OREZONE GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

August 15th, 2011

General

This Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess material changes in the financial position and results of operations for Orezone Gold Corporation (the "Company") for the three and six-month periods ended June 30, 2011, in comparison to the corresponding prior-year periods. This document should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2011 ("Interim Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements. The MD&A is also intended to supplement and complement the audited annual consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2010 (collectively, the "Annual Financial Statements"). As a result, this MD&A should also be read in conjunction with the Annual Financial Statements and Annual Information Form ("AIF") on file with the Canadian provincial securities regulatory authorities, for the year ended December 31, 2010. All dollar amounts in this MD&A are in United States dollars, unless otherwise specified. This MD&A has taken into account information available up to and including August 15, 2011.

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

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

Nature of Operations

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 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.

Although the Company began trading publicly on February 25, 2009, the projects, Management and Board represent the continuation of Resources' successful track record in Burkina Faso extending back to its inception in 1996. This includes the acquisition, exploration, development, financing, construction and divestiture of Essakane, the largest gold deposit in Burkina Faso. Burkina Faso is on track to become the fourth largest African gold producer in 2011 and much of this production will come from Essakane. Burkina Faso has similar geology, but is relatively underexplored, compared to the neighboring countries of Mali and Ghana where more major discoveries have been made and a number of large mines have been built. Bomboré, one of the largest undeveloped gold deposits in Burkina, was acquired by Resources in 2002 at much lower gold prices.

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

The Company has three advanced stage gold projects in Burkina Faso, being Bomboré, Sega and Bondi. In 2011, the Company is continuing to focus on advancing its Bomboré and Sega projects towards feasibility and production decisions. The Company expects to have completed all critical tasks necessary to make production decisions for Bomboré and Sega by Q2 2012. In Q3 2010, Brighton Energy Corporation ("Brighton"), the Company's 67%-owned subsidiary that operates uranium exploration permits in Niger, West Africa, resumed exploration. Until November 2009, Brighton's permits were under force majeure as a result of security issues in northern Niger. Brighton began drilling its highest priority targets in late 2010 and commenced an airborne survey during June 2011. The following table provides the NI 43-101 qualified resources on the Company's projects:

Table 1 - NI 43-101 Qualified Resources

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

* using a 0.5 g/t cut-off, except for Bomboré which uses a cut-off of 0.30 g/t for oxide material, 0.35 g/t for transition material and 0.50 g/t for fresh material.

Significant developments during, and subsequent to the second quarter of 2011 included:

- On April 6, 2011, the Company expanded the Board with the addition of Mr. Patrick Downey, a mining engineer with over 30 years of experience that includes senior positions at several large-scale gold mining operations. The Company also announced that Mr. Keith Peck, a financial advisor focused on the resource sector, was nominated and at the annual general meeting of shareholders held on May 27, 2011 he was elected to the board. 600,000 incentive stock options were approved and granted to the new directors. The Company also announced the return of Mr. Sean Homuth as CFO and the addition of Mr. George McTaggart as VP Corporate Development;

- On April 11, 2011, the Company reported positive metallurgical test results on its 100% owned Sega gold deposit. All test results for the near surface oxide and transition (semi-oxidized) resources are better than expected and will improve the economics of the project;

- On May 16, 2011 the Company announced another extensive uranium discovery in Niger by its 67% owned subsidiary Brighton. Brighton completed a 39-hole, 9,446 m reconnaissance drilling program on its 491 km^2 Assaouas 1 exploration permit that is located 60 km to the southwest of the city of Agadez;

- On May 26, 2011 the Company announced additional drill results from the ongoing 170,000 m drill program at its 100% owned Bomboré Gold Project in Burkina Faso. Results included 27 core holes (4,303 m) and 205 reverse circulation (RC) holes (10,450 m), mostly from the Siga South area where the last resource estimate (Oct. 2010) was based only on widely spaced RC holes. Siga South represents the southern 1.6 km of the +11 km long Bomboré resource model. The RC drill results at Siga South indicate a similar width but significantly higher grades than expected (+65%) in the oxide zone. The core holes, many of which are still pending, also indicate a grade 24% higher than expected but widths are so far about 25% less than expected, yielding a grade-width product in line with the model in the sulphide zone;

- On June 20, 2011 the Company announced the results of a positive NI 43-101 compliant Preliminary Economic Assessment (the "Study") that evaluates the potential of both open pit heap leach (HL) and carbon-in-leach (CIL) scenarios for its Bomboré Gold Project. The Study demonstrated that both scenarios are potentially economically feasible if inferred resources can be substantially upgraded to the indicated category and more extensive technical studies confirm the preliminary information available for the Study;

- On July 26, 2011 the Company announced additional positive drill results from the ongoing 170,000 m infill and expansion drill program at Bomboré. Results included 265 reverse circulation (RC) holes (13,914 m) and 34 core holes (5,387 m), from the southern 5 km of the 11 km Bomboré resource. The objectives of the drill program are to expand and upgrade sulphide resources with core drilling at depth, as well as to upgrade and expand near-surface oxide resources with reverse circulation drilling (RC). With 40% of the drilling completed to date, the results have been successful at achieving both objectives and will contribute to improving the economics of the project; and

- On August 8, 2011 the Company announced it has been granted exploration rights to an additional 63 km^2 of prospective ground adjacent to its Bomboré gold project in Burkina Faso. The Toéyoko permit extends the project footprint to the south and southwest by 60%. The Bomboré resource model and mineralization currently spans a 14 km distance where regional gold-in-soil geochemistry and auger drilling results indicate there's potential for mineralization to extend from Bomboré onto the new Toéyoko permit.

Exploration Activity

Table 2 – Project Drilling and Exploration Expenses

Three months ended June 30

	2011					2010				
	Meters Drilled*	**Drilling & Assaying**	**Camp & Facilities**	**Engineering & Consultants**	**Salaries & Benefits**	**Meters Drilled**	**Drilling & Assaying**	**Camp & Facilities**	**Engineering & Consultants**	**Salaries & Benefits**
	(m)	($)	($)	($)	($)	(m)	($)	($)	($)	($)
Bomboré	43,845	3,120,173	782,228	267,625	407,981	11,184	683,945	191,225	-	186,977
Sega	10,000	122,417	132,640	28,464	63,029	-	8,353	18,911	4,090	7,476
Bondi	-	-	4,256	-	4,552	-	710	7,616	-	8,736
Brighton - Niger Uranium	3,341	240,327	203,069	767,541	79,716	-	-	67,954	24,011	36,860
Total	57,186	3,482,917	1,122,193	1,063,630	555,278	11,184	693,008	285,706	28,101	240,049

Six months ended June 30

	2011					2010				
	Meters Drilled*	**Drilling & Assaying**	**Camp & Facilities**	**Engineering & Consultants**	**Salaries & Benefits**	**Meters Drilled**	**Drilling & Assaying**	**Camp & Facilities**	**Engineering & Consultants**	**Salaries & Benefits**
	(m)	($)	($)	($)	($)	(m)	($)	($)	($)	($)
Bomboré	69,322	4,496,736	1,227,421	657,176	656,509	45,511	1,751,373	490,952	69,801	304,388
Sega	10,000	148,031	201,286	79,035	98,911	-	8,353	16,576	23,964	20,361
Bondi	-	-	8,818	-	8,500	-	737	14,746	2,695	16,325
Brighton - Niger Uranium	16,477	1,010,863	303,078	940,641	144,418	-	-	110,774	24,067	58,428
Total	95,799	5,655,630	1,740,603	1,676,852	908,338	45,511	1,760,463	633,048	120,527	399,502

* includes auger drilling

Bomboré Project

The Company is evaluating the economic potential of Bomboré to host a large-tonnage, low-grade, conventional Carbon in Leach ("CIL") operation as well as a Heap Leach ("HL") operation of the near surface oxide resource. Located only 85 km east of the capital city, the project has excellent infrastructure with access to sufficient water, a paved national highway, local power nearby and a large labour force. Resources remain open at depth and for the most part on strike. The Company will spend approximately $24 million to complete 170,000 m of infill and expansion drilling by Q1 2012. The program will consist of auger drilling aimed at developing targets for expansion as well as approximately 85,000 m of reverse circulation (RC) and 85,000 m of core drilling to upgrade and expand the resource. The Company released the Study during Q2 2011 as an interim step to complete pre-feasibility by year-end and full feasibility by Q2 2012. As the Company progresses through the drill program, interim updates of the resources and geological model will be released and will ultimately form the basis for the full feasibility study.

Based on the positive results of the detailed metallurgical test program undertaken in 2009, the Company completed a 42,456 m, 619-hole RC drilling program during the first half of 2010 to infill and expand the oxide resource at Bomboré. A new geological model and a resource update were completed by Orezone, audited by SRK Consulting (Canada) Inc. and released on October 19, 2010 (see Table 1 above).

The 2010 resources are based on 120,000 m of drilling to an average vertical depth of 60 m. The geological model indicates continuity and consistency across the weathering profile. The resources occur at surface to a depth of up to 170 m in five main zones contained within the Bomboré geochemical anomaly. Over 80% of the resource occurs within 80 m from surface. The gold-in-soil anomaly overlying the resource extends virtually uninterrupted at a level of +0.1 g/t for more than 14 km and represents the largest gold anomaly in Burkina Faso.

In June 2011, the Company announced the results of a positive NI 43-101 compliant Study that evaluates the potential of both open pit heap leach (HL) and carbon-in-leach (CIL) scenarios for its 100% owned Bomboré Gold Project in Burkina Faso, West Africa. The Study demonstrates that both scenarios are potentially economically feasible if inferred resources can be substantially upgraded to the indicated category and more extensive technical studies confirm the preliminary information available for the Study. The Base Case financial model yields an after tax IRR of 9.9% (HL) and 6.9% (CIL) to Orezone, using Whittle pit shells based on a $1000/oz gold price, revenues based on a $1100/oz gold price, $80/bbl oil and all other costs being current market. The after tax IRR improves to 27.8% (HL) and 19.7% (CIL) from revenues at a $1500/oz gold price, $120/bbl oil and the same $1000/oz Whittle pit shells.

The current 170,000 m drill program will expand and upgrade the shallow (50 m) oxide resource and increase the average vertical depth of drilling to from 60 to 120 m to expand and upgrade the underlying sulphide resource. Drill results released to date (as of August 15, 2011) highlight the potential to significantly expand the current resource as well as increase continuity and grades in the mineralized zones. One example is Siga South where drilling has confirmed that it connects with Siga West resulting in 3.7 km of continuous mineralization with a vertical depth of up to 170 m. The zone remains open at depth and along strike and warrants futher drilling to test the full potential. In the 2010 resource model, Siga South amounted to 1.6 km of the 11 km Bomboré resource and was classified as an inferred resource supported only by shallow widely-spaced drill holes. The infill and expansion drill results to date already indicate that this area will have a positive impact on the next resource update expected in Q1 2012, and further improve the economics of the project.

Drilling and assaying expenditures at Bomboré in the three and six month periods ended June 30, 2011 increased by $2.4 million and $2.7 million respectively over the prior year comparative periods due to both an increase in the number of meters drilled as well as the proportion of more expensive core drilling. The Company completed 22,220 m of diamond drilling (DD) out of total 69,322 m in the six month period ended June 30, 2011 vs a total of 45,511 m drilled in the same period in 2010 with no DD being completed. In the three month period ended June 30, 2011, the Company completed 14,961 m of DD drilling out of total of 43,845 m drilled vs. a total of 11,184 m drilled in the same period in 2010 with no DD being completed. Camp and facility costs as well as salaries and benefits have also increased as the Company has substantially increased it's headcount in country to support the increased drilling activity. In the three and six-month periods ended June 30, 2011, these costs have increased a total of $858k and $1.3 million respectively over the comparative prior periods. Expenses related to engineering and consultants have increased by $268k and $587k respectively for the three and six-month periods ended June 30, 2011 mainly due to the completion of the Study.

The Bomboré project area consists of two permits located in the Ganzourgou province. The original Bomboré permit (105 km^2) was renewed in January 2010 for its final three-year term and the Toéyoko permit (63 km^2) 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 royalty[1] ("NSR") and 10% carried interest held by the government in the event that a mining permit is granted.

Sega Project

Sega is being evaluated as a possible Heap Leach operation. The 2010 resource update incorporated the results of an additional 8,050 m RC and 4,421 m core drilling completed in 2007 and 2008 and resulted in an increase from 446,000 to 450,000 ounces in the Indicated category and from 64,000 to 147,000 ounces in the Inferred category. In 2010, the Company initiated metallurgical testing and other critical activities necessary to advance the project towards a pre-feasibility stage. The Company released detailed metallurgical results early in Q2 2011 and is in a position to evaluate the economics of the project prior to proceeding with a pre-feasibility study. The Company plans to spend approximately $2 million on exploration and feasibility-type programs in 2011.

The Company acquired the original Seguenega permit from IAMGOLD Corporation (formerly Repadre Corporation) in 2001. Upon transfer, Repadre retained a 3% NSR of which 2% can be bought back for $2 million. In April 2010, the Company was granted its second three-year renewal of the Tiba permit.

Exploration expenditures for the Sega project in the three and six month periods ended June 30, 2011 increased over the comparative prior year period as a result of the detailed metallurgical study undertaken in 2010 and the execution of a 10,000 m auger drilling program. Work during the previous year was limited to the completion of an in-house 43-101 compliant resource update.

Bondi Project

Bondi is a shallow, structurally controlled, 4 km long shear zone hosted gold deposit that contains 282,000 ounces of Measured and Indicated gold resources at a grade of 2.12 g/t and 149,700 ounces of Inferred at a grade of 1.84 g/t. During 2009, the Company undertook an air core drilling program to test an additional 4 km strike extension south along the Bondi structure. The program was successful and intercepted geochemical anomalies 50 times the background level of gold, along the trend on widely-spaced (≥1,000 m) drill fences. The Company is currently evaluating the potential for a northern extension and thereby a means to increase the resource to a level necessary to support a mining operation. The Company hopes to undertake a $1 million program of detailed metallurgical work and high-resolution airborne geophysics survey in 2011 to follow up high priority targets and to better evaluate the economic potential of the project. Since all resources and finances are focused on Bomboré and Sega, some of this program may not be completed until 2012.

Limited external work was completed during the three and six month periods ended June 30, 2011 and the comparative prior year period and as a result overall expenditures were relatively low. Expenditures for the three and six month periods ended June 30, 2011 decreased from the comparative prior year period as the Company's activities were limited to Niton XRF analyses, the trenching program and a review of the geological model while in the comparative prior year period work included compilation to identify potential extensions, field mapping and validation of the current resource model. The Company's 2010 expenditures of $66k did not meet the minimum annual expenditure requirement for the permit however it is able to carry-forward excess amounts from previous years in order to satisfy the annual minimum. As the Company has spent well above the minimum requirements in earlier years, it has sufficient expenditures to satisfy all requirements under the permit.

[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/km^2 to $15,306/km^2 for the first five years, to $20,408/km^2 for the next five years and then to $30,612/km^2 from the eleventh year on, based on current XOF exchange rates.

Brighton – Niger Uranium

The exploration activities in Niger are operated by Brighton, a 67%-owned subsidiary holding five Niger uranium permits through its wholly owned subsidiary Niger Resources Inc. ("NIRES"). In the three and six month periods ended June 30, 2011, activities included the continued reconnaissance drilling on the Zéline 1 and Assaouas 1 permits, as well as compilation, water well sampling and high-resolution airborne geophysics on all the permits. The Company began a drilling program on its Zéline 1 permit during Q4 2010; this program was completed during Q1 2011 and followed by a drilling program on the Assaouas 1 permit. The Company has completed an airborne geophysical survey of all five tenements subsequent to quarter end, the results of which are currently being compiled and will be released in Q4 2011. The Company plans to resume drilling on the project in Q4 2011 once the results of the airborne survey have been compiled. These activities account for higher exploration expenses over the comparative prior year period during which work was limited as a result of the force majeure.

The Company acquired three of the five uranium exploration permits during Q1 2010. The uranium permits were under force majeure due to the security risks in the region until November 27, 2009. Brighton received permit extensions to account for the period of force majeure and has budgeted $3 million towards completing various exploration activities on the permits. Related work began in Q3 2010. Activities to be continued during 2011 will include drilling of high priority targets, completion of the airborne geophysical survey and follow-up ground mapping, prospecting and sampling.

On June 30, 2010 NIRES completed a non-brokered private placement whereby it issued 5,000,000 common shares in exchange for gross proceeds of CAD $5 million (US $4.8 million). The funds will be used to finance the $3 million exploration program as well as to follow-up any positive results thereafter in 2011. As a result of the transaction, the Company's interest in NIRES was reduced from 80% to 53.33%. 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. Subsequent to this transaction, a wholly-owned subsidiary of the Company, Orezone Inc., purchased from NAC all of the outstanding shares of Brighton that it owned for CAD $1 million. The transaction closed on September 8, 2010 and resulted in the Company's interest in Brighton increasing to 66.67%.

Financial Review

The results of operations for the three and six month periods ended June 30, 2011 and 2010 were:

	Three Months ended June 30		Six Months ended June 30	
	2011	2010	2011	2010
Expenses				
General and administrative	1,243.9	452.0	2,273.7	1,039.5
Depreciation and amortization	80.5	52.1	160.7	105.5
Share-based compensation	1,282.7	129.6	2,119.9	301.0
Exploration and project development	6,224.0	1,246.9	9,981.4	2,913.5
	8,831.1	1,880.6	14,535.7	4,359.5
Other income (loss)	128.2	(219.3)	141.1	(433.8)
Non-controlling interest	505.8	68.9	962.0	75.6
Net loss attributable to common shareholders	(8,197.1)	(2,031.0)	(13,432.6)	(4,717.7)
Foreign currency translation loss (gain) attributable to common shareholders	490.7	(33.5)	2,106.1	228.6
Total comprehensive loss attributable to common shareholders	(7,706.4)	(2,064.5)	(11,326.5)	(4,489.1)
Net loss per common share – basic and diluted	(0.10)	(0.03)	(0.16)	(0.07)

The Company is still in the exploration and evaluation phase and does not yet have revenue-generating activities. Accordingly, the Company's financial performance is largely a function of the level of exploration activities undertaken on the active projects and the administrative expenses required to operate and carry out its exploration activities as well as other items such as interest income and foreign exchange gains/losses. Below is a discussion of the major items impacting net loss for the three and six month periods ended June 30, 2011 and 2010.

Exploration and project development costs in the three and six month periods ended June 30, 2011 increased by $5.0 million and $7.1 million, respectively, compared to the same periods in 2010. The increased expenditures are mainly due to increased drilling activity at Bomboré and Niger, expenses related to camp and road construction at Bomboré, the airborne survey in Niger and the Study completed on the Bomboré project as described above (refer to Exploration Activity).

General and administrative expenses, which includes head office expenses and administration costs at the Company's projects, in the three and six month periods ended June 30, 2011 increased by $0.8 million and $1.2 million respectively, compared to the same periods in 2010, mainly due to:

- an increase in salaries and benefits of $513.8k and $747.4k respectively due to the hiring of additional staff and annual salary revisions;
- an increase in public relations and travel of $81.1 and $132.3k respectively due to increased presence at key conferences and trade shows as well as increased marketing activities;
- an increase in public company costs of $12.7k and $87.2k respectively due mostly to increased director compensation and higher TSX listing fees; and
- an increase in professional fees of $22.1k and $68.8k respectively due to the implementation of IFRS and increased audit and legal fees.

Share-based compensation expense recognized during the three and six month periods ended June 30, 2011 represents an increase of $1.2 million and $1.8 million over the same periods in 2010, resulting primarily from the impact of 1,055,000 and 750,000 options granted during the three and six month periods ended June 30, 2011, of which 17% and 27% respectively (21% combined) vested immediately upon issuance. No options were granted during the six month period ended June 30, 2010.

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

- In the three and six month periods ended June 30, 2011 there was a decrease in the foreign exchange loss on the conversion of foreign currencies of $232.9k and $311.2 respectively;
- Interest income for the three and six month periods ended June 30, 2011 increased by $114.6k and $265.4k respectively as a result of higher treasury balance in 2011;
- In the three and six month periods ended June 30, 2011 a $436.9k and $886.4k decrease in non-controlling interest ("NCI"). The Company's NCI represents equity interests in Brighton owned by outside parties. Under IFRS, income or loss as well as a portion of the accumulated other comprehensive income must be attributed to the NCI.

Summary of Quarterly Results

The following summarized financial data has been prepared in accordance with IFRS except the 2009 data which has been prepared in accordance with CGAAP and should be read in conjunction with the Company's interim consolidated financial statements for those periods. All net loss figures are presented in 000's (other than "per share" amounts).

	2011 IFRS		2010 IFRS				2009 Canadian GAAP	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net loss	(8,197.1)	(5,235.5)	(2,674.1)	(1,551.1)	(2,031.0)	(2,686.7)	(520.1)	(193.9)
Net loss per share	(0.10)	(0.06)	(0.04)	(0.02)	(0.03)	(0.05)	(0.01)	(0.00)

Variations in net losses over the four quarters in 2010 resulted mainly from quarterly fluctuations in the level of exploration costs, administrative expenses, and exposure to foreign currency fluctuations. Whereas, it was the Company's policy to capitalize exploration expenses under Canadian GAAP and therefore fluctuations in the 2009 quarterly net loss/loss per share were mainly due to the level of administrative expenses and exposure to foreign currency fluctuations.

Liquidity and Capital Resources

The Company had cash of $50.6 million at June 30, 2011, a decrease of $10.7 million compared to the $61.3 million cash position at December 31, 2010.

The Company has no cash flow generating operations and its long-term financial success is highly dependent on Management's ability to discover economically viable mineral deposits. The Company has sufficient capital resources to pursue its exploration program on its projects in 2011 based on its working capital balance of $49.6 million. Additional financing will be required in the future should the Company decide to bring one of its projects into production. There can be no assurance that the Company will be able to obtain adequate financing in the future to fund such activities or that the terms of such financing will be favorable.

Share Capital Information

As at August 15, 2011, the Company had 83,430,031 common shares outstanding (fully diluted – 89,535,031), as well as the following stock options.

Number of options Outstanding	Exercise Price Range
3,292,500	$0.00 to $0.49
697,500	$0.50 to $0.99
-	$1.00 to $1.99
300,000	$2.00 to $2.99
50,000	$3.00 to $3.99
1,765,000	$4.00 to $4.99
6,105,000	$1.68*

*Weighted average strike price

Contractual Obligations

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 $1.0 million, all of which are due within one year. Subsequent to June 30, 2011, the Company entered into further contractual obligations in the amount of $342.2k relating to drilling activities and analytical laboratory services which are also due within one year.

Off Balance Sheet Agreements

The Company does not have any off balance sheet agreements.

Transactions with Related Parties

In the three and six month periods ended June 30, 2011 the Company charged $8.7k and $34.0k, respectively (2010 – $13.2k and $13.2k respectively), in administrative fees to Northern Graphite ("Northern") for rent, administrative and geological services that were provided by the Company to Northern. 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.

Proposed Transactions

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

Risks and Uncertainties

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

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

For a more detailed discussion of the above risk factors, refer to the Company's Annual Information Form filed for the year ended December 31, 2010.

Recently Issued Accounting Pronouncements

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 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 Re-valued Non-Depreciable Assets". This amendment is effective for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The application of this pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

IAS 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.

Critical Accounting Estimates

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

Conversion to International Financial Reporting Standards

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with CGAAP. Conversion to IFRS was required for all Canadian publicly listed companies for the first financial period ending subsequent to January 1, 2011. Given the requirement to present comparative financial information, the Company's effective date of transition to IFRS was January 1, 2010. The Interim Financial Statements referenced herein have been prepared in accordance with IAS 34, "Interim Financial Reporting", and IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The Company continues to monitor changes in IFRS issued by the International Accounting Standards Board ("IASB") and their potential impact on the Company's financial statements. The Company will make necessary adjustments as the new pronouncements and changes become effective.

Note 16 to the Interim Financial Statements contains a detailed discussion of the differences between the Company's financial statements under CGAAP and IFRS. Note 16 also includes a detailed reconciliation from CGAAP to IFRS of the Company's statement of equity as at January 1, 2010 June 30, 2011 and December 31, 2010 as well as its statement of operations and comprehensive loss for the three and six month periods ended June 30, 2010. Below is a summary discussion of some of the key impacts of conversion to IFRS:

1) Optional Exemptions on First-time Adoption

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

Business combinations

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

Fair value or revaluation as deemed cost

IFRS 1 allows first time adopters to elect to measure an item of property, plant and equipment at January 1, 2010 at its fair value and to use the resulting fair value as its deemed cost from that date forward. The Company has elected not to revalue its property, plant, and equipment at the transition date and will continue to carry them at their historical amortized cost.

Cumulative translation differences

IFRS 1 allows first time adopters to elect to, at the date of transition, eliminate all previously recorded cumulative translation differences related to foreign operations. The Company has chosen to apply this election. The application of this election has resulted in a decrease in accumulated other comprehensive income of $0.5 million, with a corresponding decrease in deficit, as at January 1, 2010 and December 31, 2010.

Share-based payment transactions

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 date of transition. The majority of the Company's stock option grants under its 2009 Stock Option Plan were not vested prior to January 1, 2010. The Company has therefore elected to apply IFRS 2 to all stock options granted under the 2009 Stock Option Plan. The application of IFRS 2 has resulted in an increase to contributed surplus (and corresponding increase to deficit) of $135.5k and $58.8k as at January 1, 2010 and December 31, 2010 respectively. In the three and six month periods ended June 30, 2010 share-based compensation expense decreased by $5.5k and increased $28.3k and decreased by $76.7k for the one year periods ended December 31, 2010 respectively.

Key Financial Impact of Policy Selections and Application of IFRSs

Mineral exploration costs

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

The application of this policy has resulted in a decrease in exploration property interests by $35.0 million and $28.8 million as at December 31, 2010 and January 1, 2010 respectively with a corresponding increase in deficit. As at December 31, 2010, non-controlling interest has decreased by $0.4 million with corresponding decrease in deficit. In the three and six month periods ended June 30, 2010 the application of this policy has also resulted in an increase in net loss of $1.4 million and $3.3 million for the periods and $6.1 million for the one-year period ended December 31, 2010. Of these amounts $1.2 million and $2.9 million for three and six month periods ended June 30, 2010 and $4.8 million for the one year period ended on December 31, 2010 have been allocated to exploration and project development expenses. Non-controlling interest share of net losses increases by $68.8k and $75.6k for the three-month and six-month periods ended on June 30, 2010 and $0.4 million for the one-year period ended December 31, 2010. The application of this policy also resulted in an increase of cash flows used in operating activities for the six month and one year periods ended June 30, 2010 and December 31, 2010 by $3.3 million and $6.4 million respectively (and a corresponding decrease on cash flows used in investing activities). There were several other less significant impacts to various line items on the statement of financial position and statement of comprehensive loss.

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

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

On March 2, 2010, under IFRS the Company recorded a non-controlling interest of ($83.6k), with a corresponding addition of $83.6k 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 ($418.2k) immediately before the transaction primarily because mineral exploration costs are no longer capitalized. IFRS permits a negative non-controlling interest to be recorded whereas it would not be recorded under CGAAP.

On June 30, 2010, under CGAAP the Company recorded a dilution gain, and a corresponding increase to net income, of $2.6 million as part of the $4.8 million private placement financing whereby the non-controlling interest of NIRES increased by $2.2 million, and from 20% to 46.67% ownership. Under IFRS the Company recorded additions of $2.8 million to contributed surplus and $2.1 million to non-controlling interest. Under IFRS no dilution gain is recorded so the deficit is also $2.6 million 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 $1.0 million, and under CGAAP recorded $0.3 million in capitalized mineral property acquisition costs and a $0.6 million decrease to non-controlling interest. Under IFRS, the exchange is accounted for as an equity transaction with owners. The Company recorded decreases of $0.4 million to contributed surplus and $0.5 million to non-controlling interest respectively for the same transaction and no amounts were capitalized to mineral property acquisition costs.

Functional Currency Determination

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

The application of IAS 21 has had the impact of increasing foreign exchange loss by $66.7k, $474.3k for the three and six month periods ended June 30, 2010 and $2.0 million for the one year period ended December 31, 2010 respectively with a corresponding increase to deficit as at June 30, 2010 and December 31, 2010. The change also had the impact of increasing accumulated other comprehensive income by $0.2 million and $1.7 million as at June 30, 2010 and December 31, 2010 respectively. Deficit as at January 1, 2010 decreased by $0.2 million. There was no impact to accumulated other comprehensive income as at January 1, 2010 as the Company elected under IFRS 1 to eliminate the impact of the change in functional currency as at the Transition Date. There were several other less significant impacts to various line items on the statement of financial position. For a complete discussion, reference should be made to Note 15 in the Interim Financial Statements.

Controls and Procedures

Disclosure Controls

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

Internal Control Over Financial Reporting

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of Management and the Company's Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

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

Management, including the CEO and CFO, has assessed the effectiveness of internal controls over financial reporting as of June 30, 2011 and concluded, subject to the limitations noted above, that the Company has sufficient controls to meet the requirements as stated above. The assessment was completed using the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Changes in Internal Controls*

There have been no significant changes to internal controls in the three and six month periods ended June 30, 2011. On September 29, 2010, the Company's CFO, Mr. Sean Homuth, resigned; however he subsequently resumed his position with the Company on January 12, 2011. As the Company had an interim CFO during Mr. Homuth's absence, and the Company's system of internal controls continued to be applied consistently, Management has determined that the impact on internal controls was not significant.

Forward Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six month periods ended June 30, 2011 (the "MD&A") may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, capital costs and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Cautionary Note to U.S. Investors Concerning Resource Estimates

The resource estimates in the MD&A were prepared in accordance with National Instrument ("NI") 43-101 adopted by the Canadian Securities Administrators. The requirements of NI 43-101 differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"). The MD&A uses the terms "measured", "indicated" and "inferred" resources. Although these terms are recognized and required in Canada, the SEC does not recognize them. The SEC permits US mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves". Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.

Qualified Persons

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

Other MD&A Requirements

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