

OREZONE GOLD CORPORATION

(A Development Stage Company)

Unaudited Interim Consolidated Financial Statements

(in US dollars)

For the three and six month periods ended
June 30, 2010 and 2009

Financial Statements

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Orezone Gold Corporation

(A Development Stage Company)

Consolidated Balance Sheets

(Expressed in United States dollars) (Unaudited)

	Notes	June 30, 2010 \$	December 31, 2009 \$
ASSETS			
Current assets			
Cash	4	13,842,474	4,538,551
Sales taxes and other receivables		59,984	21,904
Prepaid expenses and other assets		302,684	273,251
Government deposits		-	108,827
		<u>14,205,142</u>	<u>4,942,533</u>
Interest in exploration properties	3	<u>34,756,047</u>	<u>31,215,118</u>
		<u>48,961,189</u>	<u>36,157,651</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		364,823	482,053
Non-controlling interest	4	2,243,394	-
SHAREHOLDERS' EQUITY			
Capital stock	5	71,861,396	62,990,088
Contributed surplus	5	3,970,585	3,783,071
		<u>75,831,981</u>	<u>66,773,159</u>
Accumulated other comprehensive income		483,211	483,211
Deficit		(29,962,220)	(31,580,772)
		<u>(29,479,009)</u>	<u>(31,097,561)</u>
		<u>46,352,972</u>	<u>35,675,598</u>
		<u>48,961,189</u>	<u>36,157,651</u>

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		Six months ended	
		2010	June 30, 2009	2010	June 30, 2009
		\$	\$	\$	\$
Administrative expenses					
Salaries, benefits and consulting fees		119,253	171,733	258,444	370,312
Stock-based compensation	5	118,129	351,639	240,458	372,978
Public relations and travel		73,312	25,956	159,861	94,130
Office, general and administrative		57,619	39,405	126,906	126,417
Public company costs		58,277	43,646	107,938	86,403
Professional fees		41,956	50,453	77,516	125,877
Amortization of capital assets		6,944	7,578	13,835	16,102
		475,490	690,410	984,958	1,192,219
Other items					
Dilution gain on investment in Niger Resources Inc.	4	(2,563,535)	-	(2,563,535)	-
Foreign exchange loss (gain)		160,033	(245,795)	(25,587)	(149,646)
Other income		-	(6,657)	-	(6,657)
Interest (income) expense, net		(7,388)	574	(13,029)	(4,076)
Other than temporary impairment of investments available-for-sale		-	-	-	6,483
Gain on disposal of capital assets		-	-	(1,754)	-
(Recovery of) bad debt		(939)	-	395	-
		1,936,339	(438,532)	1,618,552	(1,038,323)
Net income (loss)		1,936,339	(438,532)	1,618,552	(1,038,323)
Deficit, beginning of period		(31,898,559)	(30,428,176)	(31,580,772)	(29,828,385)
Deficit, end of period		(29,962,220)	(30,866,708)	(29,962,220)	(30,866,708)
Net earnings (loss) per common share, basic and diluted	5	0.03	(0.01)	0.02	(0.02)
Weighted average number of shares outstanding – basic	5	67,386,520	53,955,531	65,436,719	52,014,839
Weighted average number of shares outstanding - diluted	5	70,066,642	53,955,531	68,028,667	52,014,839

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)

	Note	Three months ended		Six months ended	
		2010	June 30, 2009	2010	June 30, 2009
		\$		\$	
Balance, beginning of period		30,771,055	26,226,425	28,834,896	25,801,870
Additions					
Drilling and assaying		692,880	599,344	1,761,107	611,390
Camp and facilities costs		189,434	124,130	520,981	185,366
Salary and employee costs		275,122	154,924	495,135	301,161
General office and administration		142,229	120,243	292,853	214,003
Engineering and consultants		26,169	139,015	118,196	236,164
Stock-based compensation	5	15,486	49,074	30,681	57,525
Amortization of capital assets		49,818	39,358	97,284	64,342
Other		4,225	(20,702)	15,285	(24,349)
Total additions		1,395,363	1,205,386	3,331,522	1,645,602
Deductions					
Recovery of Kossa exploration costs		-	(39,138)	-	(54,799)
Balance, end of period		32,166,418	27,392,673	32,166,418	27,392,673

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		Six months ended	
		2010	June 30, 2009	2010	June 30, 2009
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net income (loss)		1,936,339	(438,532)	1,618,552	(1,038,323)
Non-cash items:					
Dilution gain on investment in Niger Resources Inc.		(2,563,535)	-	(2,563,535)	-
Stock-based compensation		118,129	351,639	240,458	372,978
Impairment of available-for-sale investments		-	-	-	6,483
Gain on sale of capital asset		-	-	(1,754)	-
Amortization of capital assets		6,944	7,578	13,835	16,102
Foreign exchange loss (gain)		124,382	-	(34,826)	-
Changes in non-cash working capital		(92,813)	(3,350)	(22,242)	47,347
Cash used in operating activities		(470,554)	(82,665)	(749,512)	(595,413)
INVESTING ACTIVITIES					
Acquisition of Mineral Interests from North Atlantic		-	-	(238,854)	-
Proceeds on disposal of capital asset		-	-	1,754	-
Expenditures on exploration properties		(2,028,381)	(1,380,873)	(3,336,393)	(1,759,431)
Cash used in investing activities		(2,028,381)	(1,380,873)	(3,573,493)	(1,759,431)
FINANCING ACTIVITIES					
Proceeds from equity financing	5	-	-	9,470,844	-
Share issuance costs		(6,647)	-	(804,204)	(58,801)
Net proceeds from private placement	4	4,821,701	-	4,821,701	-
Proceeds from exercise of stock options	5	93,545	-	121,044	703,765
Contribution from IMG		-	-	-	4,424,184
Cash provided by financing activities		4,908,599	-	13,609,385	5,069,148
Effect of exchange rate changes on cash		(135,236)	89,853	17,543	(10,508)
Increase (decrease) in cash		2,274,428	(1,373,685)	9,303,923	2,703,796
Cash, beginning of period		11,568,046	7,448,847	4,538,551	3,371,366
Cash, end of period		13,842,474	6,075,162	13,842,474	6,075,162

Supplemental information:

There were no cash payments in respect of interest or taxes during the three or six months ended June 30, 2010 and 2009. As well, no dividends were paid to non-controlling shareholders of the Company's subsidiaries during the same periods.

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

Orezone Gold Corporation

(A Development Stage Company)

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in United States dollars) (Unaudited)

	Three months ended		Six months ended	
	2010	June 30, 2009	2010	June 30, 2009
	\$	\$	\$	\$
Net income (loss)	1,936,339	(438,532)	1,618,552	(1,038,323)
Adjustments, net of tax:				
Other than temporary impairment on available-for-sale investments included in net income (loss)	-	-	-	6,483
Realized loss on disposal of available-for-sale investments	-	-	-	(6,483)
Comprehensive income (loss)	1,936,339	(438,532)	1,618,552	(1,038,323)

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

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

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 and six months ended June 30, 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 as at and 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 consolidated 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 June 30, 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.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

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 5).

The weighted average number of shares outstanding for the six months ended June 30, 2009 was calculated using the number of Resources' shares outstanding during the period of January 1 to February 25, 2009 (applying the exchange ratio of the Transaction) as well as the actual shares outstanding of 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 amounts of assets and liabilities, reported expenses, and balance sheet classifications that would be required should the going concern assumption no longer continue to be 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 at the beginning of a fiscal year.

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 has chosen not to early adopt this standard and continues to assess the impact of adoption upon transition to IFRS.

Handbook Section 1600, Consolidated Financial Statements, was replaced with Handbook Sections 1601 and 1602 which adopt relevant parts of the International Financial Reporting Standard IAS 27 – *Consolidated and Separate Financial Statements*. 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 has chosen not to early adopt this standard and continues to assess the impact of adoption upon transition to IFRS.

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.

Orezone Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

3 — EXPLORATION PROPERTIES

	June 30, 2010	December 31, 2009
	\$	\$
Assets not subject to amortization		
Mineral property acquisition costs	1,263,105	1,024,251
Deferred exploration costs	32,166,418	28,834,896
Deposits	64,123	64,739
Land	306,736	306,736
	<u>33,800,382</u>	<u>30,230,622</u>
Assets subject to amortization		
Property, plant and equipment, net		
Buildings	940,562	905,864
Accumulated amortization	(129,604)	(83,741)
Office and field equipment	327,992	280,403
Accumulated amortization	(183,285)	(118,030)
	<u>955,665</u>	<u>984,496</u>
	<u>34,756,047</u>	<u>31,215,118</u>

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

	June 30, 2010		December 31, 2009	
	Acquisition Cost	Deferred Exploration Costs	Acquisition Cost	Deferred Exploration Costs
	\$	\$	\$	\$
Sega	11,410	12,019,836	11,410	11,914,115
Bomboré	866,656	11,704,930	866,656	8,743,882
Bondi	146,185	7,867,796	146,185	7,829,906
Niger	238,854 ¹	573,856	-	346,993
	<u>1,263,105</u>	<u>32,166,418</u>	<u>1,024,251</u>	<u>28,834,896</u>

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 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 granted².

Bomboré, Burkina Faso

The Bomboré (105 km²) 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 granted².

¹ Note 4

² 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.

Orezone Gold Corporation

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Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

3 — EXPLORATION PROPERTIES (continued)

Bondi, Burkina Faso

The Bondi project consists of the Djarkadougou (224 km²) 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 granted². This permit may be renewed for one more consecutive three year term.

Niger

The Company has five uranium exploration permits in Niger. Zeline 1 (482 km²) and Zeline 4 (500 km²) 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.

The Abelajouad (2,000 km²) permit expired in April 2009, while the Assaouas 1 (491 km²) and Assaouas 2 (485 km²) permits expired in June 2010. All three permits may be renewed for two more three year terms with permit size reductions. All required applications for renewal were submitted prior to the expiry of each permit however permit renewals were put on hold during the *force majeure* in Niger. The *force majeure* has ended 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.

During the three months ended June 30, 2010, the Company advised the Government of the Republic of Niger that it intended to officially abandon its Kossa permit and submitted its final report relating to the permit. All costs relating to Kossa were written off at December 31, 2009 when the Company determined it would no longer continue exploration activities on the property.

4 — NON-CONTROLLING INTEREST

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 CAD \$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 was not recorded as a result of this transaction as the net book value of the net assets of NIREs on that date was nominal.

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 CAD \$5,000,000 (US \$4,821,739). 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 (US \$2,563,535) was recorded as a dilution gain with the balance of the increase (US \$2,243,394) recorded as Non-Controlling Interest on the Consolidated Balance Sheets.

\$4.8 million of the cash held at June 30, 2010 was raised in NIREs to be used only to advance uranium exploration projects in Niger.

The Company has entered into a share purchase agreement to purchase all outstanding shares of NIREs owned by NAC for CAD \$1 million. The transaction is contingent on certain conditions and, subsequent to closing, the Company's interest in NIREs will increase to 67%.

Orezone Gold Corporation

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Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

5 — 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	-	-	271,139
Proceeds from issuance of common shares	13,340,000	9,470,844	-
Issue costs	-	(804,204)	-
Stock options exercised	330,000	204,668	(83,625)
Balance, June 30, 2010	67,625,531	71,861,396	3,970,585

On January 26, 2010, the Company completed a CAD \$10,005,000 (US \$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 (US \$8.7M) from the Offering are to be used principally to fund ongoing exploration and development activities at the Company's West African projects.

(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 6,762,553 options are available for issue under the Plan (representing 10% of the shares outstanding at June 30, 2010).

As at June 30, 2010, there was \$416,633 (June 30, 2009 - \$964,900) 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 0.9 years.

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Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

5 — CAPITAL STOCK (continued)

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

	Three months ended June 30, 2010			Six months ended June 30, 2010		
	Number of options	Weighted average exercise price CAD\$	Weighted average grant date fair value CAD\$	Number of options	Weighted average exercise price CAD\$	Weighted average grant date fair value CAD\$
Outstanding, beginning of period	5,175,000	0.40	0.44	5,320,000	0.39	0.44
Granted	-	-	-	-	-	-
Exercised	(250,000)	(0.38)	(0.43)	(330,000)	(0.38)	(0.41)
Forfeited	(175,000)	(0.40)	(0.48)	(240,000)	(0.40)	(0.48)
Outstanding, end of period	4,750,000	0.40	0.44	4,750,000	0.40	0.44
Options exercisable, June 30, 2010				3,115,000	0.38	0.42

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 June 30, 2010, the following options were outstanding:

Range of exercise prices CAD\$	Outstanding			Exercisable	
	Outstanding options	Remaining contractual life (in years)	Weighted average outstanding exercise price CAD\$	Vested options	Weighted average vested exercise price CAD\$
\$0.30 to \$0.39	1,555,000	8.74	0.36	1,555,000	0.36
\$0.40 to \$0.49	2,845,000	8.91	0.40	1,435,000	0.40
\$0.50 to \$0.59	350,000	9.07	0.52	125,000	0.52
	4,750,000	8.87	0.40	3,115,000	0.38

For the six months ended June 30, 2010, stock-based compensation costs of \$240,458 were expensed and \$30,681 were capitalized to deferred exploration costs (June 30, 2009 – \$372,978 and \$98,813).

(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 June 30, 2010.

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Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

5 — CAPITAL STOCK (continued)

(d) Earnings (loss) per share

Basic earnings per share computation:	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Numerator:				
Net income (loss)	1,936,339	(438,532)	1,618,552	(1,038,323)
Denominator:	Number	Number	Number	Number
Weighted average common shares outstanding	67,386,520	53,955,531	65,436,719	52,014,839
Basic earnings (loss) per share	<u>\$0.03</u>	<u>\$(0.01)</u>	<u>\$0.02</u>	<u>\$(0.02)</u>
Diluted earnings per share computation:	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Numerator:				
Net income (loss)	1,936,339	(438,532)	1,618,552	(1,038,323)
Denominator:	Number	Number	Number	Number
Weighted average common shares outstanding	67,386,520	53,955,531	65,436,719	52,014,839
Dilutive effect of employee stock options	2,680,122	-	2,591,948	-
Total average common shares outstanding	70,066,642	53,955,531	68,028,667	52,014,839
Diluted earnings (loss) per share	<u>\$0.03</u>	<u>\$(0.01)</u>	<u>\$0.02</u>	<u>\$(0.02)</u>

For the three and six months ended June 30, 2010, the warrants have been excluded from the EPS calculation as the impact would be antidilutive.

None of the outstanding stock options or warrants have been included in the diluted loss per share calculation for the three and six months ended June 30, 2009 as the impact would be antidilutive.

6 — 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:

	June 30, 2010	December 31, 2009
	\$	\$
Canada	28,186	37,651
Burkina Faso	33,748,267	30,662,508
Niger	979,594	514,959
	<u>34,756,047</u>	<u>31,215,118</u>

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6 — SEGMENTED INFORMATION (continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Canada	-	37,125	4,190	37,125
Burkina Faso	1,902,061	1,256,417	3,246,876	1,611,295
Niger	126,320	87,331	324,181	111,011
	2,028,381	1,380,873	3,575,247	1,759,431

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

7 — 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 \$364,823 at June 30, 2010 includes taxes payable of \$19,121 which do not meet the definition of financial instruments.

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 of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

	June 30, 2010			
	USD	CAD	EUR & CFA ⁽¹⁾	Total
Financial assets				
Cash	300,059	12,954,332	588,083	13,842,474
Other receivables	-	34,841	2,819	37,660
Deposits	-	-	64,123	64,123
	300,059	12,989,173	655,025	13,944,257
Financial liabilities				
Accounts payable and accrued liabilities	(24,308)	(145,447)	(175,947)	(345,702)
Net financial assets	275,751	12,843,726	479,078	13,598,555

⁽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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7 — FINANCIAL INSTRUMENTS AND RISKS (continued)

A 10% weakening against the USD of the currencies to which the Company had exposure at June 30, 2010 would have had the following effects in the three and six months ended June 30, 2010 (a 10% strengthening against the USD would have had the opposite effect):

	Foreign exchange losses
	\$
CAD	1,284,373
EUR & CFA	41,495
	1,325,868

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

	June 30, 2010	December 31, 2009
	Level 1	Level 1
Cash	13,842,474	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.

(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 5) and the private placement which closed on June 30, 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.

Currently, three of the Company's 53.33%-owned uranium exploration permits in Niger have expired. All required applications for renewal were submitted prior to the expiry of each permit however permit renewals in Niger were put on hold during the *force majeure* between August 2007 and November 2009. The Company has obtained verbal confirmation from the Government of the Republic of Niger that these permits will be extended for a period of 27 months. Although the Company expects that formal confirmation of the extensions is forthcoming, there can be no assurance that such approvals will be obtained.

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Notes to Consolidated Financial Statements

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8 — CAPITAL MANAGEMENT

As at June 30, 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.

9 – RELATED PARTY TRANSACTIONS

In the six months ended June 30, 2010, the Company charged \$13,194 (June 30, 2009 – \$nil) in administrative fees to Northern Graphite ("Northern") for rent, expenses incurred on its behalf and administrative services that were provided by the Company to Northern during the period. 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.

10 – SUBSEQUENT EVENT

On July 8, 2010, the Board approved the issuance of 645,000 stock options to the Company's employees and consultants at a strike price of CAD \$0.85 per share. The options vest in two years, except for new participants in the Plan for whom one-third of the options vest immediately and the other two-thirds vest in equal amounts on the one and two year anniversary dates. All of the options granted on July 8, 2010 expire on July 8, 2020.

11 — COMPARATIVE FIGURES

Certain comparative figures in the Financial Statements have been reclassified to be consistent with the current year's presentation.