

# OREZONE GOLD CORPORATION

(A Development Stage Company)

## Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

For the three and six month periods ended June 30, 2016

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# **Orezone Gold Corporation**

## **Consolidated Financial Statements**

### **Notice to reader pursuant to National Instrument 51-102**

#### **Responsibility for Financial Statements:**

The accompanying unaudited condensed consolidated interim Financial Statements of Orezone Gold Corporation as at and for the three and six month periods ended June 30, 2016 have been prepared by the company's management. Recognizing that the company is responsible for both the integrity and objectivity of the condensed interim financial statements, management is satisfied that these condensed interim financial statements have been fairly presented.

#### **Auditor's involvement:**

The external auditors of the company have not audited or performed a review of these condensed consolidated interim financial statements.

# Orezone Gold Corporation

(A Development Stage Company)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in United States dollars)

As at	June 30, 2016	December 31, 2015
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	6,098,599	3,835,256
Trade and other receivables	21,035	20,031
Inventories (Note 5)	346,288	341,813
Prepaid expenses and deposits	233,536	107,479
<b>Total current assets</b>	<b>6,699,458</b>	4,304,579
<b>Non-current assets</b>		
Interests in exploration properties (Note 6)	2,514,270	2,671,402
<b>Total assets</b>	<b>9,213,728</b>	6,975,981
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	474,811	210,272
<b>Non-current liabilities</b>		
Royalty-based obligation (Notes 4 and 7)	3,600,000	3,300,000
<b>Total liabilities</b>	<b>4,074,811</b>	3,510,272
<b>Equity</b>		
Share capital (Note 8)	142,262,158	138,425,137
Reserves	12,532,800	12,378,500
Accumulated deficit	(149,656,041)	(147,337,928)
<b>Total equity</b>	<b>5,138,917</b>	3,465,709
<b>Total liabilities and equity</b>	<b>9,213,728</b>	6,975,981

Commitments (Note 16)  
Subsequent Events (Note 18)

These condensed consolidated interim financial statements were approved by the Board of Directors of Orezone Gold Corporation August 18, 2016:

/s/ Ronald N. Little \_\_\_\_\_

**Ronald N. Little**  
Director

/s/ Ronald Batt \_\_\_\_\_

**Ronald Batt**  
Director

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

**Orezone Gold Corporation**

# Orezone Gold Corporation

(A Development Stage Company)

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six month periods ended June 30, 2016 and 2015

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
			\$	\$
<b>Expenses</b>				
Exploration and evaluation costs (Note 9)	473,185	934,294	916,099	2,229,959
General and administrative costs (Note 9)	442,978	607,091	920,824	1,199,918
Share-based compensation (Note 8(b))	34,912	84,521	166,222	164,741
Depreciation and amortization (Note 6)	116,881	204,752	250,344	433,254
	<b>1,067,956</b>	1,830,658	<b>2,253,489</b>	4,027,872
<b>Other (loss) income</b>				
Foreign exchange gain (loss)	(11,511)	38,431	227,046	(26,284)
Finance income	11,940	4,657	17,293	11,757
Bank fees/charges	(1,356)	(2,478)	(2,983)	(4,829)
Fair value loss on royalty-based obligation (Note 7)	-	-	(300,000)	(150,000)
<b>Other (loss) income</b>	<b>(927)</b>	40,610	<b>(58,644)</b>	(169,356)
<b>Net loss before tax</b>	<b>(1,068,883)</b>	(1,790,048)	<b>(2,312,133)</b>	(4,197,228)
Income tax expense (Note 10)	(5,980)	-	(5,980)	(80,408)
<b>Net loss for the period</b>	<b>(1,074,863)</b>	(1,790,048)	<b>(2,318,113)</b>	(4,277,636)
Net loss per common share, basic and diluted	<b>(0.01)</b>	(0.02)	<b>(0.02)</b>	(0.04)
Weighted-average number of common shares outstanding, basic and diluted (Note 8(b))	<b>127,356,957</b>	95,683,698	<b>122,408,606</b>	95,683,698
Net loss for the period	<b>(1,074,863)</b>	(1,790,048)	<b>(2,318,113)</b>	(4,277,636)
<b>Other comprehensive income (loss)</b>				
Foreign currency translation (loss) gain	(116,881)	144,049	(11,922)	(431,893)
<b>Total other comprehensive (loss) income</b>	<b>(116,881)</b>	144,049	<b>(11,922)</b>	(431,893)
<b>Comprehensive loss</b>	<b>(1,191,744)</b>	(1,645,999)	<b>(2,330,035)</b>	(4,709,529)

All of the above other comprehensive (loss) income items will be subsequently recycled into the statement of (loss) income.

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

# Orezone Gold Corporation

(A Development Stage Company)

## Condensed Consolidated Interim Statements of Changes in Equity

For the six month periods ended June 30, 2016 and 2015

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

	Share capital		Reserves		Accumulated deficit	Total
	Shares	Amount	Share-based payments (Note 8)	Foreign currency translation		
	#	\$	\$	\$		
<b>Balance, January 1, 2016</b>	117,350,364	138,425,137	12,489,964	(111,464)	(147,337,928)	3,465,709
Share capital issued (Note 8(a))	10,000,000	3,857,500	-	-	-	3,857,500
Share issuance costs (Note 8(a))	-	(101,798)	-	-	-	(101,798)
Stock options exercised	100,000	81,319	-	-	-	81,319
Share-based compensation	-	-	166,222	-	-	166,222
Foreign currency translation	-	-	-	(11,922)	-	(11,922)
Net loss for the period	-	-	-	-	(2,318,113)	(2,318,113)
<b>Balance, June 30, 2016</b>	<b>127,450,364</b>	<b>142,262,158</b>	<b>12,656,186</b>	<b>(123,386)</b>	<b>(149,656,041)</b>	<b>5,138,917</b>

	Share capital		Reserves		Accumulated deficit	Total
	Shares	Amount	Share-based payments (Note 8)	Foreign currency translation		
	#	\$	\$	\$		
<b>Balance, January 1, 2015</b>	95,683,698	133,439,571	12,277,321	518,899	(139,771,177)	6,464,614
Share-based compensation	-	-	164,741	-	-	164,741
Foreign currency translation	-	-	-	(431,893)	-	(431,893)
Net loss for the period	-	-	-	-	(4,277,636)	(4,277,636)
<b>Balance, June 30, 2015</b>	<b>95,683,698</b>	<b>133,439,571</b>	<b>12,442,062</b>	<b>87,006</b>	<b>(144,048,813)</b>	<b>1,919,826</b>

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

# Orezone Gold Corporation

(A Development Stage Company)

## Condensed Consolidated Interim Statements of Cash Flows

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

	2016	2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(2,318,113)	(4,277,636)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization (Note 6)	250,344	433,254
Share-based compensation (Note 8(b))	166,222	164,741
Finance income	(17,293)	(11,757)
Unrealized foreign exchange (gain) loss	(227,046)	18,361
Impairment of inventories	-	1,017
Fair value loss on royalty-based obligation (Note 7)	300,000	150,000
Income tax expense	5,980	80,408
Income tax paid	-	(171,334)
Changes in non-cash operating working capital (Note 11)	131,368	(527,352)
<b>Total cash outflows used in operating activities</b>	<b>(1,708,538)</b>	<b>(4,140,298)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment (Note 6)	(5,414)	(1,726)
Interest received (Note 11)	19,049	13,680
<b>Total cash inflows from investing activities</b>	<b>13,635</b>	<b>11,954</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from royalty arrangement (Note 7)	-	3,000,000
Proceeds from private placement (Note 8(a))	3,857,500	-
Share issuance costs	(101,798)	-
Proceeds from exercise of stock options	30,884	-
<b>Total cash inflows from financing activities</b>	<b>3,786,586</b>	<b>3,000,000</b>
<b>Effect of foreign currency translation on cash</b>	<b>171,660</b>	<b>(179,564)</b>
<b>Increase (decrease) in cash</b>	<b>2,263,343</b>	<b>(1,307,908)</b>
<b>Cash, beginning of period</b>	<b>3,835,256</b>	<b>3,415,283</b>
<b>Cash, end of period</b>	<b>6,098,599</b>	<b>2,107,375</b>

Supplemental cash flow information is provided in Note 11.

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

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

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### 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 as a Tier 1 corporation on the Toronto Stock Venture Exchange (the "TSXV"). The Company is primarily engaged in the exploration and development of gold properties in Burkina Faso, 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, references to "C\$" are to Canadian dollars and references to "CFA" or "XOF" are to Communauté Financière Africaine francs.

### 2. BASIS OF PRESENTATION

#### (a) STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" ("IAS 34").

These Interim Financial Statements were authorized for issue by the Board of Directors on August 18, 2016.

#### (b) BASIS OF MEASUREMENT

These Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015 (the "2015 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the 2015 Annual Financial Statements except as noted in Note 3(a) and (b).

These Interim Financial Statements are presented in United States dollars, unless otherwise indicated.

The preparation of condensed consolidated interim financial statements in accordance with IAS 34 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 Interim Financial Statements, are disclosed in Note 4.

These Interim Financial Statements have been prepared on the basis of principles applicable to a going concern which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company is in the exploration stage and, as is common with many exploration companies, raises funds in the equity market to conduct its activities. Management believes that the current working capital is sufficient to sustain the Company's exploration and evaluation, development plans and general and administrative expenses on an ongoing basis to the end of 2017. In order to develop its Bomboré property into an operating mine the Company must raise additional debt and / or equity capital.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2015 Annual Financial Statements.

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Interim Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the Interim 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, Orezone Bomboré SA and Niger Resources Inc., which have a functional currency of the CFA.

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

As disclosed in Note 3(i) in the Company's 2015 Annual Financial Statements, 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.

##### *Impairment of non-financial assets*

Management assesses non-financial assets for impairment as disclosed in Note 3(l) in the Company's 2015 Annual Financial Statements.

##### *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 carry forwards 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.

##### *Current income tax liabilities*

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



# Orezone Gold Corporation

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

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### *Classification of royalty as royalty-based obligation*

Significant judgment is required in determining the appropriate accounting for the Sandstorm royalty arrangement that was entered into. Based on the specific facts and circumstances, judgment is required to assess whether the arrangement is a commodity arrangement, a financial liability or a sale of a mineral interest and a contract to provide services. Management has determined that based on the specific agreements reached with Sandstorm, that the Company has assumed the significant business risks associated with delivering cash and/or gold ounces, and accordingly has classified the royalty as a financial liability at fair value through profit or loss.

### *Fair value of the Sandstorm upfront royalty*

Management has assessed the fair value of the upfront royalty as the value of the royalty plus any buyback premiums based on its assumption that the Company will be able to raise the necessary funds in order to repurchase the royalty from Sandstorm prior to the expiry of the irrevocable buyback option on January 27, 2018.

The Company will continue to evaluate on an ongoing basis whether circumstances have changed such that the likelihood of repurchasing the royalty changes resulting in the need to reconsider its current accounting policy with respect to the valuation of the loan.

### **Sources of estimation uncertainty**

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

Management assesses the fair value of stock options as disclosed in Note 3(r) in the Company's 2015 Annual Financial Statements, 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) in the Company's 2015 Annual Financial Statements, Management reviews its estimate of the useful life of property, plant and equipment annually and accounts for any changes in estimates prospectively.

## **5. INVENTORIES**

The cost of materials and supplies inventories recognized as an expense during the three and six month periods ended June 30, 2016 was \$5,074 and \$18,458 respectively (2015 – \$6,518 and \$11,748 respectively). There were no write-downs and no reversals of write-downs of inventories to net realizable value during the three and six month periods ended June 30, 2016 (2015 - \$Nil and \$1,017 respectively). As at June 30, 2016, no specific inventories were pledged as security for liabilities.

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

### 6. INTERESTS IN EXPLORATION PROPERTIES

Assets not subject to depreciation and amortization	Land	Mineral property rights	Construction in progress	Total
	\$	\$	\$	\$
<b>Cost, being carrying amount</b>				
<b>Balance, January 1, 2015</b>	166,030	976,384	-	1,142,414
Additions	-	-	6,938	6,938
Foreign currency translation	(17,099)	(144,177)	(17)	(161,293)
<b>Balance, December 31, 2015</b>	148,931	832,207	6,921	988,059
Transfer to depreciable property	-	-	(6,921)	(6,921)
Additions	-	-	484	484
Disposals	-	-	(493)	(493)
Foreign currency translation	2,431	43,172	9	45,612
<b>Balance, June 30, 2016</b>	<b>151,362</b>	<b>875,379</b>	<b>-</b>	<b>1,026,741</b>

  

Assets subject to depreciation and amortization	Building	Capital improvements	Field equipment	Vehicles	Office equipment and furniture	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance, January 1, 2015</b>	2,297,904	1,385,356	2,207,867	535,960	201,633	6,628,720
Additions	-	-	-	-	31,381	31,381
Disposals	-	-	(2,547)	-	-	(2,547)
Foreign currency translation	(236,638)	(142,666)	(280,013)	(55,194)	(28,977)	(743,488)
<b>Balance, December 31, 2015</b>	2,061,266	1,242,690	1,925,307	480,766	204,037	5,914,066
Additions	-	2,447	2,483	-	-	4,930
Transfer from construction in progress	-	6,921	-	-	-	6,921
Disposals	-	-	-	-	(5,295)	(5,295)
Foreign currency translation	33,625	20,400	67,163	7,842	8,776	137,806
<b>Balance, June 30, 2016</b>	<b>2,094,891</b>	<b>1,272,458</b>	<b>1,994,953</b>	<b>488,608</b>	<b>207,518</b>	<b>6,058,428</b>
<b>Accumulated depreciation and amortization</b>						
<b>Balance, January 1, 2015</b>	946,707	1,160,396	1,301,115	404,533	172,745	3,985,496
Depreciation for the year	211,264	130,890	266,408	90,108	14,907	713,577
Disposals	-	-	(2,547)	-	-	(2,547)
Foreign currency translation	(102,103)	(122,938)	(173,081)	(43,797)	(23,884)	(465,803)
<b>Balance, December 31, 2015</b>	1,055,868	1,168,348	1,391,895	450,844	163,768	4,230,723
Depreciation for the period	106,231	9,240	103,143	22,949	8,781	250,344
Disposals	-	-	-	-	(5,295)	(5,295)
Foreign currency translation	16,010	18,974	46,130	7,247	6,766	95,127
<b>Balance, June 30, 2016</b>	<b>1,178,109</b>	<b>1,196,562</b>	<b>1,541,168</b>	<b>481,040</b>	<b>174,020</b>	<b>4,570,899</b>
<b>Carrying amounts as at:</b>						
<b>December 31, 2015</b>	1,005,398	74,342	533,412	29,922	40,269	1,683,343
<b>June 30, 2016</b>	<b>916,782</b>	<b>75,896</b>	<b>453,785</b>	<b>7,568</b>	<b>33,498</b>	<b>1,487,529</b>

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

### TOTAL INTERESTS IN EXPLORATIONS PROPERTIES

	Six months ended June 30, 2016	Year ended December 31, 2015
	\$	\$
<b>Cost, beginning of period</b>	<b>6,902,125</b>	7,771,134
Additions	5,414	38,319
Disposals	(5,788)	(2,547)
Foreign currency translation	183,418	(904,781)
<b>Cost, end of period</b>	<b>7,085,169</b>	6,902,125
<b>Accumulated depreciation and amortization, beginning of period</b>	<b>4,230,723</b>	3,985,496
Depreciation and amortization	250,344	713,577
Disposals	(5,295)	(2,547)
Foreign currency translation	95,127	(465,803)
<b>Accumulated depreciation and amortization, end of period</b>	<b>4,570,899</b>	4,230,723
<b>Carrying amounts, beginning of period</b>	<b>2,671,402</b>	3,785,638
<b>Carrying amounts, end of period</b>	<b>2,514,270</b>	2,671,402

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

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

As at	June 30, 2016	December 31, 2015
	\$	\$
<b>Burkina Faso</b>		
Bomboré	720,399	679,714
Bondi	154,980	152,493
<b>Total mineral property rights</b>	<b>875,379</b>	832,207

#### **Bomboré, Burkina Faso**

The Bomboré (105 km<sup>2</sup>) and the Toéyoko (63 km<sup>2</sup>) exploration permits are located in the Ganzourgou province. The Bomboré permit was renewed in December 2012 for an exceptional two-year term that was to expire in February 2015. In January 2015, the Company received documentation for a final extension of the exploration permit of one year to February 2016. In May 2015, the Company submitted a mining permit application to the government of Burkina Faso for the Bomboré project. The permitting process includes public hearings and a review by the Ministry of Mines and Energy, the Ministry of Environment and Durable Development and the National Mining Commission in Burkina Faso. Subsequent to the end of the quarter, the Company received approval of the mining permit on August 11, 2016. Receipt of the formal mining permit and related mining convention documentation from the Burkina Faso tax department is expected in the coming months. For the portion of the exploration permit that expired in February 2016 not related to the area covered by the mining permit application, the Company reapplied on June 1, 2016, for the previous surrounding exploration areas and the application is pending.

The Toéyoko permit was acquired in July 2011 for a three-year term which expired in July 2014 but may be renewed for two more consecutive three-year terms. The Toéyoko permit renewal application was submitted prior to the permit expiry. The renewal was approved in August 2014 and the Company received final title documentation in respect to the extension on December 30, 2014. The Company owns a 100% interest in the permits.

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## Notes to the Condensed Consolidated Interim Financial Statements

For the six month periods ended June 30, 2016 and 2015

(Unaudited, expressed in United States dollars)

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### **Bondi, Burkina Faso**

The Bondi project consists of the Djarkadougou (168 km<sup>2</sup>) permit, which is located in the Bougouriba province. The Company owns a 100% interest in the permit. This permit was renewed in August 2012 for its final three-year term. However the Company applied for and received the approval of an exceptional three-year extension of the permit which will expire on August 18, 2018.

On May 24, 2016, the Company announced that it has agreed to sell its Bondi Gold Project (Djarkadougou exploration permit) to Sarama Resources (SWA-TSXV) in an all share deal consisting of 9.6M common shares of Sarama, 3.0M common share purchase warrants at C\$0.195 per share excisable for two years from the closing date and 2.0M common share purchase warrants at C\$0.24 per share exercisable for three years from the closing date. The sale also includes a US\$20/oz royalty on the first 200,000 ounces sold out of production from the Bondi permit area.

## **7. ROYALTY-BASED OBLIGATION**

### **(a) BACKGROUND**

On January 27, 2015, the Company announced the completion of a royalty purchase agreement (the "Agreement") with Sandstorm that provides up to \$8.0M in financing to advance its Bomboré Project. Sandstorm has initially purchased a 0.45% net smelter returns ("NSR") royalty payable by the Company on future revenues from Bomboré (the "Upfront Royalty") for \$3.0M. The Company has the option to buy back 100% of the Upfront Royalty prior to January 27, 2018, subject to a 10% per annum, non-compounded premium. Sandstorm has committed to provide the Company with up to an additional \$5.0M, above and beyond the \$3.0M already provided, (the "Standby Royalty") for a period of two years.

The Agreement also grants Sandstorm a right of first refusal ("ROFR") on all future gold stream financings ("Stream") completed by the Company up to three years subsequent to the commencement of commercial production on the Bomboré project. In the event that the Company completes a Stream and Sandstorm exercises its ROFR, the Standby Royalty may be repurchased if Sandstorm's participation in the Stream is \$30M or greater, or the total value of the Stream is \$80M or greater. The repurchase price would be equal to the sum of all tranches advanced to the Company under the Standby Royalty plus a premium of 30% if repurchased prior to 2018. For repurchases subsequent to 2018, the premium increases by 10% per annum.

To the extent that any amounts advanced under the Upfront Royalty and the Standby Royalty are not repurchased based on the above, the Agreement contains a provision that requires Orezone to pay, on or before January 15, 2025, any shortfall between the amounts advanced under the royalty and royalty payments received by Sandstorm.

The Agreement with Sandstorm was executed with Orezone and, while any related royalty obligations are calculated based on production from the Bomboré permit, they remain the obligation of Orezone. As security for the Agreement, Orezone has pledged all of the issued and outstanding shares of its subsidiary Orezone Inc. as well as its intercorporate account. No project level security has been provided (including security against the Bomboré permit); however, in the event that the Company completes a project debt financing, Sandstorm has the right to receive security for its royalty interest (if one exists at that time) equivalent to that being given to the project debt facility lender, which could include transferring the security to the Bomboré project permit(s).

### **(b) ACCOUNTING FOR THE ROYALTY-BASED OBLIGATION**

The NSR is classified as a financial liability at fair value through profit or loss. Due to the lack of a quoted price in an active market for a liability similar to the NSR, the Company calculates the fair value of the NSR by estimating the value a market participant would pay to purchase the creditor's interest in the liability. As a result, at each reporting date, the Company is required to make estimates and judgments as to its ability to successfully obtain financing to enable its exercise of the royalty buyback option, the probability that the Company will not repurchase the NSR and

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consequently will make royalty payments once in commercial production, and the probability that the Company will not bring the project into production or repurchase the royalty resulting in a return of capital obligation at the end of 2024. At June 30, 2016, the Company has recorded the royalty obligation at \$3.6M, which represents the fair value of this obligation which is the cost, including the related premium, of buying back the royalty from Sandstorm as at that date.

### 8. SHARE CAPITAL

#### (a) CAPITAL STOCK

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

On July 21, 2015, the Company completed a non-brokered private placement that resulted in the issuance of 21,666,666 common shares at a price of C\$0.30 per share. As a result of the transaction, the Company recorded C\$6,500,000 (\$5,014,750) as an increase to share capital along with share issuance costs of \$29,184 for net proceeds of \$4,985,566.

On March 30, 2016, the Company completed a non-brokered private placement that resulted in the issuance of the 10,000,000 common shares at a price of C\$0.50 per share. As a result of the transaction, the Company recorded C\$5,000,000 (\$3,857,500) as an increase to share capital along with share issuance costs of \$101,798 for net proceeds of \$3,755,702.

#### (b) SHARE-BASED PAYMENTS

##### Orezone Gold Corporation

The equity compensation plans which the Company has in place are the 2009 Stock Option Plan ("2009 Plan") that was re-approved by the shareholders at the Annual and Special Meeting of Shareholders on June 11, 2015 and the 2016 Stock Option Plan ("2016 Plan") that was adopted by the Company in connection with the Company's voluntary move from the TSX to the TSXV in December 2015. As part of the transition, the Company adopted the 2016 Plan that is compliant with the TSXV Policy 4.4. As a result, no new stock options can be granted under the 2009 Plan and as of June 30, 2016 there were 7,412,900 options granted and outstanding under the 2009 Plan. The Company's 2016 Plan was adopted by the Board of Directors and conditionally approved by the TSXV on November 16, 2015, and was approved by the shareholders at the AGM held June 22, 2016. The Company's 2016 Plan is a 10% "rolling" plan and, under the policies of the TSXV, must be approved on an annual basis by the shareholders of the Company. The number of shares reserved for issuance under the 2009 Plan and the 2016 Plan combined shall not exceed 10% of the Company's issued and outstanding common shares on a non-diluted basis. Subject to shareholder approval of the 2016 Plan being obtained, all future options granted by the Company will be granted under the 2016 Plan. The 2016 Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The 2016 Plan is administered by the directors of the Company and allows for options to be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. All options expire on a date no later than ten years after the date of grant of such option.

As at June 30, 2016, based on the Company's total common shares outstanding, a total of 12,745,036 stock options may be issued and outstanding. Based on this, the Company could grant up to 3,352,136 additional stock options beyond what was issued and outstanding as at June 30, 2016. TSXV approval is required to reserve the related common shares for issuance.

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Stock option activity between January 1, 2015 and June 30, 2016 was as follows:

Grant date	Expiry date	Exercise price	Opening balance	Activity during the period			Closing balance	Vested and exercisable <sup>1</sup>	Unvested
				Granted	Exercised	Forfeited			
		C\$	#	#	#	#	#	#	
05/15/2009	03/25/2019	0.36	1,125,000	-	-	125,000	1,000,000	1,000,000	-
05/26/2009	05/26/2019	0.40	2,050,000	-	100,000	237,500	1,712,500	1,712,500	-
07/08/2010	07/08/2020	0.85	430,500	-	-	40,500	390,000	390,000	-
10/21/2010	10/21/2020	2.35	200,000	-	-	-	200,000	200,000	-
04/27/2012	04/27/2017	1.70	1,954,150	-	-	582,250	1,371,900	1,371,900	-
05/14/2012	05/14/2017	1.70	10,000	-	-	-	10,000	10,000	-
12/17/2012	12/17/2017	1.50	916,000	-	-	227,500	688,500	688,500	-
06/04/2013	06/04/2018	1.50	200,000	-	-	-	200,000	200,000	-
01/30/2014	01/30/2019	0.65	1,600,000	-	-	360,000	1,240,000	1,240,000	-
05/26/2014	05/26/2019	0.65	300,000	-	-	-	300,000	300,000	-
10/13/2014	10/13/2019	0.75	300,000	-	-	-	300,000	200,000	100,000
02/08/2016	02/08/2026	0.30	-	1,980,000	-	-	1,980,000	660,006	1,319,994
<b>Totals</b>			9,085,650	1,980,000	100,000	1,572,750	9,392,900	7,972,906	1,419,994
<b>Weighted average exercise price</b>			C\$0.94	C\$0.30	C\$0.40	C\$1.11	C\$0.78	C\$0.86	C\$0.33

The grant date fair value is calculated using the Black-Scholes option pricing model. Where relevant, the expected life has been adjusted based on Management's best estimate for the effects of historical forfeitures and behavioural considerations. Expected volatility is based on the historical share price volatility. During the six month period ended June 30, 2016, the weighted average market share price at exercise date was C\$1.14 (2015 - C\$Nil as no options were exercised during this period). The outstanding options as at June 30, 2016 have a weighted average remaining contractual life of 3.92 years (2015 – 3.31 years).

The Black-Scholes option valuation model input factors used for stock options granted between January 1, 2015 and June 30, 2016 were as follows:

Grant date	Expiry date	Grant date market price	Exercise price	Weighted average value per stock option				Grant date fair value
				Risk-free interest rate	Expected life	Expected volatility	Dividend yield	
		C\$	C\$	%	(in years)	%	%	C\$
02/08/2016	02/08/2026	0.28	0.30	0.50	3.7	84.18	-	0.16

As at June 30, 2016, there was \$114,165 (2015 – \$185,315) 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 1.05 years.

### Dilutive Effect of Stock Options

For the three and six month periods ended June 30, 2016, 9,392,900 stock options (2015 – 9,085,650) which could have been dilutive were excluded from the computation of diluted earnings per share as the Company realized a net loss and it would be anti-dilutive to include them.

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### 9. NATURE OF EXPENSES

The components of exploration and evaluation costs and general and administrative costs for the three and six month periods ended June 30 were as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
			\$	\$
Drilling and assaying	27,294	17,093	123,777	40,207
Exploration and development studies	182,252	452,509	268,230	1,326,675
General, camp, infrastructure and other	212,141	392,381	430,573	693,889
Exploration surveys	51,498	72,311	93,519	169,188
<b>Total exploration and evaluation costs</b>	<b>473,185</b>	<b>934,294</b>	<b>916,099</b>	<b>2,229,959</b>
Salaries and employee costs	214,521	342,444	422,234	685,098
Public company costs	58,484	70,356	113,953	154,826
Professional fees	52,320	73,603	181,251	143,604
General and office costs	83,964	72,846	145,495	128,675
Investor relations and travel	33,689	47,842	57,891	87,715
<b>Total general and administrative costs</b>	<b>442,978</b>	<b>607,091</b>	<b>920,824</b>	<b>1,199,918</b>

Total short-term employee compensation and benefits expense excluding share-based compensation for the three and six month periods ended June 30, 2016 was \$495,716 and \$1,005,299 respectively (2015 – \$796,980 and \$1,592,592 respectively).

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 TSXV. Total G&A pertaining to the Company’s head office for the three and six month periods ended June 30, 2016 was \$250,429 and \$475,841 respectively (2015 – \$402,266 and \$810,192 respectively).

### 10. INCOME TAXES

On April 14, 2014, the Company’s Burkina Faso operating subsidiary (“SARL”) received a letter from the local tax authority indicating it intended to substantially re-assess taxes owing by the subsidiary. SARL disagreed with all of the positions presented in the letter, some of which were based on incorrect information, and responded formally with explanations of its original filing positions with reference to the Tax Code. In July 2014, SARL received a formal tax reassessment for a reduced amount of taxes and penalties in the amount of XOF 6,991,579,456 (\$11,978,458 at May 11, 2015, \$12,899,952 at December 31, 2014).

The subsidiary subsequently issued an appeal notice to the tax authority, who informally agreed to suspend efforts to request payment of the assessed amount until the appeal process was complete. Management was of the view that the filing positions taken, based on advice received from its local tax advisor, were based on reasonable interpretations of the Tax Code in effect for the periods covered by the reassessment. On May 11, 2015, the Company’s subsidiary, Orezone Inc. SARL, closed a settlement agreement with the local tax authority in the amount of XOF 100,000,000 (\$171,334) with respect to the re-assessment of taxes and penalties owing by the subsidiary. As a result of the settlement, the Company accrued an additional \$80,408 on March 31, 2015 thereby increasing the related tax liability to the settlement amount. The subsidiary remitted payment with respect to the settlement agreement on May 13, 2015.

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### 11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental details of the changes in non-cash working capital for the six month periods ended June 30 were as follows:

	2016	2015
	\$	\$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Trade and other receivables	(1,627)	(2,887)
Inventories	1,114	6,417
Prepaid expenses and deposits	(120,244)	(48,522)
Accounts payable and accrued liabilities	252,125	(482,360)
	131,368	(527,352)

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

Trade and other receivables, related to interest received	1,756	1,923
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### 12. 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	June 30, 2016	December 31, 2015
	\$	\$
Canada	24,983	30,552
Burkina Faso	2,489,277	2,640,850
	2,514,260	2,671,402

Total additions to the cost of interests in exploration properties segmented by geographic area for the six month periods ended June 30 were as follows:

	2016	2015
	\$	\$
Canada	-	1,726
Burkina Faso	5,414	-
	5,414	1,726

### 13. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed through its exploration and evaluation activities to the following financial risks: foreign currency risk, market price 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, accounts payable and accrued liabilities, and royalty-based obligation. The fair value of trade and other receivables,



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refundable deposits, and accounts payable and accrued liabilities are equivalent to their carrying amounts given their short maturity period.

The following taxes receivable, prepaid expenses and taxes 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	June 30, 2016	December 31, 2015
	\$	\$
Taxes receivable, included in trade and other receivables	13,175	12,778
Prepaid expenses, included in prepaid expenses and deposits	207,822	61,059
Taxes payable, included in accounts payable and accrued liabilities	19,594	41,046

### (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 Canadian dollars ("CAD"), United States dollars ("USD"), Euros ("EUR"), and Communauté Financière Africaine francs ("CFA"). Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

As at June 30, 2016	USD	CAD	EUR & CFA <sup>1</sup>	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash	121,356	5,510,439	466,804	6,098,599
Trade and other receivables	61	5,375	2,424	7,860
Deposits	-	-	25,714	25,714
	121,417	5,515,814	494,942	6,132,173
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	9,104	350,586	95,527	455,217
Royalty-based obligation	3,600,000	-	-	3,600,000
	3,609,104	350,586	95,527	4,055,217
<b>Net financial instruments, June 30, 2016</b>	<b>(3,487,687)</b>	<b>5,165,228</b>	<b>399,415</b>	<b>2,076,956</b>
As at December 31, 2015	USD	CAD	EUR & CFA <sup>1</sup>	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash	210,572	3,496,866	127,818	3,835,256
Trade and other receivables	887	4,360	2,006	7,253
Deposits	-	-	46,420	46,420
	211,459	3,501,226	176,244	3,888,929

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

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<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	544	79,461	89,221	169,226
Royalty-based obligation	3,300,000	-	-	3,300,000
	3,300,544	79,461	89,221	3,469,226
Net financial instruments, December 31, 2015	(3,089,085)	3,421,765	87,023	419,703

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):

<b>As at</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	\$	\$
CAD	(516,523)	(342,177)
EUR & CFA	(39,942)	(8,702)

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.

### (b) MARKET PRICE RISK

The Company held shares of a publicly traded company and was subject to the risk that the fair value or future cash flows of this financial instrument would fluctuate because of changes in the market price. The shares were sold March 19, 2014.

### (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 periods. 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 country 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

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mineral exploration permits will not be issued upon expiration of the third term or the government of Burkina Faso may apply to the mining sector new or unexpected tax policies.

### 14. FAIR VALUE MEASUREMENTS

#### (a) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

As at June 30, 2016, the Company's assets and liabilities recorded at fair value were as follows:

Fair value	June 30, 2016			December 31, 2015	
	Level 1	Level 2	Level 3	Total	Total
	\$	\$	\$	\$	\$
<i>Assets</i>					
Cash	6,098,599	-	-	6,098,599	3,835,256
<i>Liabilities</i>					
Royalty-based obligation	-	-	3,600,000	3,600,000	3,300,000

The Company did not transfer any assets or liabilities between levels on the fair value hierarchy and has not offset any of its financial assets against its financial liabilities.

#### (b) VALUATION TECHNIQUES

##### *Royalty-based obligation*

The valuation of the royalty-based obligation requires certain inputs that are both unobservable and significant, as a result it has been classified as Level 3 in the fair value hierarchy. The Company uses production data and timelines, from technical work completed on its project, as well as observable inputs such as gold price and the risk-adjusted discount rate in valuing the obligation.

	Six months ended June 30, 2016
Royalty-based obligation included in Level 3	\$
Balance, beginning of period	3,300,000
Change in fair value reported in other income (loss)	300,000
Balance, end of period	3,600,000

### 15. CAPITAL MANAGEMENT

As at June 30, 2016, the Company's capital consisted of \$6,098,599 of cash and \$142,262,158 of common shares (as at December 31, 2015 – \$3,835,256 and \$138,425,137).

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 June 30, 2016, the Company had contractual obligations for head office rent, professional fees, resource update costs, communication services, security services, IT services and equipment and inventory purchases and rentals in the amount of \$93,171 (as at December 31, 2015 – \$147,979). The schedule of certain payments is

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dependent upon the contractors' ability to complete various milestones, however it is expected that the majority of the commitments will be payable throughout the 2016 fiscal year.

As at August 18, 2016, the Company had further contractual obligations in the amount of \$281,411 for professional fees, resource update costs, RAP implementation, metallurgical testing, marketing costs, head office rent and equipment and inventory purchases and rentals, of which the majority are expected to be payable throughout the 2016 fiscal year.

### 17. KEY MANAGEMENT COMPENSATION

Key Management, Personnel and Director compensation for the three and six month periods ended June 30 was as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Short-term key management personnel compensation and benefits and director fees	<b>166,713</b>	298,896	<b>335,782</b>	604,422
Share-based compensation	<b>27,760</b>	67,892	<b>132,341</b>	136,376
	<b>194,473</b>	366,788	<b>468,123</b>	740,798

### 18. SUBSEQUENT EVENTS

#### FINANCING

On July 19, 2016, the Company announced that it has completed a C\$26.45M equity financing. A total of 26,450,000 common shares were issued at a price of C\$1.00 per share. The shares were sold by way of a short form prospectus in each of the provinces and territories of Canada other than Québec.

#### MINING PERMIT

On August 11, 2016 the Company received formal approval from the Council of Ministers of the Burkina Faso Government for the mining permit application submitted by the Company's local subsidiary Orezone Bomboré SA for its Bomboré Gold Project. The formal and related documentation is expected to follow in the coming months prior to any decision to mine the project.