

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, 2011

Financial Statements

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Orezone Gold Corporation

(A Development Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in United States dollars)

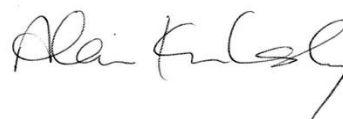
| As at | June 30, 2011 | December 31, 2010 | January 1, 2010 |
|--|-------------------|----------------------|--------------------|
| | \$ | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | 50,603,640 | 61,318,213 | 4,538,551 |
| Trade and other receivables | 184,726 | 61,450 | 21,904 |
| Inventories (Note 5) | 295,295 | 167,566 | 249,780 |
| Prepaid expenses and other current assets | 1,743,406 | 685,662 | 101,935 |
| Government deposits | - | - | 108,827 |
| | 52,827,067 | 62,232,891 | 5,020,997 |
| Interests in exploration properties (Note 6) | 4,556,162 | 2,713,780 | 2,548,231 |
| Total assets | 57,383,229 | 64,946,671 | 7,569,228 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 3,193,420 | 912,893 | 482,053 |
| EQUITY | | | |
| Share capital (Note 7(a)) | 123,316,216 | 122,818,816 | 62,990,088 |
| Contributed surplus (Notes 7(b), 7(c), 8) | 8,879,959 | 7,019,751 | 3,918,566 |
| | 132,196,175 | 129,838,567 | 66,908,654 |
| Accumulated other comprehensive income | 3,836,941 | 1,730,892 | - |
| Deficit | (82,196,979) | (68,764,382) | (59,821,479) |
| | (78,360,038) | (67,033,490) | (59,821,479) |
| Total shareholders' equity | 53,836,137 | 62,805,077 | 7,087,175 |
| Non-controlling interest (Note 8) | 353,672 | 1,228,701 | - |
| Total equity | 54,189,809 | 64,033,778 | 7,087,175 |
| Total liabilities and equity | 57,383,229 | 64,946,671 | 7,569,228 |

Commitments (Note 14)

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



Director



Director

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 Comprehensive Loss

For the three and six month periods ended June 30, 2011 and 2010

(Unaudited, expressed in United States dollars, except for share and per share amounts)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|--------------------|---------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Expenses | | | | |
| General and administrative (Note 9) | 1,243,890 | 452,028 | 2,273,683 | 1,039,481 |
| Depreciation and amortization | 80,450 | 52,100 | 160,741 | 105,501 |
| Share-based compensation (Note 7(b)) | 1,282,663 | 129,590 | 2,119,849 | 300,974 |
| Exploration and project development (Note 9) | 6,224,018 | 1,246,864 | 9,981,423 | 2,913,540 |
| | 8,831,021 | 1,880,582 | 14,535,696 | 4,359,496 |
| Other income (loss) | | | | |
| Foreign exchange gain (loss) | 6,159 | (226,768) | (137,504) | (448,737) |
| Finance income | 122,042 | 7,470 | 278,566 | 13,144 |
| Gain on sale of property, plant and equipment | - | - | - | 1,754 |
| | 128,201 | (219,298) | 141,062 | (433,839) |
| Net loss | (8,702,820) | (2,099,880) | (14,394,634) | (4,793,335) |
| Net loss attributable to: | | | | |
| Common shareholders | (8,197,057) | (2,031,033) | (13,432,597) | (4,717,713) |
| Non-controlling interest | (505,763) | (68,847) | (962,037) | (75,622) |
| Net loss per common share, basic and diluted | (0.10) | (0.03) | (0.16) | (0.07) |
| Weighted-average number of common shares outstanding, basic and diluted | 83,016,780 | 67,386,520 | 82,954,092 | 65,436,719 |
| Other comprehensive income (loss) | | | | |
| Net loss | (8,702,820) | (2,099,880) | (14,394,634) | (4,793,335) |
| Foreign currency translation gain (loss) | 517,691 | (14,337) | 2,193,057 | 244,288 |
| Comprehensive loss | (8,185,129) | (2,114,217) | (12,201,577) | (4,549,047) |
| Comprehensive loss attributable to: | | | | |
| Common shareholders | (7,706,355) | (2,064,502) | (11,326,548) | (4,489,067) |
| Non-controlling interest | (478,774) | (49,715) | (875,029) | (59,980) |

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, 2011 and 2010

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

| | Share capital | | Contributed surplus | Foreign currency translation reserve, being accumulated other comprehensive income ("AOCI") | Deficit | Non-controlling interest | Total |
|---|-------------------|--------------------|---------------------|---|---------------------|--------------------------|-------------------|
| | Shares | Amount | | | | | |
| | # | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, January 1, 2010 | 53,955,531 | 62,990,088 | 3,918,566 | - | (59,821,479) | - | 7,087,175 |
| Share capital issued | 13,340,000 | 9,470,844 | - | - | - | - | 9,470,844 |
| Share issuance costs | - | (804,204) | - | - | - | - | (804,204) |
| Stock options exercised | 330,000 | 204,668 | (83,691) | - | - | - | 120,977 |
| Share-based compensation | - | - | 299,549 | - | - | - | 299,549 |
| Foreign currency translation | - | - | - | 228,646 | - | 15,642 | 244,288 |
| Net loss | - | - | - | - | (4,717,713) | (75,622) | (4,793,335) |
| Change in subsidiary ownership interests (Note 8) | - | - | 2,838,699 | - | - | 1,968,230 | 4,806,929 |
| Balance, June 30, 2010 | 67,625,531 | 71,861,396 | 6,973,123 | 228,646 | (64,539,192) | 1,908,250 | 16,432,223 |
| Share capital issued | 14,375,000 | 53,246,000 | - | - | - | - | 53,246,000 |
| Share issuance costs | - | (2,937,650) | - | - | - | - | (2,937,650) |
| Warrants exercised | 250,000 | 222,857 | - | - | - | - | 222,857 |
| Stock options exercised | 617,500 | 426,213 | (172,742) | - | - | - | 253,471 |
| Share-based compensation | - | - | 644,859 | - | - | - | 644,859 |
| Foreign currency translation | - | - | - | 1,502,246 | - | 135,205 | 1,637,451 |
| Net loss | - | - | - | - | (4,225,190) | (279,720) | (4,504,910) |
| Change in subsidiary ownership interests (Note 8) | - | - | (425,489) | - | - | (535,034) | (960,523) |
| Balance, December 31, 2010 | 82,868,031 | 122,818,816 | 7,019,751 | 1,730,892 | (68,764,382) | 1,228,701 | 64,033,778 |
| Stock options exercised | 562,000 | 497,400 | (259,641) | - | - | - | 237,759 |
| Share-based compensation | - | - | 2,119,849 | - | - | - | 2,119,849 |
| Foreign currency translation | - | - | - | 2,106,049 | - | 87,008 | 2,193,057 |
| Net loss | - | - | - | - | (13,432,597) | (962,037) | (14,394,634) |
| Balance, June 30, 2011 | 83,430,031 | 123,316,216 | 8,879,959 | 3,836,941 | (82,196,979) | 353,672 | 54,189,809 |

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, 2011 and 2010

(Unaudited, expressed in United States dollars)

| | 2011 | 2010 |
|--|---------------------|-------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | (14,394,634) | (4,793,335) |
| Adjustments for: | | |
| Depreciation and amortization | 160,741 | 105,501 |
| Share-based compensation (Note 7(b)) | 2,119,849 | 300,974 |
| Foreign exchange loss | 137,504 | 448,737 |
| Gain on sale of property, plant and equipment | - | (1,754) |
| Finance income | (278,566) | (13,144) |
| Income tax paid | (34,777) | - |
| Changes in non-cash operating working capital (Note 9) | 1,037,434 | (152,125) |
| Net cash used in operating activities | (11,252,449) | (4,105,146) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of mineral property rights (Note 8) | - | (238,854) |
| Acquisition of property, plant and equipment | (1,777,298) | (82,228) |
| Interest received | 278,566 | 13,144 |
| Proceeds on disposal of property, plant and equipment | - | 1,754 |
| Net cash used in investing activities | (1,498,732) | (306,184) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from share issuance (Note 7(a)) | - | 9,470,844 |
| Share issuance costs (Notes 7(a), 9) | (100,980) | (804,204) |
| Net proceeds from private placement | - | 4,821,701 |
| Proceeds from exercise of stock options (Note 7(a)) | 237,759 | 120,977 |
| Net cash provided by (used in) financing activities | 136,779 | 13,609,318 |
| Effect of foreign currency translation on cash | 1,899,829 | 105,935 |
| Increase (decrease) in cash | (10,714,573) | 9,303,923 |
| Cash, beginning of period | 61,318,213 | 4,538,551 |
| Cash, end of period | 50,603,640 | 13,842,474 |

Supplemental cash flow information is provided in Note 9.

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

(Unaudited, expressed in United States dollars)

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's operations consist of the former exploration interests of Orezone Resources Inc. ("Resources"), excluding the Essakane gold project in Burkina Faso ("Essakane") which was acquired by IAMGOLD Corporation ("IMG") on February 25, 2009 as part of its business combination with Resources (the "Transaction"). 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 has not yet determined whether any of its mineral properties are technically feasible and commercially viable. The Company's primary objective is to maximize shareholder value by identifying and developing commercially exploitable gold deposits.

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 unaudited condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") expected to be in effect when the Company prepares its consolidated financial statements for the year ending December 31, 2011. As these Interim Financial Statements are part of the Company's first IFRS annual reporting period, IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), has been applied, thus these Interim Financial Statements do not include all the information required for full annual consolidated financial statements prepared in accordance with IFRS.

The Company previously prepared its consolidated interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). Certain disclosures that are required to be included in annual consolidated financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual consolidated financial statements prepared in accordance with CGAAP have been included in these Interim Financial Statements for the comparative annual period. However, these Interim Financial Statements do not include all of the information required for full annual consolidated financial statements. These Interim Financial Statements should be read in conjunction with the Company's 2010 annual consolidated financial statements. The adoption of IFRS resulted in changes to certain accounting policies as compared with the most recent annual consolidated financial statements prepared under CGAAP. The description of how the transition from CGAAP to IFRS has affected the reported financial results of the Company is provided in Note 16.

IFRS standards and interpretations are subject to change. Accordingly, the accounting policies for the annual period that are relevant to the Interim Financial Statements will only be finalized when the first annual consolidated financial statements are prepared in accordance with IFRS for the year ending December 31, 2011.

These Interim Financial Statements were authorized for issue by the Board of Directors on August 11, 2011.

Orezone Gold Corporation

(A Development Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

(b) BASIS OF MEASUREMENT

These Interim Financial Statements have been prepared on a historical cost basis and are presented in United States dollars, unless otherwise stated.

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 the consolidated financial statements are disclosed in Note 4.

These Interim Financial Statements have been prepared on a basis which assumes that the Company will continue operating for the foreseeable future. While the Company is in the exploration and evaluation phase, and 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 are expected to be adopted for the year ending December 31, 2011 and have been applied retrospectively and consistently to all periods presented in these Interim Financial Statements, including the opening consolidated statements of financial position as at January 1, 2010 for the purposes of the transition to IFRS, except where specific exemptions permitted an alternative treatment on transition to IFRS in accordance with IFRS 1 as disclosed in Note 16.

(a) BASIS OF CONSOLIDATION

These Interim 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, 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 period 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 thus exists, any losses of that subsidiary are attributed to the non-controlling interests even if that 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.

An associate is an entity in which the Company or its subsidiaries have significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. The Company does not currently have any associates.

The subsidiaries of the Company at June 30, 2011 and their principal activities are described below:

| Name of subsidiary | Place of incorporation | Ownership interest | Principal activity |
|---------------------------|-------------------------------|---------------------------|---------------------------|
| Orezone Inc. | British Virgin Islands | 100% | Exploration & Development |
| Orezone Inc. SARL | Burkina Faso | 100% | Exploration & Development |
| Brighton Energy Corp | Canada | 67% | Holding Company |
| Brighton Energy Limited | British Virgin Islands | 67% | Holding Company |
| Niger Resources Inc. | British Virgin Islands | 67% | Exploration & Development |
| Burkina Resources Inc. | British Virgin Islands | 100% | Inactive |

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

(b) FINANCIAL CURRENCY AND FOREIGN CURRENCY TRANSLATION

These Interim 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 at period-end 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 condensed 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 accumulated other comprehensive income 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. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses. Goodwill is reviewed annually for impairment or when there is an indication of potential impairment. If the fair value of the Company's share of the net identifiable assets exceeds the fair value of the consideration transferred and non-controlling interest at the acquisition date, the difference is immediately recognized in net income (loss). If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through net income (loss). 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 contributed surplus.

The Company has elected on transition to IFRS to not restate business combinations that preceded the transition date to IFRS.

Orezone Gold Corporation

(A Development Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

(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 derivative financial instruments, or financial instruments and other contracts that contain embedded derivatives. Embedded derivatives 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 has made the following classifications with respect to its financial instruments:

- Cash and government deposits are classified as FVTPL, which are measured at fair value.
- Trade and other receivables, excluding tax receivable balances that do not meet the definition of a financial instrument, and deposits included in interest in exploration properties are classified as loans and receivables, which are measured at amortized cost, using the effective interest method, less any impairment losses.
- 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.
- Derivative instruments are classified as FVTPL, which are measured at fair value.
- The Company does not currently have available-for-sale financial instruments.

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.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

(g) 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), whereas such costs were previously capitalized under CGAAP. The Company has also elected to retrospectively apply this exploration expenditure policy on transition to IFRS (see Note 16(d)).

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 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).

(h) 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. Additional environmental disturbances or changes in rehabilitation costs will also result in changes to the provision and corresponding assets in the period in which they occur. The Company does not currently have rehabilitation liabilities.

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Notes to the Condensed Consolidated Interim Financial Statements

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(i) 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. Land is not depreciated.

Mineral properties are depleted on a unit-of-production basis over the measured and indicated resources or the life of the mine. Property, plant and equipment unrelated to production are depreciated using the straight-line method over the estimated useful lives of the assets.

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.

The estimated useful lives for property, plant and equipment excluding land is as follows:

| | |
|--------------------------------|---------------|
| Buildings | 10 – 20 years |
| Field equipment | 2 – 10 years |
| Office equipment and furniture | 2 – 4 years |
| Vehicles | 4 years |
| Capital improvements | 5 – 10 years |

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

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 other maintenance and repairs 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.

(j) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses 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).

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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.

(k) PROVISIONS

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.

(l) INCOME TAXES

Income taxes, including all domestic and foreign taxes based on taxable profits, are included in net income (loss) or directly in equity depending on the items the taxes relate to. 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 assets and liabilities 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 period. 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. Current tax assets and liabilities are only offset to the extent that there is a legally enforceable right to offset them, when they have been levied by the same taxation authority for the same underlying legal entity and the Company intends to settle them on a net basis. 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 as it is not probable at the end of the reporting period that future taxable profits will be available against which such an asset can be realized.

(m) 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.

(n) EARNINGS (LOSS) PER SHARE

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

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 period including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares.

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(o) SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the "Plan") described in Note 7(b). The Company measures the compensation cost of stock options issued under the Plan 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 contributed surplus. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus 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 contributed surplus.

The Company has elected to not apply IFRS 2, "Share-Based Payments" ("IFRS 2"), retrospectively to equity-settled stock option grants that have fully vested at the transition date to IFRS.

(p) 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.

(q) 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.

(r) CHANGE IN ACCOUNTING ESTIMATES

As a result of a review of the estimated useful lives of its property, plant and equipment, the Company has changed the period of amortization for certain depreciable assets. As of April 1, 2011 the Company has 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 has 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 \$55,323 for the three month period ended June 30, 2011. As at June 30, 2011, the total impact on net income (loss) in future periods resulting from this change in estimate will be to spread the remaining impacted unamortized asset balance of \$139,061 to depreciation and amortization expense over a weighted-average amortization period of 5.0 years (1.25 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 three or six month periods ended June 30, 2011.

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

IFRS 9, “Financial Instruments”

This new standard is part of the 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 IFRIC 9, “Reassessment of Embedded Derivatives”. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IFRS 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 SIC 12, “Consolidation – Special Purpose Entities”. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

IFRS 11, “Joint Arrangements”

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

IFRS 12, “Disclosure of Interests in Other Entities”

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

IFRS 13, “Fair Value Measurement”

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

IAS 12, “Income Taxes”

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

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IAS 27, "Consolidated and Separate Financial Statements"

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

IAS 28, "Investments in Associates"

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the 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 period of change and future periods if the change impacts both periods.

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

5. INVENTORIES

The cost of material and supplies inventories recognized as an expense during the three and six month periods ended June 30, 2011 is \$624,670 and \$904,348 respectively (2010 – \$110,746 and \$328,343 respectively). There were no write-downs or reversals of write-downs of inventories to net realizable value during the first two quarters of 2011 or 2010. As at June 30, 2011, no specific inventories are pledged as security for liabilities.

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6. INTERESTS IN EXPLORATION PROPERTIES

| Assets not subject to depreciation and amortization | Land | Mineral property rights | Deposits | Construction in progress | Total | |
|--|------------------|-------------------------|-----------------|--------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | |
| Cost, being carrying amount | | | | | | |
| Balance, January 1, 2010 | 335,387 | 1,118,623 | 80,565 | - | 1,534,575 | |
| Additions | 8,559 | 238,854 | - | - | 247,413 | |
| Disposals and refunds | - | - | (5,316) | - | (5,316) | |
| Foreign currency translation | (11,979) | 19,605 | (4,242) | - | 3,384 | |
| Balance, December 31, 2010 | 331,967 | 1,377,082 | 71,007 | - | 1,780,056 | |
| Additions | - | - | - | 1,091,454 | 1,091,454 | |
| Transfer to depreciable property | - | - | - | (648,365) | (648,365) | |
| Foreign currency translation | 16,714 | 70,603 | 6,019 | 20,689 | 114,025 | |
| Balance, June 30, 2011 | 348,681 | 1,447,685 | 77,026 | 463,778 | 2,337,170 | |
| Assets subject to depreciation and amortization | | | | | | |
| | Building | Capital improvements | Field equipment | Vehicles | Office equipment and furniture | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| Balance, January 1, 2010 | 927,509 | - | 203,997 | - | 77,589 | 1,209,095 |
| Additions | 53,238 | 76,133 | 64,942 | - | 20,557 | 214,870 |
| Foreign currency translation | (59,944) | 1,152 | (12,025) | - | 4,378 | (66,439) |
| Balance, December 31, 2010 | 920,803 | 77,285 | 256,914 | - | 102,524 | 1,357,526 |
| Additions | 745,263 | 141,792 | 208,523 | 204,967 | 33,664 | 1,334,209 |
| Foreign currency translation | 106,557 | (14,076) | 32,140 | 7,356 | 86 | 132,063 |
| Balance, June 30, 2011 | 1,772,623 | 205,001 | 497,577 | 212,323 | 136,274 | 2,823,798 |
| Accumulated depreciation and amortization | | | | | | |
| Balance, January 1, 2010 | 78,220 | - | 76,732 | - | 40,487 | 195,439 |
| Depreciation for the year | 88,764 | 10,205 | 99,144 | - | 27,890 | 226,003 |
| Foreign currency translation | (297) | 175 | (613) | - | 3,095 | 2,360 |
| Balance, December 31, 2010 | 166,687 | 10,380 | 175,263 | - | 71,472 | 423,802 |
| Depreciation for the period | 60,226 | 14,718 | 52,022 | 13,158 | 20,617 | 160,741 |
| Foreign currency translation | 15,434 | 1,557 | 8,528 | 112 | (5,368) | 20,263 |
| Balance, June 30, 2011 | 242,347 | 26,655 | 235,813 | 13,270 | 86,721 | 604,806 |
| Carrying amounts as at: | | | | | | |
| January 1, 2010 | 849,289 | - | 127,265 | - | 37,102 | 1,013,656 |
| December 31, 2010 | 754,116 | 66,905 | 81,651 | - | 31,052 | 933,724 |
| June 30, 2011 | 1,530,276 | 178,346 | 261,764 | 199,053 | 49,553 | 2,218,992 |

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| | Six months ended June 30, 2011 | Year ended December 31, 2010 |
|--|--------------------------------------|------------------------------------|
| Total interests in exploration properties | \$ | \$ |
| Cost, beginning of period | 3,137,582 | 2,743,670 |
| Additions, net of transfers between depreciable and non-depreciable properties | 1,777,298 | 462,283 |
| Disposals and refunds | - | (5,316) |
| Foreign currency translation | 246,088 | (63,055) |
| Cost, end of period | 5,160,968 | 3,137,582 |
| Accumulated depreciation and amortization, beginning of period | 423,802 | 195,439 |
| Depreciation and amortization | 160,741 | 226,003 |
| Foreign currency translation | 20,263 | 2,360 |
| Accumulated depreciation and amortization, end of period | 604,806 | 423,802 |
| Carrying amounts, beginning of period | 2,713,780 | 2,548,231 |
| Carrying amounts, end of period | 4,556,162 | 2,713,780 |

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 June 30, 2011:

| | 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 | 02/13 and 07/14 | 07/20 | n/a |
| Sega | 2 | 313 | 03/13 and 06/12 | 03/16 and 06/15 | n/a |
| Bondi | 1 | 224 | 08/12 | 08/15 | n/a |
| Brighton (Uranium) | 5 | 3,958 | 11/12, 11/12, 10/12, 10/12 and 04/12 | 11/18, 11/18, 10/18, 10/18 and 04/18 | 05/27, 05/27, 04/27, 04/27 and 08/36 |
| | 10 | 4,663 | | | |

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

| As at | June 30, 2011 | December 31, 2010 | January 1, 2010 |
|--------------------------------------|------------------|----------------------|--------------------|
| | \$ | \$ | \$ |
| Burkina Faso | | | |
| Bomboré | 969,917 | 936,646 | 898,769 |
| Sega | 18,757 | 17,291 | 18,512 |
| Bondi | 203,999 | 188,059 | 201,342 |
| Total Burkina Faso | 1,192,673 | 1,141,996 | 1,118,623 |
| Brighton, Niger (Uranium) | 255,012 | 235,086 | - |
| Total mineral property rights | 1,447,685 | 1,377,082 | 1,118,623 |

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.

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Bomboré, Burkina Faso

The Bomboré (105 km²) and the Toéyoko (63 km²) permits are located in the Ganzourgou province. The Bomboré permit was renewed in January 2010 for its final three-year term. 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 less the standard net smelter royalty¹ ("NSR") and 10% carried interest held by the government in the event that a mining permit is granted.

Sega, Burkina Faso

The Sega project consists of the Tiba (124 km²) and Namasa (189 km²) permits. The Tiba permit is located in the Yatenga province and was renewed in April 2010 for its second consecutive three-year term, which expires in March 2013. The Namasa permit is located in the Yatenga and Zandoma provinces, expires in June 2012 and may be renewed for one more consecutive three-year term. The Company originally acquired the project from IAMGOLD Corporation (formerly Repadre Corporation) in 2001. Upon transfer, Repadre retained a 3% NSR in the project of which 2% can be bought back for \$2,000,000. The Company is also subject to the standard NSR¹ and 10% carried interest held by the government in the event that a mining permit is granted.

Bondi, Burkina Faso

The Bondi project consists of the Djarkadougou (224 km²) permit, which is located in the Bougouriba province and expires in August 2012. The Company owns a 100% interest in the permit less the standard NSR¹ and 10% carried interest held by the government in the event that a mining permit is granted. This permit may be renewed for one more consecutive three-year term.

Brighton, Niger (Uranium)

The Company, through its 67%-owned interest in Brighton Energy Corporation ("Brighton"), has five uranium exploration permits in Niger. Zéline 1 (482 km²) and Zéline 4 (500 km²) expire in October 2012 and may be renewed for two more three-year terms with permit size reductions. The Company also holds Mining Conventions relating to these two permits with terms of 20 years, which are renewable until the reserves are exhausted. The Abelajouad (2,000 km²) permit expires in April 2012, while the Assaouas 1 (491 km²) and Assaouas 2 (485 km²) permits expire in November 2012. These latter three permits may be renewed for two more three-year terms with permit size reductions.

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

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7. SHARE CAPITAL

(a) CAPITAL STOCK

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

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

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

(b) STOCK OPTION PLANS

Orezone Gold Corporation

On May 15, 2009, the Company's shareholders approved the Company's stock option plan (the "Plan"). Under the terms of the Plan, stock options may be granted to directors, officers, employees and persons providing ongoing services to the Company. Stock options are issued at market value based on the volume-weighted-average price for the five trading days immediately preceding the date of grant and can have a contractual term of up to ten years and generally vest over two to three years. The maximum number of common shares reserved for issuance under the Plan is equal to 10% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. The Company does not presently have any other security-based compensation arrangement. All stock options are equity-settled and are issued with a contractual life of ten years. As at June 30, 2011, a total of 8,343,003 stock options may be issued in relation to the Company's issued and outstanding shares. Up to and including June 30, 2011 there have been 8,120,000 stock options issued, 505,500 of those options have expired which leaves an additional 728,503 stock options that may be granted by the Company.

The following is a summary of stock option activity between January 1, 2010 and June 30, 2011:

| | Number of stock options | Weighted- average exercise price |
|---|----------------------------|--|
| | | C\$ |
| Balance outstanding, January 1, 2010 | 5,320,000 | 0.39 |
| Granted | 995,000 | 1.44 |
| Exercised | (947,500) | 0.41 |
| Forfeited | (440,000) | 0.50 |
| Balance outstanding, December 31, 2010 | 4,927,500 | 0.59 |
| Granted | 1,805,000 | 4.30 |
| Exercised | (562,000) | 0.41 |
| Forfeited | (65,500) | 2.77 |
| Balance outstanding, June 30, 2011 | 6,105,000 | 1.68 |
| Options exercisable, December 31, 2010 | 2,775,000 | 0.46 |
| Options exercisable, June 30, 2011 | 3,922,334 | 0.85 |

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As at June 30, 2011, the following stock options were outstanding and exercisable:

| Range of exercise prices | Outstanding | | | Exercisable | |
|--------------------------|---------------------|--|---|------------------|--|
| | Outstanding options | Remaining contractual life (in years) | Weighted-average outstanding exercise price | Vested options | Weighted-average vested exercise price |
| C\$ | | | C\$ | | C\$ |
| \$0.00 to \$0.49 | 3,292,500 | 7.85 | 0.39 | 3,292,500 | 0.39 |
| \$0.50 to \$0.99 | 697,500 | 8.72 | 0.74 | 130,500 | 0.57 |
| \$2.00 to \$2.99 | 300,000 | 9.32 | 2.35 | 100,000 | 2.35 |
| \$3.00 to \$3.99 | 50,000 | 9.39 | 3.65 | 16,000 | 3.65 |
| \$4.00 to \$4.99 | 1,765,000 | 9.70 | 4.31 | 383,334 | 4.44 |
| | 6,105,000 | 8.57 | 1.68 | 3,922,334 | 0.85 |

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

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

The following is a summary of stock option grant activity and related Black-Scholes option pricing model input factors used between January 1, 2010 and June 30, 2011:

| | Six months ended June 30, 2011 | Year ended December 31, 2010 |
|--|--------------------------------|------------------------------|
| Stock options granted during period | 1,805,000 | 995,000 |
| Weighted-average exercise price | C\$4.30 | C\$1.44 |
| Weighted-average grant date market price | C\$4.11 | C\$1.41 |
| Expected stock option life ¹ | 3.8 years | 7.8 years |
| Expected volatility ² | 85% | 83% |
| Risk-free interest rate ³ | 2.33% | 2.45% |
| Dividend yield | 0.00% | 0.00% |
| Weighted-average grant date fair value (Black-Scholes value) | C\$2.45 | C\$0.96 |

¹ The expected option life (estimated period of time outstanding) of options granted was estimated using the historical exercise behaviour of employees with reference to the then-current weighted-average life and intrinsic value of options outstanding as at the end of the reporting periods.

² The expected volatility was based on historical volatility of the Company since its listing date excluding the first three months of trading data as trading volume and behaviour during this period is not indicative of longer term expected volatility.

³ The risk-free rate is based on the yield of a Government of Canada marketable bond in effect at the time of grant with an expiry commensurate with the expected life of the award.

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The grant date fair value is calculated using the Black-Scholes option valuation model. As at June 30, 2011, there was \$2,699,425 (December 31, 2010 – \$624,069) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the Plan which are expected to be recognized over a weighted-average period of 1.31 years.

Contributed surplus as at June 30, 2011 and December 31, 2010 consists primarily of a share-based payment reserve related to stock options issued under the Plan, less the contributed surplus reserve amounts related to the Brighton common share purchase warrants described in Note 7(c) and the non-controlling interest transactions described in Note 8.

Brighton Energy Corporation

On December 22, 2010, the Board of Directors of Brighton, a 67%-owned subsidiary of the Company, approved the Brighton Energy Corporation stock option plan (the "2010 Plan"). Under the terms of the 2010 Plan, stock options may be granted to directors, officers and employees of Brighton or a related entity of Brighton and persons providing ongoing services to Brighton. Stock options shall be issued at a price fixed by Brighton's Board of Directors, if the board does not set a price the 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 June 30, 2011, a total of 1,500,000 options may be issued in relation to Brighton's issued and outstanding shares. Up to and including June 30, 2011 there have been 1,500,000 stock options issued which leaves no additional stock options that may be granted by Brighton.

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.

Given the early stage of development of Brighton's permits, the fact that Brighton is not publicly traded and the uncertainty with respect to whether the stock options will ever vest, and if they will on what timing, no share-based compensation costs have been recorded for the three and six month periods ended June 30, 2011, or the year ended December 31, 2010, related to the grant.

As at June 30, 2011, 1,500,000 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 9.49 years.

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(c) COMMON SHARE PURCHASE WARRANTS

Prior to the execution of the Transaction, Standard Bank ("Standard") held 2,000,000 warrants to purchase common shares of Resources at a price of C\$1.30 per share, expiring on August 29, 2010. Pursuant to the warrant agreement and the terms of the Transaction, the warrants did not expire upon a change of control, which the Transaction was deemed to be. Standard was therefore entitled to receive 0.08 common shares of IMG and 0.125 common shares of the Company for each warrant exercised subsequent to February 25, 2009. On March 13, 2009, IMG and the Company agreed on the ratio of the exercise price that would be received by each in the event that Standard exercises the warrants. On August 26, 2010, Standard exercised its warrants in the Company and as a result the Company issued 250,000 common shares in exchange for C\$234,000 (US\$222,857).

On October 4, 2010, the Board of Orezone Inc., a wholly-owned subsidiary of the Company, approved the issuance of 545,000 warrants to certain members of the Company and its subsidiaries' Management and Board of Directors to purchase 545,000 of the common shares of Brighton held by Orezone Inc. The warrants were issued at a price of C\$1.00, vested immediately and expire one year subsequent to the date of an initial public offering by Brighton or other corporate transaction. Contributed surplus as at June 30, 2011 and December 31, 2010 includes a \$69,591 reserve related to the Brighton common share purchase warrants.

8. BUSINESS COMBINATIONS AND NON-CONTROLLING INTEREST

The Company has elected on transition to IFRS to not restate business combinations that preceded the transition date to IFRS. 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 contributed surplus.

On March 2, 2010, Niger Resources Inc. ("NIRES"), a subsidiary of the Company, acquired three uranium exploration permits, Abelajouad, Assaouas 1 and Assaouas 2 from North Atlantic Resources Ltd. ("NAC") in exchange for a 20% interest in NIRES and C\$250,000 (US\$238,854) in cash consideration. This resulted in the Company's interest in NIRES being reduced from 100% to 80%. A non-controlling interest of (\$83,642) was recorded on the date of the transaction, with a corresponding equal addition recorded in contributed surplus, since the net assets of NIRES were (\$418,211) immediately before the transaction.

On June 30, 2010, the Company's 80%-owned subsidiary NIRES completed a non-brokered private placement whereby it issued 5,000,000 common shares in exchange for net proceeds of C\$4,984,695 (US\$4,806,929). As a result, the Company's ownership interest in NIRES was reduced to 53.33%. Accordingly, the Company's proportionate share of the increase in net assets of NIRES (C\$2,856,942 or US\$2,755,057) was recorded as an addition to contributed surplus with the balance of the increase (C\$2,127,753 or US\$2,051,872) recorded as an increase to non-controlling interest.

On August 31, 2010, all of the participants in the private placement, as well as NAC, exchanged their 7,000,000 common shares of NIRES for equivalent common shares of Brighton, a parent of NIRES. The non-controlling interest ownership percentages of Brighton following the transaction equalled their ownership percentages of NIRES immediately before the transaction.

On September 8, 2010, the Company closed a share purchase agreement to purchase all the outstanding shares of Brighton owned by NAC for C\$1,000,000 (US\$960,523). As a result of the transaction, the Company's interest in Brighton increased to 66.67% and the non-controlling interest was reduced by US\$535,034 while the residual US\$425,489 was deducted from contributed surplus.

Contributed surplus as at June 30, 2011 and December 31, 2010 includes a \$2,413,210 reserve related to the above non-controlling interest transactions.

Cash of \$2.7 million reported by the Company as at June 30, 2011 was raised in NIRES to be used to advance uranium exploration projects in Niger (as at December 31, 2010 – \$4.1 million).

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9. EXPENSES

The following is a summary of expenses presented by nature detail for expenses presented by function on the condensed consolidated statements of comprehensive loss for 2011 and 2010:

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|--|------------------------------------|------------------|----------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Salaries and employee costs | 744,756 | 230,932 | 1,188,933 | 441,508 |
| General office costs | 209,280 | 47,185 | 449,359 | 250,866 |
| Public relations and travel | 154,251 | 73,113 | 292,893 | 160,555 |
| Public company costs | 71,567 | 58,905 | 196,181 | 109,000 |
| Professional fees | 64,036 | 41,893 | 146,317 | 77,552 |
| Total general and administrative | 1,243,890 | 452,028 | 2,273,683 | 1,039,481 |
| Drilling and assaying | 3,482,917 | 693,008 | 5,655,630 | 1,760,463 |
| General camp and facilities costs | 1,122,193 | 285,706 | 1,740,603 | 633,048 |
| Engineering and consultants | 1,063,630 | 28,101 | 1,676,852 | 120,527 |
| Salaries and employee costs | 555,278 | 240,049 | 908,338 | 399,502 |
| Total exploration and project development | 6,224,018 | 1,246,864 | 9,981,423 | 2,913,540 |

Total employee benefits expense excluding share-based compensation for the three and six month periods ended June 30, 2011 is \$1,300,034 and \$2,097,271 respectively (2010 – \$470,981 and \$841,010 respectively).

10. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the six month periods ended June 30, 2011 and 2010 was as follows:

| | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| Details of changes in non-cash operating working capital are as follows: | | |
| Trade and other receivables | (119,971) | (38,269) |
| Inventories | (127,729) | 90,403 |
| Prepaid expenses and other current assets | (1,057,744) | (89,727) |
| Accounts payable and accrued liabilities | 2,342,878 | (114,532) |
| | 1,037,434 | (152,125) |
| Details of changes in non-cash financing working capital related to the share issuance costs are as follows: | | |
| Accounts payable and accrued liabilities | (100,980) | 14,772 |

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11. 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. Operations are carried out through a wholly-owned subsidiary, Orezone Inc., incorporated in the British Virgin Islands.

The carrying amounts of interests in exploration properties (see Note 6) segmented by geographic area were as follows:

| As at | June 30, 2011 | December 31, 2010 | January 1, 2010 |
|--------------|--------------------------|----------------------|--------------------|
| | \$ | \$ | \$ |
| Canada | 21,680 | 31,052 | 37,102 |
| Burkina Faso | 4,032,840 | 2,244,068 | 2,312,329 |
| Niger | 501,642 | 438,660 | 198,800 |
| | 4,556,162 | 2,713,780 | 2,548,231 |

Total net additions to the cost of interests in exploration properties segmented by geographic area were as follows:

| | Six months ended June 30, 2011 | Year ended December 31, 2010 |
|--------------|---|------------------------------------|
| | \$ | \$ |
| Canada | 3,608 | 20,557 |
| Burkina Faso | 1,744,048 | 183,205 |
| Niger | 29,642 | 253,205 |
| | 1,777,298 | 456,967 |

12. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, trade and other receivables, deposits (included in interests in exploration properties) and accounts payable and accrued liabilities. The fair value of trade and other receivables, deposits and accounts payable and accrued liabilities are equivalent to their carrying amounts given their short maturity period. As at June 30, 2011 and December 31, 2010, the following taxes receivable and payable balances are included in the consolidated statements of financial position that do not meet the definition of a financial instrument, and are thus excluded from the analysis of financial instrument risk that follows:

| As at | June 30, 2011 | December 31, 2010 |
|---|--------------------------|----------------------|
| | \$ | \$ |
| Taxes receivable, included in trade and other receivables | 129,309 | 31,758 |
| Taxes payable, included in accounts payable and accrued liabilities | 108,524 | 93,262 |

(a) CURRENCY RISK

In the normal course of operations, the Company is exposed to currency risk due to business transactions in foreign countries. The Company mainly transacts in United States dollars ("USD"), Canadian dollars ("CAD"), Euros ("EUR"), and Communauté Financière Africaine francs ("CFA"). Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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The USD equivalent of the Company's financial instruments by denomination currency as at June 30, 2011 and December 31, 2010 was as follows:

| As at June 30, 2011 | USD | CAD | EUR & CFA ¹ | Total |
|---|------------------|-------------------|------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash | 4,808,539 | 34,487,563 | 11,307,538 | 50,603,640 |
| Trade and other receivables | - | 55,417 | - | 55,417 |
| Deposits | - | - | 77,026 | 77,026 |
| | 4,808,539 | 34,542,980 | 11,384,564 | 50,736,083 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | (840,669) | (509,126) | (1,735,101) | (3,084,896) |
| Net financial instruments, June 30, 2011 | 3,967,870 | 34,033,854 | 9,649,463 | 47,651,187 |

| As at December 31, 2010 | USD | CAD | EUR & CFA ¹ | Total |
|---|----------------|-------------------|------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash | 883,221 | 59,578,326 | 856,666 | 61,318,213 |
| Trade and other receivables | - | 26,693 | 2,999 | 29,692 |
| Deposits | - | - | 71,007 | 71,007 |
| | 883,221 | 59,605,019 | 930,672 | 61,418,912 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | (54,544) | (634,295) | (130,792) | (819,631) |
| Net financial instruments, December 31, 2010 | 828,677 | 58,970,724 | 799,880 | 60,599,281 |

As at June 30, 2011 and December 31, 2010, 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 | June 30, 2011 | December 31, 2010 |
|-----------|------------------|----------------------|
| | \$ | \$ |
| CAD | (3,403,385) | (5,897,072) |
| EUR & CFA | (964,946) | (78,962) |
| | (4,368,331) | (5,976,034) |

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

| As at | June 30, 2011 | December 31, 2010 | January 1, 2010 |
|---------------------|------------------|----------------------|--------------------|
| | Level 1, \$ | Level 1, \$ | Level 1, \$ |
| Cash | 50,603,640 | 61,318,213 | 4,538,551 |
| Government deposits | - | - | 108,827 |

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

¹ 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) 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 as a result of the equity financings which closed on January 26, 2010 and December 21, 2010 (see Note 7(a)) and the private placement which closed on June 30, 2010 (see Note 8). 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.

(c) CREDIT RISK

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

(d) 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.

13. CAPITAL MANAGEMENT

As at June 30, 2011, the Company's capital consisted of cash of \$50,603,640 and common shares of \$123,316,216 (as at December 31, 2010 – \$61,318,213 and \$122,818,816 respectively).

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

The Company's capital structure was modified during the year ended December 31, 2010 in order to meet these objectives. In January 2010, the Company undertook an equity financing at C\$0.75 per share with gross proceeds of C\$10,005,000 (net proceeds of C\$9,155,779) and in December 2010, the Company undertook another equity financing at C\$3.75 per share for gross proceeds of C\$53,906,250 (net proceeds of C\$50,934,774). As well, in August 2010, the Company's warrants were exercised, resulting in the issuance of 250,000 common shares at C\$0.94 per share for gross proceeds of C\$234,000. See Note 7(a) for US\$ equivalents.

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14. COMMITMENTS

As at June 30, 2011, the Company had contractual obligations for drilling activities, airborne geophysical surveys, in-hole geophysics, social economic studies and camp construction costs in the amount of \$1,037,363 (commitments as at December 31, 2010 – \$3,802,687). The schedule of certain payments is dependent upon the contractors' ability to complete various milestones, however it is expected that all of the commitments will be payable during 2011.

Subsequent to June 30, 2011, the Company entered into further contractual obligations in the amount of \$342,183 for drilling activities and analytical laboratory services which are expected to be payable during 2011.

15. RELATED PARTY TRANSACTIONS

(a) ADMINISTRATIVE FEES

In the three and six month periods ended June 30, 2011, the Company charged \$8,657 and \$33,955 respectively (2010 – \$13,194 and \$13,194 respectively) in administrative fees to Northern Graphite ("Northern") for rent, expenses incurred on its behalf and administrative and geological services that were provided by the Company to Northern during the periods. During these periods, the Company's former Senior Vice President ("SVP") was a director and President of Northern as well as a director of Northern's parent company, Industrial Minerals Inc. The Company's former SVP continues to act in the capacity of director for three of the Company's subsidiaries. The Company's President and CEO is a director of Northern.

(b) KEY MANAGEMENT COMPENSATION

The following is a summary of Key Management Personnel and Director compensation in 2011 and 2010:

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|--|------------------------------------|-------------|----------------------------------|-------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | \$ | \$ | \$ | \$ |
| Short-term employee benefits and director fees | 504,522 | 146,257 | 835,049 | 298,979 |
| Share-based compensation (Note 7(b)) | 1,231,464 | 108,984 | 1,939,274 | 245,310 |
| | 1,735,986 | 255,241 | 2,774,323 | 544,289 |

16. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), requires that comparative financial information be provided so as a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS the Company prepared its consolidated financial statements in accordance with CGAAP. In preparing the Company's opening IFRS consolidated financial statements, the Company has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with CGAAP.

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RECONCILIATION OF EQUITY

| As at | December 31, 2010 | June 30, 2010 | January 1, 2010 |
|---|----------------------|-------------------|--------------------|
| | \$ | \$ | \$ |
| Equity under CGAAP | | | |
| Share capital | 122,818,816 | 71,861,396 | 62,990,088 |
| Contributed surplus | 4,547,697 | 3,970,585 | 3,783,071 |
| Accumulated other comprehensive income ("AOCI") | 483,211 | 483,211 | 483,211 |
| Deficit | (30,265,434) | (29,962,220) | (31,580,772) |
| Total equity under CGAAP | 97,584,290 | 46,352,972 | 35,675,598 |
| Contributed surplus, effect of transition to IFRS | | | |
| Change in subsidiary ownership interests (e) | 2,413,210 | 2,838,699 | - |
| Share-based compensation (c) | 58,844 | 163,839 | 135,495 |
| | 2,472,054 | 3,002,538 | 135,495 |
| AOCI, effect of transition to IFRS | | | |
| Elimination of cumulative translation adjustment (b) | (483,211) | (483,211) | (483,211) |
| Foreign currency translation of foreign operations (f) | 1,730,892 | 228,646 | - |
| | 1,247,681 | (254,565) | (483,211) |
| Deficit, effect of transition to IFRS | | | |
| Reversal of CGAAP dilution gain (e) | (2,563,535) | (2,563,535) | - |
| Expensing of capitalized CGAAP exploration costs (d) | (34,973,632) | (32,180,695) | (28,834,896) |
| Net loss attributable to non-controlling interest (d) | 381,450 | 75,622 | - |
| Elimination of cumulative translation adjustment (b) | 483,211 | 483,211 | 483,211 |
| Share-based compensation (c) | (58,844) | (163,839) | (135,495) |
| Foreign currency translation of foreign operations (f) | (1,767,598) | (227,736) | 246,473 |
| | (38,498,948) | (34,576,972) | (28,240,707) |
| Non-controlling interest, effect of transition to IFRS | | | |
| Reclassify CGAAP non-controlling interest to equity (e) | 1,629,136 | 2,243,394 | - |
| Change in subsidiary ownership interests (e) | (169,832) | (275,164) | - |
| Foreign currency translation of foreign operations (f) | 150,847 | 15,642 | - |
| Deficit (b), (c), (d), (e), (f) | (381,450) | (75,622) | - |
| | 1,228,701 | 1,908,250 | - |
| Total equity, effect of transition to IFRS | | | |
| Change in subsidiary ownership interests (e) | 2,243,378 | 2,563,535 | - |
| Elimination of cumulative translation adjustment (b) | (483,211) | (483,211) | (483,211) |
| Share-based compensation (c) | 58,844 | 163,839 | 135,495 |
| Foreign currency translation of foreign operations (f) | 1,881,739 | 244,288 | - |
| Deficit (b), (c), (d), (e), (f) | (38,880,398) | (34,652,594) | (28,240,707) |
| | (35,179,648) | (32,164,143) | (28,588,423) |
| Equity under IFRS | | | |
| Share capital | 122,818,816 | 71,861,396 | 62,990,088 |
| Contributed surplus | 7,019,751 | 6,973,123 | 3,918,566 |
| Accumulated other comprehensive income | 1,730,892 | 228,646 | - |
| Deficit | (68,764,382) | (64,539,192) | (59,821,479) |
| Non-controlling interest | 1,228,701 | 1,908,250 | - |
| Total equity under IFRS | 64,033,778 | 16,432,223 | 7,087,175 |

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RECONCILIATION OF THE CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| For the three months ended June 30, 2010 | CGAAP as previously reported | Effect of transition to IFRS | IFRS |
|---|------------------------------------|------------------------------------|-------------|
| | \$ | \$ | \$ |
| Expenses | | | |
| General and administrative (d) | 349,478 | 102,550 | 452,028 |
| Depreciation and amortization (d) | 6,944 | 45,156 | 52,100 |
| Share-based compensation (c), (d) | 118,129 | 11,461 | 129,590 |
| Exploration and project development (d) | - | 1,246,864 | 1,246,864 |
| | 474,551 | 1,406,031 | 1,880,582 |
| Other income (loss) | | | |
| Dilution gain (e) | 2,563,535 | (2,563,535) | - |
| Foreign exchange loss (f) | (160,033) | (66,735) | (226,768) |
| Finance income (f) | 7,388 | 82 | 7,470 |
| | 2,410,890 | (2,630,188) | (219,298) |
| Net income (loss) | 1,936,339 | (4,036,219) | (2,099,880) |
| Net income (loss) attributable to: | | | |
| Common shareholders | 1,936,339 | (3,967,372) | (2,031,033) |
| Non-controlling interest (d) | - | (68,847) | (68,847) |
| Net income (loss) per common share, basic and diluted | 0.03 | (0.06) | (0.03) |
| Weighted-average number of common shares | | | |
| outstanding, basic | 67,386,520 | - | 67,386,520 |
| Weighted-average number of common shares | | | |
| outstanding, diluted | 70,066,642 | (2,680,122) | 67,386,520 |
| Other comprehensive income (loss) | | | |
| Net income (loss) | 1,936,339 | (4,036,219) | (2,099,880) |
| Foreign currency translation loss (f) | - | (14,337) | (14,337) |
| Comprehensive income (loss) | 1,936,339 | (4,050,556) | (2,114,217) |
| Comprehensive income (loss) attributable to: | | | |
| Common shareholders | 1,936,339 | (4,000,841) | (2,064,502) |
| Non-controlling interest | - | (49,715) | (49,715) |

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RECONCILIATION OF THE CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| For the six months ended June 30, 2010 | CGAAP as previously reported | Effect of transition to IFRS | IFRS |
|--|------------------------------------|------------------------------------|-------------|
| | \$ | \$ | \$ |
| Expenses | | | |
| General and administrative (d) | 731,060 | 308,421 | 1,039,481 |
| Depreciation and amortization (d) | 13,835 | 91,666 | 105,501 |
| Share-based compensation (c), (d) | 240,458 | 60,516 | 300,974 |
| Exploration and project development (d) | - | 2,913,540 | 2,913,540 |
| | 985,353 | 3,374,143 | 4,359,496 |
| Other income (loss) | | | |
| Dilution gain (e) | 2,563,535 | (2,563,535) | - |
| Foreign exchange gain (loss) (f) | 25,587 | (474,324) | (448,737) |
| Finance income (f) | 13,029 | 115 | 13,144 |
| Gain on sale of property, plant and equipment (f) | 1,754 | - | 1,754 |
| | 2,603,905 | (3,037,744) | (433,839) |
| Net income (loss) | 1,618,552 | (6,411,887) | (4,793,335) |
| Net income (loss) attributable to: | | | |
| Common shareholders | 1,618,552 | (6,336,265) | (4,717,713) |
| Non-controlling interest (d) | - | (75,622) | (75,622) |
| Net income (loss) per common share, basic and diluted | 0.03 | (0.10) | (0.07) |
| Weighted-average number of common shares outstanding, basic | 65,436,719 | - | 65,436,719 |
| Weighted-average number of common shares outstanding, diluted | 68,028,667 | (2,591,948) | 65,436,719 |
| Other comprehensive income (loss) | | | |
| Net income (loss) | 1,618,552 | (6,411,887) | (4,793,335) |
| Foreign currency translation gain (f) | - | 244,288 | 244,288 |
| Comprehensive income (loss) | 1,618,552 | (6,167,599) | (4,549,047) |
| Comprehensive income (loss) attributable to: | | | |
| Common shareholders | 1,618,552 | (6,107,619) | (4,489,067) |
| Non-controlling interest | - | (59,980) | (59,980) |

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RECONCILIATION OF THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

The main impact of the transition to IFRS on the consolidated statements of cash flows for the six months ended June 30, 2010, is an increase of cash flows used in operating activities by \$3,254,105 and a corresponding decrease of cash flows used in investing activities of the same amount. The change is due to the Company's policy under IFRS for mineral exploration costs (see (d) below) which differs from the previous treatment under CGAAP.

EXPLANATION OF TRANSITION IMPACT

Optional exemptions

The Company applied the following IFRS 1 applicable exemptions in the conversion from CGAAP to IFRS:

(a) Business combinations

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

(b) Cumulative translation differences

IFRS 1 allows first-time adopters to elect to eliminate all previously recorded cumulative translation differences related to foreign operations at the Transition Date. The Company has chosen to apply this election. The Company's application of this election has resulted in a decrease to accumulated other comprehensive income of \$483,211, with a corresponding decrease to deficit as at January 1 and December 31, 2010.

(c) Share-based compensation

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "Share-Based Payments" ("IFRS 2"), to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the Transition Date. The majority of the Company's stock option grants under its 2009 Stock Option Plan were not vested prior to January 1, 2010. The Company has therefore elected to apply IFRS 2 to all stock options granted under the 2009 Stock Option Plan.

IFRS 2 and CGAAP are largely converged, with the exception of two main differences affecting the Company's stock option grants. IFRS 2 does not allow straight-line amortization of compensation expense related to stock options granted with a graded vesting schedule. The attribution method is instead required which effectively splits the grant into separate units for valuation purposes based on the vesting schedule. Additionally, IFRS 2 requires the incorporation of an estimate of forfeiture rates. Under CGAAP, the Company's policy was to account for forfeitures as they occurred.

The Company's application of IFRS 2 has the following impact:

| As at | December 31, 2010 | January 1, 2010 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Condensed consolidated statements of financial position | | |
| Increase to contributed surplus | 58,844 | 135,495 |
| Increase to deficit | (58,844) | (135,495) |

Orezone Gold Corporation

(A Development Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

| | Six months ended June 30, 2010 | Three months ended June 30, 2010 |
|---|--------------------------------------|--|
| | \$ | \$ |
| Condensed consolidated statements of comprehensive loss | | |
| Increase (decrease) to share-based compensation expense, and increase (decrease) to net loss, and increase (decrease) to net loss attributable to common shareholders | 28,344 | (5,516) |

Mandatory exceptions

The application of the following mandatory exemptions did not have a financial impact on the Company's condensed consolidated statements of comprehensive loss for the three and six month periods ended June 30, 2010.

De-recognition of financial assets and liabilities

The Company has applied the de-recognition requirements in IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), prospectively from the Transition Date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with CGAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under CGAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy. As a result, the Company has not used hindsight to revise estimates.

Impacts of policy selection and application of IFRSs

(d) Mineral exploration costs

Similar to CGAAP, IFRS allows the choice of either capitalizing or expensing costs related to mineral exploration. Under CGAAP the Company's policy was to capitalize mineral exploration costs. Capitalized exploration costs included an allocation of directly attributable administrative and support costs, depreciation of property, plant and equipment used for exploration activities and share-based compensation.

Under IFRS, the Company's policy is to charge costs incurred in the exploration phase to expense until certain criteria have been met (see Note 3(g)). Further, only direct costs related to mineral exploration activities are included as part of exploration expenses. The Company's application of this policy has the following impact:

| As at | December 31, 2010 | January 1, 2010 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Condensed consolidated statements of financial position | | |
| Decrease to interest in exploration properties, and total assets | (34,973,632) | (28,834,896) |
| Decrease to non-controlling interest | (381,450) | - |
| Increase to deficit | (34,592,182) | (28,834,896) |
| Decrease to total equity | (34,973,632) | (28,834,896) |

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

| | Six months ended June 30, 2010 | Three months ended June 30, 2010 |
|--|--------------------------------------|--|
| | \$ | \$ |
| Condensed consolidated statements of comprehensive loss | | |
| Increase to general and administrative expense | 308,421 | 102,550 |
| Increase to depreciation and amortization expense | 91,666 | 45,156 |
| Increase to share-based compensation expense | 32,172 | 16,977 |
| Increase to exploration and project development expense | 2,913,540 | 1,246,864 |
| Increase to net loss | (3,345,799) | (1,411,547) |
| Increase to net loss attributable to: | | |
| Common shareholders | (3,270,177) | (1,342,700) |
| Non-controlling interest | (75,622) | (68,847) |

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

Subsequent to the Transition Date, the main impact to the Company's financial results of the application of IFRS 3 to business combinations has been the accounting for changes in subsidiary ownership interests that do not result in a loss of control (see Note 8).

Under IFRS, non-controlling interest is presented as a component of equity whereas under CGAAP it is not. The reconciliation of equity includes the impact of reclassifying the non-controlling interest CGAAP balance into equity.

On March 2, 2010, under IFRS the Company recorded a non-controlling interest of (\$83,642), with a corresponding addition of \$83,642 to contributed surplus, as part of the transaction whereby NAC acquired a 20% interest in the Company's subsidiary NIRES. Under CGAAP \$nil was allocated to contributed surplus and non-controlling interest for the same transaction. The difference in treatment is largely driven by the fact that under CGAAP, NIRES had capitalized mineral exploration costs that offset its liabilities at the transaction date, whereas under IFRS, the net assets of NIRES were (\$418,211) immediately before the transaction primarily because mineral exploration costs are no longer capitalized (see (d) below). IFRS permits a negative non-controlling interest to be recorded.

On June 30, 2010, under CGAAP the Company recorded a dilution gain, and a corresponding increase to net income, of \$2,563,535 as part of the \$4,806,929 private placement that saw the non-controlling interest of NIRES increased by \$2,243,394, and from 20% to 46.67% ownership. Under IFRS the Company recorded additions of \$2,755,057 to contributed surplus and \$2,051,872 to non-controlling interest. Under IFRS no dilution gain is recorded so the deficit is also \$2,563,535 higher than the treatment under CGAAP for the same transaction.

On September 8, 2010, the Company closed a share purchase agreement to purchase all the outstanding shares of the Company's subsidiary Brighton held by NAC for \$960,523, and under CGAAP recorded \$320,157 in capitalized mineral property acquisition costs, no longer capitalized under IFRS, and a \$640,366 decrease to non-controlling interest. Under IFRS, the Company recorded decreases of \$425,489 to contributed surplus and \$535,034 to non-controlling interest respectively for the same transaction.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in United States dollars)

(f) Functional currency determination

Both CGAAP and IFRS require that functional currency be evaluated by legal entity, but the criteria to determine the functional currency of a given entity differs between CGAAP and IFRS. IAS 21, "Changes in Foreign Exchange Rates" ("IAS 21"), outlines the criteria that must be used in determining functional currency by legal entity. Upon application of IAS 21, the Company reached different conclusions as to the functional currency of each of its legal entities. In particular the functional currency of Orezone Gold Corporation is the Canadian dollar under IAS 21, whereas it was the United States dollar under CGAAP. Further, the Company has chosen to retain the United States dollar as its presentation currency (see Note 3(b)). The Company's application of IAS 21 has the following impact:

| As at | December 31, 2010 | January 1, 2010 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Condensed consolidated statements of financial position | | |
| Increase (decrease) to inventories | (596) | 76,542 |
| Increase to prepaid expenses and other current assets | 7,752 | 1,922 |
| Increase to interests in exploration properties | 106,985 | 168,009 |
| Increase to total assets | 114,141 | 246,473 |
| Increase to accumulated other comprehensive income | 1,730,892 | - |
| Decrease (increase) to deficit | (1,767,598) | 246,473 |
| Increase to non-controlling interest | 150,847 | - |
| Increase to total equity | 114,141 | 246,473 |

| | Six months ended June 30, 2010 | Three months ended June 30, 2010 |
|--|--------------------------------------|--|
| | \$ | \$ |
| Condensed consolidated statements of comprehensive loss | | |
| Increase to foreign exchange loss | (474,324) | (66,735) |
| Increase to finance income | 115 | 82 |
| Increase to net loss, and net loss attributable to common shareholders | (474,209) | (66,653) |

| | Six months ended June 30, 2010 | Three months ended June 30, 2010 |
|---|--------------------------------------|--|
| | \$ | \$ |
| Condensed consolidated statements of comprehensive loss | | |
| Increase to foreign currency translation gain (loss), and decrease (increase) to comprehensive loss | 244,288 | (14,337) |
| Decrease (increase) to comprehensive loss attributable to: | | |
| Common shareholders | 228,646 | (33,469) |
| Non-controlling interest | 15,642 | 19,132 |