ownership interests	Accumulated deficit	Non-controlling interest	Total
Balance, January 1, 2011	82,868,031	122,818,816	4,606,541	1,730,892	-	2,413,210	(68,764,382)	1,228,701	64,033,778
Stock options exercised	856,500	748,145	(361,155)	-	-	-	-	-	386,990
Share-based compensation	-	-	3,000,568	-	-	-	-	-	3,000,568
Foreign currency translation	-	-	-	(758,431)	-	-	-	65,649	(692,782)
Net loss for the year	-	-	-	-	-	-	(30,270,283)	(1,524,617)	(31,794,900)
Balance, December 31, 2011	83,724,531	123,566,961	7,245,954	972,461	-	2,413,210	(99,034,665)	(230,267)	34,933,654

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

Orezone Gold Corporation
(A Development Stage Company)
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Expressed in United States dollars)

	2012	2011
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**(5,117,592)**	(31,794,900)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization (Note 7)	**1,186,683**	548,601
Share-based compensation (Note 8(b)&(d))	**3,329,665**	3,000,568
Gain on sale of Sega project (Note 7)	**(25,953,888)**	-
Gain on sale of PP&E (Note 7)	**(278,450)**	-
Write-off of PP&E	**6,744**	-
Finance income	**(257,194)**	(480,000)
Capital taxes paid	**-**	(29,390)
Recovery of capital tax	**-**	(5,341)
Current income tax expense (Note 11)	**1,871,888**	-
Changes in non-cash operating working capital (Note 12)	**471,763**	252,875
Total cash outflows from operating activities	**(24,740,381)**	(28,507,587)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 7)	**(1,421,641)**	(4,537,022)
Net cash proceeds from sale of the Sega project	**14,624,515**	-
Income tax paid on sale of Sega project (Notes 7 & 11)	**(1,871,888)**	-
Net cash proceeds from sale of PP&E	**310,947**	-
Interest received (Note 12)	**269,433**	476,386
Total cash inflows (outflows) from investing activities	**11,911,366**	(4,060,636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance costs (Note 12)	**(28,419)**	(98,776)
Proceeds from exercise of stock options	**63,881**	386,990
Total cash inflows from financing activities	**35,462**	288,214
Effect of foreign currency translation on cash	**929,041**	(340,096)
Decrease in cash	**(11,864,512)**	(32,620,105)
Cash, beginning of year	**28,698,108**	61,318,213
Cash, end of year	**16,833,596**	28,698,108

Supplemental cash flow information is provided in Note 12.

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

1. CORPORATE INFORMATION

Orezone Gold Corporation (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 is primarily engaged in the acquisition, exploration and development of gold properties in Burkina Faso, West Africa and uranium properties in Niger, West Africa. The Company is in the exploration and evaluation phase and is in the process of determining 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.

The address of the Company's corporate office is 290 Picton Avenue, Suite 201, Ottawa, Ontario, Canada, K1Z 8P8.

References to "$" or "US$" are to United States dollars and references to "C$" are to Canadian dollars.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These Financial Statements were authorized for issue by the Board of Directors on March 28, 2013.

(b) BASIS OF MEASUREMENT

These Financial Statements have been prepared on a historical cost basis, except for the available-for-sale financial assets which are measured at fair value. These Financial Statements are presented in United States dollars, unless otherwise indicated.

The preparation of consolidated financial statements in accordance with IFRS requires Management to make certain critical accounting estimates. It also requires Management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these Financial Statements, are disclosed in Note 4.

These Financial Statements have been prepared on a basis that assumes the Company will continue operating for the foreseeable future. While the Company is in the exploration and evaluation phase, has not generated revenue from operations, and relies on external financing to fund its activities, it currently has sufficient working capital to meet its obligations and discharge its liabilities for the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these Financial Statements.

(a) BASIS OF CONSOLIDATION

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

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

The subsidiaries of the Company and their principal activities as at December 31, 2012 were as follows:

Name of subsidiary	**Place of incorporation**	**Ownership interest as at**		**Principal activity**
		December 31, 2012	December 31, 2011	
Orezone Inc.	British Virgin Islands	100%	100%	Exploration & Development
Orezone Inc. SARL	Burkina Faso	100%	100%	Exploration & Development
Brighton Energy Corporation[1]	Canada	100%	67%	Holding Company
Brighton Energy Limited[1]	British Virgin Islands	100%	67%	Holding Company
Niger Resources Inc.[1]	British Virgin Islands	100%	67%	Exploration & Development
Burkina Resources Inc.	British Virgin Islands	100%	100%	Inactive

[1] See Note 9

(b) FINANCIAL CURRENCY AND FOREIGN CURRENCY TRANSLATION

These Financial Statements are presented in United States dollars. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates (the "functional currency"). The Company's functional currency is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period: monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date; non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date; and, non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Such exchange differences arising from retranslation are recognized in net income (loss).

Foreign operations are translated from their functional currencies into the Company's functional currency (Canadian dollars) on consolidation by applying the exchange rates prevailing at the end of the reporting period for assets and liabilities and the average exchange rate for the period for consolidated statement of comprehensive loss items. Such exchange differences, including differences that arise relating to long-term intercompany balances that form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss).

The consolidated financial statements are translated into the presentation currency (United States dollars) as follows: all assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; equity balances are translated at the rates of exchange at the transaction dates. All items included in the consolidated statements of comprehensive loss are translated using the average monthly exchange rates unless there are significant fluctuations in the exchange rate, in which case the rate at the date of the transaction is used. Exchange differences arising on the translation to the presentation currency are recorded in the foreign currency translation reserve.

(c) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the “net identifiable assets”), the difference is treated as goodwill. The Company does not currently have goodwill.

Acquisition costs are expensed as incurred in net income (loss). Costs associated with the issuance of equity are charged to the relevant account within equity.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and attributed to the shareholders of the Company, through reserves.

(d) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recognized at fair value when the Company or its subsidiaries become party to the contracts that give rise to them. Subsequent measurement depends on whether the financial instrument is classified as fair value through profit and loss (“FVTPL”), available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments classified as: FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss); available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss); and, held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Transaction costs in respect of FVTPL financial instruments are recognized in net income (loss) at the transaction date whereas transaction costs in respect of other financial instruments are included in the initial fair value measurement of the financial instrument.

The Company may also enter into financial instruments or other contracts that contain embedded derivatives. Embedded derivatives (e.g. a lease denominated in a currency other than that of either counterparty to the contract) are accounted for separately from the host contract at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract, and the host contract is not classified as FVTPL.

The Company does not currently have derivative instruments.

The Company has made the following classifications with respect to its financial instruments:

- Cash is classified as FVTPL, which is measured at fair value.
- Trade and other receivables, excluding taxes receivable balances that do not meet the definition of a financial instrument, and refundable deposits included in prepaid expenses and deposits, are classified as loans and receivables, which are measured at amortized cost, using the effective interest method, less any impairment losses.
- The investment is classified as available-for-sale, which is measured at fair value.
- Accounts payable and accrued liabilities, excluding taxes payable balances that do not meet the definition of a financial instrument, are classified as other financial liabilities, which are measured at amortized cost, using the effective interest method.

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

(e) CASH AND CASH EQUIVALENTS

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

(f) INVENTORIES

Inventories are measured at the lower of cost and net realizable value and consist of materials and supplies to be consumed in exploration activities. Net realizable value is the estimated selling price in the ordinary course of business less the costs necessary to make the sale.

(g) PREPAID EXPENSES AND DEPOSITS

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

(h) AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Company's investment in equity securities is designated as an available-for-sale financial asset and recorded at fair value on the trade date. Changes in fair value of available-for-sale investments are recognized in other comprehensive income (investment revaluation reserve) until investments are disposed of or when there is objective evidence of an impairment in value, at which point accumulated gains and losses in the fair value reserve are transferred to net income (loss).

(i) INTERESTS IN EXPLORATION PROPERTIES

All of the Company's projects are currently in the exploration and evaluation phase.

Pre-exploration expenditures

Costs during the pre-exploration phase are expensed as incurred in net income (loss).

Exploration and evaluation expenditures

Once the legal right to explore a mineral property has been acquired, costs directly related to the acquisition of the mineral property rights are capitalized and accounted for on either an individual property or area-of-interest basis. Subsequently the mineral property rights are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use or sale, being commercial production at operating levels intended by Management. Purchased mining properties are recognized as assets at their acquisition date fair value if purchased as part of a business combination. Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred in net income (loss).

Mine development costs

Once the technical feasibility and commercial viability of a mineral property has been established, the property is no longer in the exploration and evaluation phase and is considered to be a mine property under development.

Thereafter, costs incurred directly related to mine development and construction are capitalized, including associated acquisition costs, directly attributable administrative or support costs and depreciation of related property, plant and equipment, and are accounted for on either an individual property or area-of-interest basis. Subsequently the mine properties under development are carried at the aforementioned cost, less any impairment, until such time as the assets are substantially ready for their intended use or sale, being commercial production at operating levels intended by Management.

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

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

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

(j) REHABILITATION LIABILITIES

The Company is subject to various government laws and regulations and constructive obligations related to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred, including estimated costs of restoration, reclamation and re-vegetation of the affected exploration sites. When the liability is recognized at the present value of the estimated costs, the carrying amount of the capitalized related mining assets is correspondingly increased. Subsequently, the liability is adjusted for changes in the present value based on current market discount rates and liability-specific risks. The Company does not currently have rehabilitation liabilities.

(k) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Buildings	10 – 20 years
Field equipment	2 – 10 years
Office equipment and furniture	2 – 4 years
Vehicles	4 years
Capital improvements	2 – 10 years

As a result of a review of the useful lives of its property, plant and equipment, the Company has changed the amortization term for certain depreciable assets as described in Note 3(t).

Major maintenance and repairs

Expenditures on major maintenance and repairs include the cost of asset replacement parts and overhaul costs. When an asset or part of an asset is replaced or overhauled and it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured, that expenditure is capitalized and the carrying amount of the item replaced is derecognized. All maintenance and repairs costs, except major overhaul or replacement costs, are expensed as incurred in net income (loss).

Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in other income (loss).

Leased assets

The Company does not currently have any leases where the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a “finance lease”), whereby the asset is treated as if it had been purchased outright.

(l) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

The Company assesses financial assets including investments available-for-sale and non-financial assets including mineral property rights, mine properties under development, mineral property assets and property, plant and equipment for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in net income (loss). An impairment loss in respect of investments is calculated by reference to its fair value.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in net income (loss).

Capitalized mineral property rights are also tested for impairment before the assets are transferred to the mineral property costs.

(m) PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company does not currently have any provisions.

Contingent liabilities and assets are not recognized in the consolidated financial statements. However, contingent liabilities are disclosed in the notes to the consolidated financial statements unless their occurrence is remote, and contingent assets are disclosed in the notes to the consolidated financial statements if their recovery is deemed probable. The Company does not currently have any contingent liabilities or assets.

(n) INCOME TAXES

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

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

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

(o) SHARE CAPITAL

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company’s common shares and common share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

(p) EARNINGS (LOSS) PER SHARE

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

Diluted earnings (loss) per share is computed by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted-average number of outstanding common shares for the year including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares.

(q) SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the “Plan”) described in Note 8(d). The Company’s subsidiary, Orezone Inc., issued common share purchase warrants of its subsidiary, Brighton Energy Corporation (“Brighton”), as described in Note 8(c) (the “2010 Brighton Warrants”). The Company and Orezone Inc. measure the compensation cost of stock options issued under the Plan and the 2010 Brighton Warrants using the fair-value method as determined using the Black-Scholes option pricing model. Compensation costs are measured at the grant date based on the fair value of the award and are recognized over the vesting period in net income (loss) or are capitalized in mine property under development costs depending on the responsibilities of the option holder, with a corresponding increase to reserves. Upon exercise, common shares are issued from treasury and the amount reflected in reserves is credited to share capital, as adjusted for any consideration paid.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which affect the calculated values. At the end of each reporting period, the Company reviews the option pricing model and updates model inputs for any changes for the purposes of determining the fair value of new grants, and reflects the impact of changes to non-market inputs, like forfeitures, for previous grants in net income (loss) or mine property under development costs, with a corresponding adjustment to reserves.

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

(r) COMPREHENSIVE INCOME (LOSS)

The Company reports the changes in equity which result from transactions, events and circumstances from non-shareholder sources in its comprehensive income (loss) that are not included in net income (loss) such as certain unrealized gains and losses resulting from changes in the fair value of financial assets classified as available-for-sale, gains and losses on derivative instruments and from foreign currency exchange gains and losses resulting from foreign subsidiaries with a functional currency different than the functional currency of the Company, and from foreign currency exchange gains and losses resulting from translating the consolidated results of the Company to the presentation currency.

(s) SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one business segment, being the acquisition, exploration and potential development of precious metal properties. The Company has operations in three geographic areas, being Canada, Burkina Faso and Niger.

(t) CHANGE IN ACCOUNTING ESTIMATES

On April 1, 2011 the Company revised the estimated useful lives of certain office and field equipment to 2-4 years (previously 2-3 years), certain vehicles to 4 years (previously 2 years) and certain capital improvements to 5-10 years (previously 2 years). The Company also adopted these same new useful lives as its policy for property, plant and equipment acquired on or after April 1, 2011.

This change in estimated useful lives was applied prospectively to the remaining impacted unamortized asset balances as at April 1, 2011 and has resulted in a decrease to depreciation and amortization expense and net loss of $144,243 for the year ended December 31, 2012 (2011 – $152,521). As at December 31, 2012, the total impact on net income (loss) in future years resulting from this change in estimate will be to spread the remaining impacted unamortized asset balance of $350,169 to depreciation and amortization expense over a weighted-average amortization term of 3.3 years (0.2 years prior to the change) until the impacted assets are fully depreciated. This change had no impact on the loss per share amounts for the years ended December 31, 2012 or 2011.

(u) STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the Financial Statements are listed below, none of which have been early adopted by the Company. The Company reasonably expects these standards, amendments and interpretations to be applicable at a future date and intends to adopt them once they become effective. The Company is currently evaluating the impact that these standards, amendments and interpretations will have on its consolidated financial statements; however the Company does not expect the impact of the resulting changes to the consolidated financial statements to be material.

IFRS 7, "Financial Instruments: Disclosures"

This amendment provides disclosure guidance on offsetting financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after July 1, 2013 and is applied retrospectively. 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 IASB's 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, 2014. 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, 2014. 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 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, "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, 2014. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IAS 28, "Investments in Associates and Joint Ventures"

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.

IAS 32, "Financial Instruments: Presentation"

This amendment prescribes the accounting for offsetting financial assets and financial liabilities. The amendment is effective annual periods beginning on or after January 1, 2014 and is applied retrospectively. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the 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 years.

Critical judgments in applying accounting policies

Going concern risk assessment

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments.

Determination of functional currency

Management has made determinations with respect to its functional currency in accordance with *IAS 21, "The Effects of Changes in Foreign Exchange Rates,"* and as such has determined that the functional currency of all of its entities is the Canadian dollar with the exception of its subsidiaries, Orezone Inc. SARL and Niger Resources Inc., which have a functional currency of the Communauté Financière Africaine francs.

Accounting policy selection for interest in exploration properties including property, plant and equipment

As disclosed in note 3(i), Management judgment is applied in capitalizing costs related to acquired mineral property rights and property, plant and equipment. Management has determined that expenditures incurred during the exploration and evaluation phase will be expensed as incurred until it determines that the technical feasibility and commercial viability of a mineral property has been established.

Sources of estimation uncertainty

Share-based compensation related to stock options and warrants

Management assesses the fair value of stock options and warrants, as disclosed in note 3(q), using the Black-Scholes option pricing model. This model requires Management to make estimates and assumptions with respect to inputs including the risk-free interest rate, volatility and expected life of the equity-settled instruments. As well, Management must make assumptions about anticipated forfeitures based on the historical actions of plan participants which may not be a true representation of future participant exercise behaviour.

Useful lives of property, plant and equipment

As disclosed in note 3(k), Management reviews its estimate of the useful life of property, plant and equipment annually and accounts for any changes in estimates prospectively. Current changes in these estimates, as well as the related impact, are presented in note 3(t).

Impairment of non-financial assets

Management assesses non-financial assets for impairment as disclosed in note 3(l).

Deferred income taxes

Judgment is required in order to determine whether to recognize deferred tax assets and/or liabilities on the statement of financial position. Management must assess the extent to which it is probable that the Company and its subsidiaries will have future taxable profits available against which it can recognize unused tax losses or unused tax credits as well as sufficient loss carryforwards to offset potential tax liabilities. The amount and availability of deferred tax assets and liabilities are directly influenced by future changes to tax laws in the jurisdictions in which the Company and its subsidiaries operate.

5. INVENTORIES

The cost of material and supplies inventories recognized as an expense during the year ended December 31, 2012 was $2,052,335 (2011 – $3,461,736). There were no write-downs or reversals of write-downs of inventories to net realizable value during the years ended December 31, 2012 or 2011. As at December 31, 2012, no specific inventories were pledged as security for liabilities.

6. INVESTMENT

The Company’s investment consists entirely of 11 million (“M”) ordinary common shares of Amara Mining plc (“Amara”) (formerly “Cluff Gold plc”) acquired as part of the sale of the Sega project (see Note 7). The shares are classified as available for sale and are subject to orderly market provisions for a period of two years per the terms of the Asset Purchase Agreement with Amara, dated February 3, 2012.

(Expressed in United States dollars)

7. INTERESTS IN EXPLORATION PROPERTIES

Assets not subject to depreciation and amortization	**Land**	**Mineral property rights**	**Construction in progress**	**Total**
	$	$	$	$
Cost, being carrying amount				
Balance, January 1, 2011	331,967	1,377,082	-	1,709,049
Additions	-	-	128,758	128,758
Foreign currency translation	(20,611)	(35,099)	(1,861)	(57,571)
Balance, December 31, 2011	311,356	1,341,983	126,897	1,780,236
Transfer to depreciable properly	-	-	(135,200)	(135,200)
Additions	-	-	6,442	6,442
Disposals	-	(16,527)	-	(16,527)
Foreign currency translation	5,197	26,532	1,861	33,590
Balance, December 31, 2012	**316,553**	**1,351,988**	**-**	**1,668,541**

Assets subject to depreciation and amortization	**Building**	**Capital improve-ments**	**Field equipment**	**Vehicles**	**Office equipment and furniture**	**Total**
	$	$	$	$	$	$
Cost						
Balance, January 1, 2011	920,803	77,285	256,914	-	102,524	1,357,526
Additions	1,160,119	1,472,430	1,441,667	255,177	78,871	4,408,264
Foreign currency translation	(90,435)	(154,876)	(49,041)	(18,530)	(6)	(312,888)
Balance, December 31, 2011	1,990,487	1,394,839	1,649,540	236,647	181,389	5,452,902
Transfer from construction in progress	135,200	-	-	-	-	135,200
Additions	415,321	83,348	617,388	293,507	5,635	1,415,199
Disposals	(33,195)	-	(27,978)	(4,194)	-	(65,367)
Foreign currency translation	40,819	24,977	47,171	3,661	2,133	118,761
Balance, December 31, 2012	**2,548,632**	**1,503,164**	**2,286,121**	**529,621**	**189,157**	**7,056,695**
Accumulated depreciation and amortization						
Balance, January 1, 2011	166,687	10,380	175,263	-	71,472	423,802
Depreciation for the year	154,536	215,394	105,455	42,012	31,204	548,601
Foreign currency translation	(12,997)	(14,741)	(22,280)	(2,991)	9,113	(43,896)
Balance, December 31, 2011	308,226	211,033	258,438	39,021	111,789	928,507
Depreciation for the year	228,498	407,477	416,622	108,837	25,249	1,186,683
Disposals	(2,540)	-	(21,661)	(624)	-	(24,825)
Foreign currency translation	10,670	13,768	11,042	3,793	2,752	42,025
Balance, December 31, 2012	**544,854**	**632,278**	**664,441**	**151,027**	**139,790**	**2,132,390**
Carrying amounts as at:						
December 31, 2011	1,682,261	1,183,806	1,391,102	197,626	69,600	4,524,395
December 31, 2012	**2,003,778**	**870,886**	**1,621,680**	**378,594**	**49,367**	**4,924,305**

(Expressed in United States dollars)

The net change in interests in exploration properties for the years ended December 31 was as follows:

	2012	2011
	$	$
Cost, beginning of year	**7,233,138**	3,066,575
Additions	**1,421,641**	4,537,022
Disposals	**(81,894)**	-
Foreign currency translation	**152,351**	(370,459)
Cost, end of year	**8,725,236**	7,233,138
Accumulated depreciation and amortization, beginning of year	**928,507**	423,802
Depreciation and amortization	**1,186,683**	548,601
Disposals	**(24,825)**	-
Foreign currency translation	**42,025**	(43,896)
Accumulated depreciation and amortization, end of year	**2,132,390**	928,507
Carrying amounts, beginning of year	**6,304,631**	2,642,773
Carrying amounts, end of year	**6,592,846**	6,304,631

The Company does not currently have depreciation and amortization capitalized in interests in exploration properties.

The Company held the following mineral property rights by area as at December 31, 2012:

	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**
Bomboré	2	168	02/15 and 07/14	n/a and 07/20	n/a
Bondi	1	168	08/15	n/a	n/a
Brighton, Niger (Uranium)	2	480	10/15 and 11/15	10/18 and 11/18	04/27 and 05/27
	5	**816**			

[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. Permit size reductions of 50% 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 from the date of issue and are renewable until the reserves are exhausted, except in the case of the Abelajouad permit which has a term of 30 years.

(Expressed in United States dollars)

The carrying amounts of the mineral property rights by area were as follows:

As at	December 31, 2012	December 31, 2011
	$	$
Burkina Faso		
Bomboré	**935,270**	915,357
Sega	**-**	16,749
Bondi	**185,202**	182,162
Total Burkina Faso	**1,120,472**	1,114,268
Brighton, Niger (Uranium)	**231,516**	227,715
Total mineral property rights	**1,351,988**	1,341,983

Bomboré, Burkina Faso

The Bomboré (105 km^2) and the Toéyoko (63 km^2) permits are located in the Ganzourgou province. The Bomboré permit was renewed in December 2012 for a final two-year term expiring February 2015. The Toéyoko permit was acquired in June 2011 for a three-year term and may be renewed for two more consecutive three-year terms. The Company owns a 100% interest in the permits.

Sega, Burkina Faso

The Sega project consisted of the Tiba (124 km^2) and Namasa (189 km^2) permits.

On May 23, 2012 (the "Closing Date"), the Company completed the sale of the Sega project to Amara for consideration consisting of $15 M in cash and 11 M new common shares of Amara (the "Sega Transaction"). Under the terms of the Sega Transaction, Amara acquired the Tiba and Namasa exploration permits as well as the Sega exploration camp and data accumulated from exploration work completed on related predecessor permits. Amara has also assumed a 3% NSR due to Royal Gold as well as all Burkina Faso Government interests, including the standard sliding scale NSR and 10% carried interest held by the Government of Burkina Faso once a mining permit is granted. The Company recorded a gain on the sale of the permit in the amount of $24,082,000, net of income taxes paid to the Government of Burkina Faso upon closing of $1,871,888, as well as a gain on the sale of the related camp and certain assets in the amount of $256,607. Upon closing of the Sega Transaction, Amara reimbursed the Company for all costs associated with the completion of a 10,000 meter RC drill program at Sega that commenced in 2012. The recovery of $551,789 is shown net of the Sega expenses for the year ended December 31, 2012.

Bondi, Burkina Faso

The Bondi project consists of the Djarkadougou (168 km^2) permit, which is located in the Bougouriba province and expires in August 2015. The Company owns a 100% interest in the permit. This permit was renewed in August 2012 for its final three-year term.

Brighton, Niger (Uranium)

The Company, through its wholly-owned subsidiary Brighton Energy Corporation ("Brighton"), has two uranium exploration permits in Niger. Zéline 1 (241 km^2) expires in October 2015 and may be renewed for one more three-year terms with permit size reductions. The Assaouas 1 (239 km^2) permit expires in November 2015. This permit may be renewed for one 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.

In March 2012, the Company acquired the outstanding minority interest, representing 33% of the then issued and outstanding shares of Brighton, and increased its ownership in Brighton to 100% as described in Note 9.

(Expressed in United States dollars)

In 2012, Management decided to abandon the Abelajouad, Assaouas 2 and Zéline 4 permits due to negative exploration results. No impairment losses were realized as a result of the abandonment of these permits as the Company only capitalizes permit acquisition costs and Management has determined that there is enough value created in the remaining Niger permits to support the carrying amounts of the mineral property rights.

8. SHARE CAPITAL

(a) CAPITAL STOCK

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

On March 29, 2012, the Company completed the Brighton Exchange transaction that resulted in the issuance of 1,818,000 common shares at a volume-weighted average price of C$2.71 per share, as described in Note 9. As a result of the transaction, the Company recorded C$4,904,797 (US$4,926,850) as an increase to share capital.

(b) SHARE-BASED PAYMENT RESERVES

The net change in the components of contributed surplus for the years ended December 31 was as follows:

Net change attributable to:	Share-based payments	Common share purchase warrants	Total share-based payment reserves
	$	$	$
Balance, January 1, 2011	4,539,740	66,801	4,606,541
Stock options exercised	(361,155)	-	(361,155)
Share-based compensation	3,000,568	-	3,000,568
Balance, December 31, 2011	7,179,153	66,801	7,245,954
Stock options exercised	(42,166)	-	(42,166)
Share-based compensation	3,329,665	-	3,329,665
Balance, December 31, 2012	**10,466,652**	**66,801**	**10,533,453**

(c) COMMON SHARE PURCHASE WARRANTS

On October 4, 2010, the Board of Orezone Inc. 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 2010 Brighton Warrants were issued at a price of C$1.00, vested immediately and expire one year subsequent to the date of an initial public offering by Brighton or other corporate transaction. Reserves as at December 31, 2012 and December 31, 2011 included $66,801 related to the 2010 Brighton Warrants.

(d) SHARE-BASED PAYMENTS

Orezone Gold Corporation

On May 15, 2009, the Company's shareholders approved the Company's stock option plan. Under the terms of the Plan, stock options may be granted to directors, officers, employees and non-employees 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 and generally vest over two to three years. The maximum number of common shares reserved for issuance under the

(Expressed in United States dollars)

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. All stock options are equity-settled and are issued with a contractual life of five to ten years. As at December 31, 2012, based on the Company's total common shares outstanding, a total of 8,563,870 stock options may be issued and outstanding. Based on this, the Company can grant up to 1,796,470 additional stock options beyond what was issued and outstanding as at December 31, 2012. Prior to grant, TSX approval is required to reserve the related common shares for issuance. The Plan must be reapproved by the Company's shareholders every three years in accordance with the rules of the TSX. The Plan was approved by the Company's shareholders at its annual general meeting held May 24, 2012.

During the year, there were 2,309,000 stock options (with strike prices between C$3.65 and C$4.85) forfeited by Directors and Officers, employees and consultants. The expense related to forfeited options unvested at that date was accelerated to record the amount that otherwise would have been recognised for services received over the remainder of the vesting period, which was determined to be the grant date fair value adjusted for the estimated forfeiture rate less any amounts previously expensed relating to the grants. Subsequent to December 31, 2012 there were 45,000 options exercised with an exercise price of C$1.70 and a weighted average market share price of C$1.80.

Stock option activity between January 1, 2011 and December 31, 2012 was as follows:

Grant date	Expiry date	Exercise price	Opening balance	Activity during the period Granted	Exercised	Forfeited	Closing balance	Vested and exercisable	Unvested
		C$	#	#	#	#	#	#	#
05/15/2009	03/25/2019	$0.36	1,310,000	-	185,000	-	1,125,000	1,125,000	-
05/26/2009	05/26/2019	$0.40	2,517,500	-	467,500	-	2,050,000	2,050,000	-
07/23/2009	07/23/2019	$0.52	225,000	-	225,000	-	-	-	-
07/08/2010	07/08/2020	$0.85	525,000	-	61,000	25,500	438,500	438,500	-
10/21/2010	10/21/2020	$2.35	300,000	-	-	100,000	200,000	200,000	-
11/16/2010	11/16/2020	$3.65	50,000	-	-	50,000	-	-	-
02/09/2011	02/09/2021	$4.00	-	1,055,000	-	1,055,000	-	-	-
04/05/2011	04/05/2021	$4.85	-	600,000	-	600,000	-	-	-
06/22/2011	06/22/2021	$4.25	-	150,000	-	150,000	-	-	-
12/23/2011	12/23/2021	$3.75	-	909,000	-	909,000	-	-	-
04/27/2012	04/27/2017	$1.70	-	2,017,900	14,167	28,333	1,975,400	658,471	1,316,929
05/14/2012	05/14/2017	$1.70	-	55,000	-	-	55,000	48,334	6,666
12/17/2012	12/17/2017	$1.50	-	923,500	-		923,500	-	923,500
Totals			4,927,500	5,710,400	952,667	2,917,833	6,767,400	4,520,305	2,247,095
Weighted average exercise price			C$0.59	C$2.82	C$0.47	C$4.00	C$1.02	C$0.72	C$1.62

The grant date fair value is calculated using the Black-Scholes option valuation model. Where relevant, the expected life has been adjusted based on management's best estimate for the effects of historical forfeitures and behavioural considerations. Expected volatility is based on the historical share price volatility. During the year ended December 31, 2012 the weighted average market share price at exercise was C$2.60 (2011 - C$3.60). The outstanding options as at December 31, 2012 have a weighted average remaining contractual life of 5.67 years (2011 – 8.32 years).

(Expressed in United States dollars)

The Black-Scholes option pricing model input factors used for stock options granted between January 1, 2011 and December 31, 2012 were as follows:

				Weighted average value per stock option				
Grant date	**Expiry date**	**Grant date market price**	**Exercise price**	**Risk-free interest rate**	**Expected life**	**Expected volatility**	**Dividend yield**	**Grant date fair value**
		C$	C$	%	(in years)	%	%	C$
02/09/2011	02/09/2021	3.77	4.00	2.24	3.9	85.42	0	2.30
04/05/2011	04/05/2021	4.83	4.85	2.38	4.0	84.02	0	2.98
06/22/2011	06/22/2021	3.59	4.25	2.68	2.0	82.07	0	1.41
12/23/2011	12/23/2021	2.53	3.75	1.31	3.5	81.53	0	1.20
04/27/2012	04/27/2017	1.69	1.70	1.43	3.3	80.87	0	0.93
05/14/2012	05/14/2017	1.41	1.70	1.43	2.0	83.62	0	0.56
12/17/2012	12/17/2017	1.50	1.50	1.25	3.9	81.34	0	0.88
Weighted average for period		2.55	2.82	1.66	3.6	82.28	0	1.44

As at December 31, 2012, there was $1,236,123 (as at December 31, 2011 – $2,123,947) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the Plan that are expected to be recognized over a weighted-average term of 1.29 years.

Brighton Energy Corporation

On December 22, 2010, the Board of Directors of Brighton approved the Brighton stock option plan (the “2010 Plan”). Under the terms of the 2010 Plan, stock options may be granted to directors, officers and employees of Brighton or a related entity of Brighton and non-employees 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 stock 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 stock 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. All stock options are expected to be equity-settled and are issued with a life of ten years. As at December 31, 2012, a total of 1,500,000 options may be issued in relation to Brighton’s issued and outstanding shares. Up to and including December 31, 2012 there have been 1,500,000 stock options issued, 125,000 of those options have been forfeited which leaves 125,000 additional stock options that may be granted by Brighton. As at December 31, 2012, 1,375,000 stock options remained outstanding with a weighted-average exercise price of C$1.00, a weighted-average grant date fair value of C$0.18 and a remaining contractual life of 7.98 years.

On December 22, 2010, the Board of Brighton granted 1,500,000 options with an exercise price of C$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. Up to and including December 31, 2012 none of the vesting conditions for the Brighton options have been met.

No share-based compensation costs have been recorded for the years ended December 31, 2012 and 2011 related to the Brighton options since the conditions for vesting have not yet been met. During the year ended December 31, 2012, no stock options were forfeited (year ended December 31, 2011 – 125,000, with a weighted-average exercise price of C$1.00).

(Expressed in United States dollars)

Dilutive Effect of Stock Options

For the year ended December 31, 2012, 6,767,400 stock options (6,414,500 for the year ended December 31, 2011) which could have been dilutive were excluded from the computation of diluted earnings per share.

9. BUSINESS COMBINATIONS AND NON-CONTROLLING INTEREST

On March 29, 2012 the Company acquired 5,000,000 common shares of Brighton, representing the remaining 33% minority interest in Brighton (the “Brighton Exchange”). Under the terms of the Brighton Exchange, each minority shareholder received approximately 0.36 free-trading common shares of the Company in exchange for each share of Brighton held, resulting in 1,818,000 new common shares of the Company being issued. The exchange ratio was determined using a value of C$1.00 per share for the shares of Brighton and C$2.75 per share for the shares of the Company. Upon completion of the Brighton Exchange, the Company, together with its subsidiary, owns 100% of Brighton and its wholly-owned subsidiaries Brighton Energy Limited and Niger Resources Inc.

The net proceeds for the Brighton Exchange were computed using an average C$2.71 per share volume-weighted average price for the Company’s shares based on the execution dates of the definitive share agreements and resulted in combined net proceeds of C$4,904,797 (US$4,926,850), recorded as an increase to share capital. As a result of the Brighton Exchange, the Company reversed the historical reserve associated with previous Brighton transactions of US$2,413,210 and eliminated the remaining negative non-controlling interest at March 29, 2012 of (US$581,553), with the remaining proceeds of US$3,095,193 recorded as an increase to accumulated deficit.

10. NATURE OF EXPENSES

The components of exploration and evaluation costs and general and administrative costs for the years ended December 31 were as follows:

	2012	2011
	$	$
Drilling and assaying	**14,739,973**	18,562,993
Exploration and development studies	**3,320,046**	1,400,881
General, camp, infrastructure and other	**2,717,102**	2,171,627
Exploration surveys	**724,372**	2,392,198
Total exploration and evaluation costs	**21,501,493**	24,527,699
Salaries and employee costs	**2,176,816**	2,200,319
General and office costs	**548,467**	593,385
Investor relations and travel	**453,582**	543,175
Public company costs	**291,862**	383,282
Professional fees	**225,495**	359,160
Total general and administrative costs	**3,696,222**	4,079,321

Total short-term employee compensation and benefits expense excluding share-based compensation for the year ended December 31, 2012 was $5,336,336 (2011 – $4,879,306).

Total general and administrative expense (“G&A”) above included both the Company’s head office G&A and local office G&A related to operating the Company’s subsidiaries. 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 Toronto Stock Exchange. Total G&A pertaining to the Company’s head office for the year ended December 31, 2012 was $2,459,749 (2011 – $2,778,615).

(Expressed in United States dollars)

11. INCOME TAXES

The income tax expense differs from what would have been computed using the combined Canadian federal (15%) and provincial (11.5%) statutory income tax rate of 26.5% in 2012 (2011 – 16.5% and 11.75% respectively, 28.25% combined). The reconciliation of total income tax expense for the years ended December 31 was as follows:

	2012	2011
	$	$
Loss before income taxes	**(3,245,704)**	(31,794,900)
Income tax recovery based on the Canadian corporate income tax rate of 26.5% (2011 – 28.25%)	**860,110**	8,982,058
Effect of income taxes recorded at rates other the Canadian income tax rate	**4,941,263**	(1,022,137)
Effect of changes in income tax rates on unrecognized deferred tax asset balances from 25.0% to 26.5% (2011 – 28.25% to 25.0%)	**145,948**	(70,621)
Effect of foreign currency translation on income taxes	**332,054**	(685,669)
Effect of expenses that are not deductible for tax purposes	**(4,122,348)**	(2,136,378)
Unrecognized change in deductible temporary differences	**(5,188)**	(4,008)
Unrecognized change in share issuance costs	**148,759**	228,776
Unrecognized change in Canadian non-capital loss carry-forwards	**(1,474,962)**	(821,092)
Unrecognized change in foreign resource-related income tax deductions	**(2,697,524)**	(4,470,929)
Total income tax expense	**(1,871,888)**	-

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

As at	**December 31, 2012**	December 31, 2011
	$	$
Canadian non-capital loss carry-forwards	**3,339,626**	1,864,663
Foreign resource-related income tax deductions	**13,678,581**	10,981,057
Unamortized share issuance costs deductible for tax purposes	**397,565**	546,326
Deductible temporary differences	**26,658**	21,470
	17,442,430	13,413,516

If not utilized, these Canadian non-capital loss carry-forwards expire between 2029 and 2032. The unamortized share issuance costs as at December 31, 2012 will be deductible for Canadian income tax purposes between 2012 and 2016.

The resource-related deductions generated by the Company's foreign subsidiaries are available to reduce future income taxes in Burkina Faso and Niger over an indefinite period. These deductions are tracked by project and can be applied to reduce future profit earned in Burkina Faso and Niger on the same respective projects should they be taken into production, or can be used to offset taxable gains associated with associated permit sales if such a sale is undertaken. The effective corporate income tax rate in Burkina Faso was 17.5% as at December 31, 2012 and 2011. The effective corporate income tax rate in Niger was 30.0% as at December 31, 2012 and 2011.

At December 31, 2011, the Company had $2,240,433 of deferred tax assets relating to its Sega project. These assets were not recognized as it was not considered probable that sufficient future taxable profit would be generated to allow these assets to be recovered. However, the Company was able to use $857,582 of these assets to reduce its taxes owing on the sale of its Sega project (see Note 7). Taxes paid to the Government of Burkina Faso on the transaction were $1,871,888. The remaining deferred tax asset balance of $1,382,851 expired unused and no resource-related deductions regarding Sega remain.

(Expressed in United States dollars)

Given that common stock in Amara comprised part of the consideration on the sale of Sega, the Company could be subject to additional income tax in Canada when the shares are eventually sold. Upon eventual sale of the investment any realized gains will be taxable in Canada as Foreign Accrual Property Income ("FAPI"). The Company has non-capital loss carryforwards to offset the potential tax liability. However, any capital losses on the eventual sale of the stock are only deductible against FAPI in the same legal entity in the year of actual sale. Accordingly, the Company has not recognized a deferred tax asset relating to the current loss position of the common stock at December 31, 2012.

As at December 31, 2012, the Company had gross temporary differences of $17,337,230 (December 31, 2011 - $nil) associated with investments in subsidiaries for which no deferred tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and it is not probable that these differences will reverse in the foreseeable future.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2012	2011
	$	$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Trade and other receivables	**(19,882)**	10,120
Inventories	**(114,489)**	(414,428)
Prepaid expenses and deposits	**149,147**	(28,859)
Accounts payable and accrued liabilities	**456,987**	686,042
	471,763	252,875
Changes in non-cash working capital impacting cash flows from investing activities were as follows:		
Trade and other receivables, related to interest received	**12,239**	(3,614)
Changes in non-cash working capital impacting cash flows from financing activities were as follows:		
Accounts payable and accrued liabilities, related to share issuance costs	**-**	(98,776)

13. SEGMENTED INFORMATION

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

The carrying amounts of interests in exploration properties segmented by geographic area were as follows:

As at	**December 31, 2012**	December 31, 2011
	$	$
Canada	**15,968**	23,992
Burkina Faso	**6,151,505**	5,844,559
Niger	**425,373**	436,080
	6,592,846	6,304,631

Total additions to the cost of interests in exploration properties segmented by geographic area for the years ended December 31 were as follows:

	2012	2011
	$	$
Canada	**5,635**	13,939
Burkina Faso	**1,416,006**	4,493,440
Niger	**-**	29,643
	1,421,641	4,537,022

14. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed through its exploration and evaluation activities to the following financial risks: foreign currency risk, liquidity risk, credit risk and title risk. In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated. The overall objective of the Board of Directors is to set policies that seek to reduce risk without unduly affecting the Company's competitiveness and flexibility.

The Company's financial instruments consist of cash, trade and other receivables, certain refundable deposits, investments and accounts payable and accrued liabilities. The fair value of trade and other receivables, refundable deposits and accounts payable and accrued liabilities are equivalent to their carrying amounts given their short maturity period. The fair value of the available-for-sale investment is determined by reference to the closing quoted market price obtained from the London Stock Exchange, being the principal exchange upon which it trades.

The following taxes receivable and payable balances included in the consolidated statements of financial position do not meet the definition of a financial instrument, and are thus excluded from the analysis of financial instruments and risk that follows:

As at	**December 31, 2012**	December 31, 2011
	$	$
Taxes receivable, included in trade and other receivables	**34,477**	20,514
Taxes payable, included in accounts payable and accrued liabilities	**43,721**	102,893

(a) FOREIGN 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.

(Expressed in United States dollars)

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

As at December 31, 2012	**USD**	**CAD**	**EUR & CFA[1]**	**GBP**	**Total**
	$	$	$	$	$
Financial assets					
Cash	582,667	15,756,194	494,735	-	16,833,596
Trade and other receivables	9,553	18,565	-	-	28,118
Deposits	-	-	56,969	-	56,969
Investment (classified as available-for-sale)	-	-	-	10,106,288	10,106,288
	592,220	15,774,759	551,704	10,106,288	27,024,971
Financial liabilities					
Accounts payable and accrued liabilities	65,838	997,666	768,181	-	1,831,685
Net financial instruments, December 31, 2012	**526,382**	**14,777,093**	**(216,477)**	**10,106,288**	**25,193,286**

As at December 31, 2011	**USD**	**CAD**	**EUR & CFA[1]**	**GBP**	**Total**
	$	$	$	$	$
Financial assets					
Cash	2,768,540	24,382,320	1,547,248	-	28,698,108
Trade and other receivables	795	32,473	-	-	33,268
Deposits	-	-	74,480	-	74,480
	2,769,335	24,414,793	1,621,728	-	28,805,856
Financial liabilities					
Accounts payable and accrued liabilities	40,649	171,089	1,103,101	-	1,314,839
Net financial instruments, December 31, 2011	**2,728,686**	**24,243,704**	**518,627**	-	**27,491,017**

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

As at	**December 31, 2012**	December 31, 2011
	$	$
CAD	**(1,477,709)**	(2,424,370)
EUR & CFA	**21,648**	(51,862)
GBP	**(1,010,629)**	-

As at December 31, 2012, the fair value hierarchy of financial instruments measured at fair value consisted of the Company's cash and investment balances, which were valued based on Level 1 inputs. The Company does not have financial instruments that are valued based on Level 2 or Level 3 inputs.

The Company is also exposed to foreign currency risk on the CFA currency held as the peg rate to the EUR is periodically reviewed and could be adjusted which may result in a devaluation of currency on hand. The Company manages this risk by minimizing the amount of CFA held at any point in time and by monitoring ongoing discussions concerning the peg rate to ensure that proposed changes are known prior to implementation.

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

(b) MARKET PRICE RISK

The Company holds shares of a publicly traded company and is subject to the risk that the fair value or future cash flows of this financial instrument will fluctuate because of changes in the market price. A significant decrease in the value of the financial instrument could result in a reduction in cash available for reinvestment in its exploration activities.

(c) 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's accounts payable and accrued liabilities are due within one year of the end of the reporting years. The Company currently has sufficient resources to meet its obligations as they become due. The Company will periodically need to raise funds in the future to continue operations, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

(d) CREDIT RISK

The Company's cash and trade and other receivables are exposed to credit risk, which is the risk that the counterparties to the Company's financial instruments will fail to discharge their obligations to the Company. The amount of credit risk to which the Company is exposed is insignificant due to the majority of the cash being held in a Canadian chartered bank and the limited amount of trade and other receivables.

(e) TITLE RISK

Title to mineral property rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyance 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.

15. CAPITAL MANAGEMENT

As at December 31, 2012, the Company's capital consisted of $26,939,884 of cash and marketable securities and $128,599,858 of common shares (as at December 31, 2011 – $28,698,108 and $123,566,961).

The Company is not subject to any externally imposed capital requirements.

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, periodically raising capital from investors and/or the development and divestiture of non-core assets.

16. COMMITMENTS

As at December 31, 2012, the Company had contractual obligations for environmental impact studies, feasibility costs, tailing treatment studies, laboratory management services, metallurgical testing, camp costs, construction and facilities costs and equipment and inventory purchases and rentals in the amount of $1,866,508 (as at December 31, 2011 – $3,801,867). 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 throughout the 2013 fiscal year.

(Expressed in United States dollars)

Subsequent to December 31, 2012, the Company entered into further contractual obligations in the amount of $1,504,381 for drilling activities, sample analysis services, pit slope study, process engineering and equipment and inventory purchases, which are expected to be payable throughout the 2013 fiscal year.

17. KEY MANAGEMENT COMPENSATION

Key Management Personnel and Director compensation for the years ended December 31 was as follows:

	2012	2011
	$	$
Short-term key management personnel compensation and benefits and director fees	**1,601,042**	1,707,197
Share-based compensation (Note 8(b)&(d))	**2,740,343**	2,612,694
	4,341,385	4,319,891