OREZONE GOLD CORPORATION

(A Development Stage Company)

Unaudited Interim Consolidated Financial Statements
(in US dollars)

For the three month periods ended March 31, 2010 and 2009

Financial Statements

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Balance Sheets

(Expressed in United States dollars) (Unaudited)

	Notes	**March 31, 2010**	December 31, 2009
		$	$
ASSETS			
Current assets			
Cash		**11,568,046**	4,538,551
Sales taxes and other receivables		**34,649**	21,904
Prepaid expenses and other assets		**318,823**	273,251
Government deposits		**-**	108,827
		11,921,518	4,942,533
Interest in exploration properties	3	**33,347,248**	31,215,118
		45,268,766	36,157,651
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**1,079,292**	482,053
SHAREHOLDERS' EQUITY			
Capital stock	4	**71,700,483**	62,990,088
Contributed surplus	4	**3,904,339**	3,783,071
		75,604,822	66,773,159
Accumulated other comprehensive income		**483,211**	483,211
Deficit		**(31,898,559)**	(31,580,772)
		(31,415,348)	(31,097,561)
		44,189,474	35,675,598
		45,268,766	36,157,651

Nature of Operations and Basis of Presentation (Note 1)

The accompanying notes are an integral part of the consolidated financial statements.

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

/s/ Ronald N. Little
Director

/s/ Alain Krushnisky
Director

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Operations and Changes in Deficit

(Expressed in United States dollars) (Unaudited)

	Notes	**Three months ended March 31, 2010**	Three months ended March 31, 2009
		$	$
Administrative expenses			
Salaries, benefits and consulting fees		**139,191**	198,579
Stock-based compensation	4	**122,329**	21,339
Public relations and travel		**86,549**	68,174
Office, general and administrative		**69,287**	87,012
Public company costs		**49,661**	42,757
Professional fees		**35,560**	75,424
Amortization of capital assets		**6,891**	8,524
		509,468	501,809
Other items			
Foreign exchange (gain) loss		**(185,620)**	96,149
Interest income, net		**(5,641)**	(4,650)
Other than temporary impairment of investments available-for-sale		**-**	6,483
Gain on disposal of capital assets		**(1,754)**	-
Bad debt		**1,334**	-
Net loss		**(317,787)**	(599,791)
Deficit, beginning of period		**(31,580,772)**	(29,828,385)
Deficit, end of period		**(31,898,559)**	(30,428,176)
Net loss per common share, basic and diluted		**(0.01)**	(0.01)
Weighted average number of shares outstanding – basic and diluted		**63,465,253**	53,635,243

The accompanying notes are an integral part of the consolidated financial statements.

Orezone Gold Corporation
(A Development Stage Company)
Consolidated Statements of Deferred Exploration Costs
(Expressed in United States dollars) (Unaudited)

	Notes	**Three months ended March 31, 2010**	Three months ended March 31, 2009
		$	$
Balance, beginning of period		**28,834,896**	25,801,870
Additions			
Drilling and assaying		**1,068,227**	12,046
Camp and facilities costs		**331,547**	60,836
Salary and employee costs		**220,013**	144,509
General office and administration		**150,624**	80,227
Engineering and consultants		**92,027**	97,149
Stock-based compensation	4	**15,195**	8,451
Amortization of capital assets		**47,466**	24,984
Gain on disposal of capital assets		**-**	(15,687)
Foreign exchange loss		**11,060**	12,040
Total additions		**1,936,159**	424,555
Balance, end of period		**30,771,055**	26,226,425

The accompanying notes are an integral part of the consolidated financial statements.

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Cash Flows

(Expressed in United States dollars) (Unaudited)

	Notes	**Three months ended March 31, 2010**	Three months ended March 31, 2009
		$	$
OPERATING ACTIVITIES			
Net loss		**(317,787)**	(599,791)
Non-cash items:			
Stock-based compensation		**122,329**	21,339
Impairment of available-for-sale investments		**-**	6,483
Gain on disposal of capital asset		**(1,754)**	
Amortization of capital assets		**6,891**	8,524
Foreign exchange (gain) loss		**(159,208)**	-
Changes in non-cash working capital		**70,571**	50,697
Cash used in operating activities		**(278,958)**	(512,748)
INVESTING ACTIVITIES			
Acquisition of Mineral Interests from North Atlantic	3	**(238,854)**	-
Proceeds on disposal of capital asset		**1,754**	-
Expenditures on exploration properties		**(1,308,012)**	(378,558)
Cash used in investing activities		**(1,545,112)**	(378,558)
FINANCING ACTIVITIES			
Proceeds from equity financing	4	**9,470,844**	-
Share issuance costs		**(797,557)**	(58,801)
Proceeds from exercise of stock options	4	**27,499**	703,765
Contribution from IMG		**-**	4,424,184
Cash provided by financing activities		**8,700,786**	5,069,148
Effect of exchange rate changes on cash		**152,779**	(100,361)
Increase in cash		**7,029,495**	4,077,481
Cash, beginning of period		**4,538,551**	3,371,366
Cash, end of period		**11,568,046**	7,448,847

Supplemental information:
There were no cash payments in respect of interest or taxes during the three months ended March 31, 2010 and 2009.

The accompanying notes are an integral part of the consolidated financial statements.

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Comprehensive Loss

(Expressed in United States dollars) (Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
	$	$
Net loss	**(317,787)**	(599,791)
Adjustments, net of tax:		
Other than temporary impairment on available-for-sale investments included in net loss	**-**	6,483
Realized loss on disposal of available-for-sale investments	**-**	(6,483)
Comprehensive loss	**(317,787)**	(599,791)

The accompanying notes are an integral part of the consolidated financial statements.

1 — NATURE OF OPERATIONS AND BASIS OF PRESENTATION

NATURE OF OPERATIONS

Orezone Gold Corporation (the "Company") is primarily engaged in the acquisition, exploration and development of gold properties in Burkina Faso, West Africa. The Company is also engaged in the exploration for uranium resources in Niger, West Africa. The Company's operations consist of the former non-Essakane exploration interests of Orezone Resources Inc. ("Resources"), which were acquired on February 25, 2009 as part of Resources' business combination with IAMGOLD Corporation ("IMG").

The Company is in the exploration stage and has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recovery of costs incurred on the Company's exploration properties is subject to a number of factors including the discovery of economically recoverable reserves, the ability to secure financing sufficient to develop the reserves, the ability to achieve profitable operations, the ability to secure and maintain title, and/or the ability to dispose of the properties on favourable terms.

BASIS OF PRESENTATION

The Company's unaudited interim consolidated financial statements and accompanying notes as at, and for, the three months ended March 31, 2010 (collectively, the "Financial Statements"), have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and are presented in US dollars. The Financial Statements do not include all of the information and notes required by generally accepted accounting principles for annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2009. The accounting policies used in preparing the Financial Statements are consistent with those used in preparing the Company's annual audited financial statements.

The Company was incorporated on December 1, 2008 under the Canada Business Corporations Act with one common share outstanding. On December 11, 2008, Resources announced the signing of a definitive agreement to sell 100% of its interest in the Essakane project to IMG pursuant to a plan of arrangement whereby IMG agreed to acquire each outstanding common share of Resources in exchange for 0.08 IMG shares and 0.125 shares of the Company, formed to hold all of Resources' non-Essakane exploration interests and to provide shareholders with continued participation in, and exposure to, these operations (the "Transaction"). Resources' shareholders approved the Transaction at a special meeting held on February 18, 2009. On February 25, 2009, all of Resources' non-Essakane exploration interests were transferred to the Company including CAD $9,731,535 in accordance with the terms of the definitive agreement whereby IMG and Resources agreed that the Company would initially be funded with CAD $10 million in cash subject to certain adjustments. In exchange, 53,955,530 additional shares of the Company were issued to Resources, distributed to its shareholders, and were contemporaneously listed on the Toronto Stock Exchange (the "TSX").

The Financial Statements contain, for the comparative period prior to February 25, 2009, amounts derived from Resources' historical accounting records. These amounts are presented on a carve-out basis under the assumption that the Company operated as a separate entity comprised of Resources' non-Essakane assets and liabilities. Certain Resources expenses, assets, and liabilities have been allocated to the Company in the Financial Statements for the period prior to February 25, 2009 based on assumptions that management believes are reasonable under the circumstances. Accordingly, the Financial Statements contain comparative amounts that were estimated based on a carve-out of the historical financial results of the non-Essakane exploration interests of Resources prior to February 25, 2009, as well as the Company's independent operating results from February 25, 2009 to March 31, 2010. The figures included in the Financial Statements for the comparative period prior to February 25, 2009 are intended to represent what the Company's results would have been, had it historically been the independent operator of the non-Essakane exploration interests. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if the Company had been operated as a separate entity.

1 — NATURE OF OPERATIONS AND BASIS OF PRESENTATION (continued)

These allocations include, but are not limited to, administrative expenses and direct costs of carrying out exploration activities on the non-Essakane properties. Included within administrative expenses of the Company are stock-based compensation expenses. Prior to March 25, 2009, the Company did not have its own stock option plan. The stock-based compensation expenses allocated to the Company prior to this date are based on the historical results of Resources' stock option plan and options issued to the Company's employees as part of that plan (see Note 4).

The weighted average number of shares outstanding for the three months ended March 31, 2009 was calculated using the number of Resources' shares outstanding during the period of January 1 to February 25, 2009 and applying the exchange ratio of the Transaction and the actual shares outstanding for the Company subsequent to February 25, 2009.

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue operating for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. While the Company has sufficient cash to continue to finance operations, it currently has no revenue generating activities and there can be no assurance that it will be able to secure additional financing in the future. The Financial Statements do not include adjustments to the carrying amount of assets and liabilities, reported expenses, and balance sheet classifications that would be required if the going concern assumption was no longer appropriate.

2 —RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued three new accounting standards, Handbook Section 1582, Business Combinations, Handbook Section 1601, Consolidated Financial Statements, and Handbook Section 1602, Non-Controlling Interests. These standards are effective for business combinations entered into on or after January 1, 2011, however early adoption is permitted.

Handbook Section 1581, Business Combinations was replaced with Handbook Section 1582. This standard adopts relevant parts of International Financial Reporting Standard IFRS 3, Business Combinations. The adoption of this standard will impact the accounting for business combinations entered into on or after the January 1, 2011 effective date. The Company does not expect the adoption of Section 1582 to have an effect on its Financial Statements as it has not undertaken any business combinations that fall within this standard however it will continue to evaluate the potential impact of adoption to the extent that transactions arise that would qualify for treatment under this standard.

Handbook Section 1600, Consolidated Financial Statements, was replaced with Handbook Sections 1601 and 1602. Section 1601 establishes standards for the preparation of consolidated financial statements while Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company does not expect the adoption of these standards to have an effect on its Financial Statements however it will continue to evaluate the potential impact of adoption to the extent that transactions arise that would qualify for treatment under these standards.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises such as the Company. The Company must report its consolidated financial statements in accordance with IFRS no later than for the first quarter of 2011, with restatement of the 2010 comparative information presented. The Company is evaluating accounting policy differences between Canadian GAAP and IFRS and determining the financial reporting impact of the transition to IFRS.

(Expressed in United States dollars) (Unaudited)

3 — EXPLORATION PROPERTIES

	March 31, 2010	December 31, 2009
	$	$
Assets not subject to amortization		
Mineral property acquisition costs	**1,263,105**	1,024,251
Deferred exploration costs	**30,771,055**	28,834,896
Deposits	**64,323**	64,739
Land	**306,736**	306,736
	32,405,219	30,230,622
Assets subject to amortization		
Property, plant and equipment, net		
Buildings	**905,864**	905,864
Accumulated amortization	**(105,908)**	(83,741)
Office and field equipment	**292,293**	280,403
Accumulated amortization	**(150,220)**	(118,030)
	942,029	984,496
	33,347,248	31,215,118

Mineral property acquisition costs and deferred exploration costs were as follows:

	March 31, 2010		December 31, 2009	
	Acquisition Cost	Deferred Exploration Costs	Acquisition Cost	Deferred Exploration Costs
	$	$	$	$
Sega	**11,410**	**11,967,537**	11,410	11,914,115
Bomboré	**866,656**	**10,519,631**	866,656	8,743,882
Bondi	**146,185**	**7,849,318**	146,185	7,829,906
Niger	**238,854**	**434,569**	-	346,993
	1,263,105	**30,771,055**	1,024,251	28,834,896

Sega, Burkina Faso

The Sega project consists of the Tiba (124 km^2) and Namasa (189 km^2) 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 US $2 million. The Company is also subject to the standard 3% NSR and 10% carried interest held by the government in the event that a mining permit is granted.[1]

Bomboré, Burkina Faso

The Bomboré (105 km^2) permit is located in the Ganzourgou province and was renewed in January 2010 for its final three year term. The Company now owns a 100% interest in the permit less the standard 3% NSR and 10% carried interest held by the government in the event that a mining permit is granted.[1]

[1] On March 3, 2010, the Government of Burkina Faso announced an amendment to its Mining Law whereby the government's royalty interest would be increased from 3% to 5% and the annual mining permit taxes would also be increased. Implementation was subsequently delayed pending discussions between industry and government representatives. A final decision by the Government has yet to be reached.

(Expressed in United States dollars) (Unaudited)

3 — EXPLORATION PROPERTIES (continued)

Bondi, Burkina Faso

The Bondi project consists of the Djarkadougou (224 km^2) permit. The permit is located in the Bougouriba province and expires in August 2012. The Company owns a 100% interest in the permit less the standard 3% NSR and 10% carried interest held by the government in the event that a mining permit is granted.[1] This permit may be renewed for one more consecutive three year term.

Niger

The Company has five exploration permits in Niger. Zeline 1 (482 km^2) and Zeline 4 (500 km^2) are uranium exploration permits which expire in October 2010 and may be renewed for two more three year terms with permit size reductions. The Company also holds Mining Conventions relating to these permits with terms of 20 years, which are renewable until the reserves are exhausted.

On March 2, 2010, Niger Resources Inc. ("NIRES"), a subsidiary of the Company, acquired three uranium exploration permits, Abelajouad (2,000 km^2), Assaouas 1 (491 km^2) and Assaouas 2 (485 km^2) from North Atlantic Resources Ltd. ("NARL") in exchange for a 20% interest in NIRES and CAD $250,000 (USD $238,854) in cash consideration. At the date of the transaction, NIRES had a nominal net book value due to its assets being fully offset by its liabilities. The Company has determined that at February 24, 2010, the assets of NIRES had fair values that did not exceed their book values. As a result, a non-controlling interest has not been recorded on the Consolidated Balance Sheets to represent NARL's interest in NIRES.

The Abelajouad permit expired in April 2009, while the Assaouas 1 and Assaouas 2 permits expire in June 2010. All three permits may be renewed for two more three year terms with permit size reductions. Permit renewals were put on hold during the *force majeure* in Niger. The *force majeure* has been resolved and the Company has received verbal approval from the Government of the Republic of Niger for a 27-month extension on all permits issued prior to August 1, 2007. Permits issued subsequent to August 1, 2007 would be subject to the same extension however the length of the extension would be reduced by the time elapsed between August 1, 2007 and the permit issuance date. This extension is expected to benefit all three of the newly acquired permits, as well as the Company's two existing uranium exploration permits. No formal documentation has been received to date regarding the extension.

4 — CAPITAL STOCK

(a) Capital stock

Authorized: An unlimited number of common shares, without par value.

Capital stock and contributed surplus are as follows:

	Common Shares	Capital Stock	Contributed Surplus
		$	$
Balance, December 31, 2009	**53,955,531**	**62,990,088**	**3,783,071**
Stock-based compensation	-	-	137,524
Proceeds from issuance of common shares	13,340,000	9,470,844	-
Issue costs	-	(804,204)	-
Stock options exercised	80,000	43,755	(16,256)
Balance, March 31, 2010	**67,375,531**	**71,700,483**	**3,904,339**

On January 26, 2010, the Company completed a CAD $10,005,000 (USD $9,470,844) equity financing whereby it issued 13,340,000 common shares at a price of CAD $0.75 per share. The net proceeds of CAD $9.2M (USD $8.7M) from the Offering are to be used principally to fund ongoing exploration and development activities at the Company's West African projects.

(Expressed in United States dollars) (Unaudited)

4 — CAPITAL STOCK (continued)

(b) Stock option plan

On May 15, 2009, the Company's shareholders approved the Company's stock option plan (the "Plan"). Under the terms of the Plan, 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. The grant date fair value is calculated using the Black-Scholes option valuation model. 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. According to the terms of the Plan, a total of 6,737,553 options are available for issue under the Plan (representing 10% of the shares outstanding at March 31, 2010), however the 1,342,000 additional options, which have become available for issuance under the Plan since December 31, 2009, are subject to TSX approval prior to being available for grant.

As at March 31, 2010, there was $606,106 (March 31, 2009 - $nil) of total unrecognized compensation costs related to unvested share-based compensation awards granted under the stock option plan which are expected to be recognized over a weighted average period of 1.1 years.

Stock options were granted, exercised, forfeited and outstanding as follows:

	Three months ended March 31, 2010		
	Number of options	Weighted average exercise price	Weighted average grant date fair value
		CAD$	CAD$
Outstanding, beginning of period	5,320,000	0.39	0.44
Granted	-	-	-
Exercised	(80,000)	(0.36)	(0.36)
Forfeited	(65,000)	(0.40)	(0.48)
Outstanding, end of period	5,175,000	0.40	0.44
Options exercisable, March 31, 2010	1,780,000	0.37	0.37

The Company's policy is to issue new shares to satisfy share option exercises. Share options are issued with a life of ten years.

As at March 31, 2010, the following options were outstanding:

	Outstanding			Exercisable	
Range of exercise prices	Outstanding options	Remaining contractual life	Weighted average outstanding exercise price	Vested options	Weighted average vested exercise price
CAD$		(in years)	CAD$		CAD$
$0.30 to $0.39	1,655,000	8.99	0.36	1,655,000	0.36
$0.40 to $0.49	3,170,000	9.16	0.40	-	-
$0.50 to $0.59	350,000	9.32	0.52	125,000	0.52
	5,175,000	9.12	0.40	1,780,000	0.37

For the three months ended March 31, 2010, stock-based compensation costs of $nil (March 31, 2009 - $8,985) are classified in general office and administration in the statement of deferred exploration costs.

(Expressed in United States dollars) (Unaudited)

4 — CAPITAL STOCK (continued)

(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 CAD $1.30 per share, expiring on August 29, 2010. Pursuant to the warrant agreement and the terms of the business combination, the warrants do not expire upon a change of control. Standard is 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. Upon exercise, the Company will issue 250,000 common shares and will receive CAD $0.94 per common share issued.

All of the warrants remain outstanding at March 31, 2010.

(d) Loss per share

None of the outstanding stock options or warrants have been included in the diluted loss per share calculation as the impact would be antidilutive.

5 — SEGMENTED INFORMATION

The Company operates in 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. Exploration properties (see Note 3) segmented by geographic area were as follows:

	March 31, 2010	December 31, 2009
	$	$
Canada	**35,130**	37,651
Burkina Faso	**32,471,271**	30,662,508
Niger	**840,847**	514,959
	33,347,248	31,215,118

Total expenditures for additions to capital assets segmented by geographic area were as follows:

	March 31, 2010	March 31, 2009
	$	$
Canada	**4,190**	-
Burkina Faso	**1,343,061**	354,878
Niger	**197,861**	23,680
	1,545,112	378,558

These amounts include additions to property, plant and equipment as well as mineral property acquisition costs and deferred exploration costs on the basis that both of these have the characteristics of property, plant and equipment.

6 — FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, other receivables, deposits, and accounts payable and accrued liabilities. The fair value of other receivables and accounts payable and accrued liabilities are equivalent to their carrying amounts given their short maturity period. The accounts payable and accrued liabilities balance of $1,079,292 at March 31, 2010 includes taxes payable of $24,500 which do not meet the definition of financial instruments.

6 — FINANCIAL INSTRUMENTS AND RISKS (continued)

Financial instrument risks

(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.

The US dollar equivalent of the Company's financial instruments by currency of denomination were as follows:

	March 31, 2010				
	USD	**CAD**	**EUR & CFA[1]**	**Other**	**Total**
Financial assets					
Cash	**723,801**	**9,148,682**	**1,695,563**	**-**	**11,568,046**
Other receivables	**-**	**15,110**	**2,962**	**-**	**18,072**
Deposits	**-**	**-**	**64,323**	**-**	**64,323**
	723,801	**9,163,792**	**1,762,848**	**-**	**11,650,441**
Financial liabilities					
Accounts payable and accrued liabilities	**(614,378)**	**(204,040)**	**(216,553)**	**(19,821)**	**(1,054,792)**
Net financial assets (liabilities)	**109,423**	**8,959,752**	**1,546,295**	**(19,821)**	**10,595,649**

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

A 10% weakening against the US dollar of the currencies to which the Company had exposure at March 31, 2010 would have had the following effects in the three months ended March 31, 2010 (a 10% strengthening against the US dollar would have had the opposite effect):

	Foreign exchange gains (losses)
CAD	**(895,975)**
EUR & CFA	**(148,197)**
Other	**1,982**
	(1,042,190)

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

	March 31, 2010	December 31, 2009
	Level 1	Level 1
Cash	**11,568,046**	4,538,551
Government deposits	**-**	108,827

The Company does not have Level 2 or Level 3 inputs.

6 — FINANCIAL INSTRUMENTS AND RISKS (continued)

(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 has sufficient resources to meet its obligations as they become due as a result of the equity financing which closed on January 26, 2010 (see Note 4). There can be no assurance that the Company will be able to continue to raise sufficient capital to meet future obligations as they become due.

The Company's accounts payable and accrued liabilities are due within one year of the balance sheet date.

(c) Credit risk

The Company's other receivables are exposed to credit risk, which is the risk that the counterparties to the Company's receivables will fail to discharge their obligations to the Company. The amount of credit risk to which the Company is exposed is insignificant due to the limited amount of other receivables.

(d) Title risk

Title to mineral properties and exploration rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyancing 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.

7 — CAPITAL MANAGEMENT

As at March 31, 2010, the Company's capital consisted of cash and common shares.

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.

8 – RELATED PARTY TRANSACTIONS

In the three months ended March 31, 2010, the Company collected $15,103 (March 31, 2009 – $nil) in administrative fees from Industrial Minerals Canada Inc. ("Industrial") for rent, expenses incurred on its behalf and administrative services that were provided by the Company and charged to Industrial in 2009. During these periods, the Company's Senior Vice President was a director and President of Industrial as well as a director of Industrial's parent company, Industrial Minerals Inc.