

# OREZONE GOLD CORPORATION

(A Development Stage Company)

## Unaudited Interim Consolidated Financial Statements

(in US dollars)

For the three and nine month periods ended  
September 30, 2010 and 2009

### **Financial Statements**

Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Deficit	3
Consolidated Statements of Deferred Exploration Costs	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Comprehensive Income (Loss)	6
Notes to Consolidated Financial Statements	7

# Orezone Gold Corporation

(A Development Stage Company)

## Consolidated Balance Sheets

(Expressed in United States dollars) (Unaudited)

	Notes	September 30, 2010 \$	December 31, 2009 \$
<b>ASSETS</b>			
Current assets			
Cash	4	12,016,892	4,538,551
Sales taxes and other receivables		21,679	21,904
Prepaid expenses and other assets		472,664	273,251
Government deposits		-	108,827
		<u>12,511,235</u>	<u>4,942,533</u>
Interest in exploration properties	3	<u>35,730,971</u>	<u>31,215,118</u>
		<u>48,242,206</u>	<u>36,157,651</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		379,566	482,053
Non-controlling interest	4	1,296,555	-
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	5	72,252,225	62,990,088
Contributed surplus	5	4,129,602	3,783,071
		<u>76,381,827</u>	<u>66,773,159</u>
Accumulated other comprehensive income		483,211	483,211
Deficit		(30,298,953)	(31,580,772)
		<u>(29,815,742)</u>	<u>(31,097,561)</u>
		<u>46,566,085</u>	<u>35,675,598</u>
		<u>48,242,206</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 September 30,		Nine months ended September 30,	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Administrative expenses</b>					
Salaries, benefits and consulting fees		102,680	144,435	361,124	511,997
Stock-based compensation	5	175,745	157,565	416,203	530,543
Office, general and administrative		84,796	47,130	211,702	169,640
Public relations and travel		47,607	64,803	207,468	158,933
Public company costs		27,916	30,587	135,854	116,990
Professional fees		30,285	46,338	107,801	172,215
Amortization of capital assets		6,943	6,595	20,778	22,697
		<b>475,972</b>	497,453	<b>1,460,930</b>	1,683,015
<b>Other items</b>					
Dilution gain on investment in Niger Resources Inc.	4	-	-	(2,563,535)	-
Foreign exchange gain		(137,505)	(303,349)	(163,092)	(452,995)
Interest income, net		(15,418)	(177)	(28,447)	(4,253)
Other than temporary impairment of investments available-for-sale		-	-	-	6,483
Gain on disposal of capital assets		-	-	(1,754)	-
Bad debt		-	-	395	-
		<b>(323,049)</b>	(193,927)	<b>1,295,503</b>	(1,232,250)
Non-controlling interest		<b>(13,684)</b>	-	<b>(13,684)</b>	-
<b>Net income (loss)</b>		<b>(336,733)</b>	(193,927)	<b>1,281,819</b>	(1,232,250)
Deficit, beginning of period		<b>(29,962,220)</b>	(30,866,708)	<b>(31,580,772)</b>	(29,828,385)
<b>Deficit, end of period</b>		<b>(30,298,953)</b>	(31,060,635)	<b>(30,298,953)</b>	(31,060,635)
Net earnings (loss) per common share, basic and diluted	5	<b>(0.00)</b>	(0.00)	<b>0.02</b>	(0.02)
Weighted average number of shares outstanding – basic	5	<b>67,904,254</b>	53,955,531	<b>66,268,269</b>	53,849,942
Weighted average number of shares outstanding - diluted	5	<b>67,904,254</b>	53,955,531	<b>69,026,562</b>	53,849,942

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 September 30,		Nine months ended September 30,	
		2010	2009	2010	2009
		\$		\$	
<b>Balance, beginning of period</b>		<b>32,166,418</b>	27,392,673	<b>28,834,896</b>	25,801,870
<b>Additions</b>					
Drilling and assaying		<b>300,180</b>	99,461	<b>2,061,287</b>	710,851
Salary and employee costs		<b>235,107</b>	134,009	<b>730,242</b>	435,170
Camp and facilities costs		<b>79,814</b>	35,273	<b>600,795</b>	220,639
General office and administration		<b>162,461</b>	127,899	<b>455,314</b>	341,902
Engineering and consultants		<b>121,510</b>	127,067	<b>239,706</b>	363,231
Stock-based compensation	5	<b>52,959</b>	14,646	<b>83,640</b>	72,171
Amortization of capital assets		<b>56,616</b>	40,491	<b>153,900</b>	104,833
Other		<b>(12,080)</b>	(10,174)	<b>3,205</b>	(34,523)
Total additions		<b>996,567</b>	568,672	<b>4,328,089</b>	2,214,274
<b>Deductions</b>					
Write off of Kossa exploration cost recoveries		-	54,799	-	-
<b>Balance, end of period</b>		<b>33,162,985</b>	28,016,144	<b>33,162,985</b>	28,016,144

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 September 30,		Nine months ended September 30,	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net income (loss)		(336,733)	(193,927)	1,281,819	(1,232,250)
Non-cash items:					
Dilution gain on investment in Niger Resources Inc.		-	-	(2,563,535)	-
Stock-based compensation		175,745	157,565	416,203	530,543
Impairment of available-for-sale investments		-	-	-	6,483
Gain on sale of capital asset		-	-	(1,754)	-
Amortization of capital assets		6,943	6,595	20,778	22,697
Non-controlling interest		13,684	-	13,684	-
Foreign exchange gain		(143,787)	(288,227)	(178,613)	(429,412)
Changes in non-cash working capital	6	50,178	29,600	27,936	76,947
Cash used in operating activities		(233,970)	(288,394)	(983,482)	(1,024,992)
<b>INVESTING ACTIVITIES</b>					
Acquisition of Mineral Interests from North Atlantic		-	-	(238,854)	-
Acquisition of North Atlantic's interest in Brighton Energy Corp		(960,523)	-	(960,523)	-
Proceeds on disposal of capital asset		-	-	1,754	-
Expenditures on exploration properties	6	(1,101,067)	(547,246)	(4,437,460)	(2,306,677)
Cash used in investing activities		(2,061,590)	(547,246)	(5,635,083)	(2,306,677)
<b>FINANCING ACTIVITIES</b>					
Proceeds from equity financing	5	-	-	9,470,844	-
Share issuance costs	5	-	-	(804,204)	(58,801)
Net proceeds from private placement	4	(14,772)	-	4,806,929	-
Proceeds from exercise of stock options	5	98,284	-	219,328	703,765
Proceeds from exercise of warrants	5	222,857	-	222,857	-
Contribution from IMG		-	-	-	4,424,184
Cash provided by financing activities		306,369	-	13,915,754	5,069,148
Effect of exchange rate changes on cash		163,609	293,999	181,152	424,676
<b>Increase (decrease) in cash</b>		<b>(1,825,582)</b>	<b>(541,641)</b>	<b>7,478,341</b>	<b>2,162,155</b>
Cash, beginning of period		13,842,474	6,075,162	4,538,551	3,371,366
<b>Cash, end of period</b>		<b>12,016,892</b>	<b>5,533,521</b>	<b>12,016,892</b>	<b>5,533,521</b>

**Supplemental information:**

There were no cash payments in respect of interest or taxes during the three or nine months ended September 30, 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 Income (Loss)

(Expressed in United States dollars) (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Net income (loss)</b>	<b>(336,733)</b>	<b>(193,927)</b>	<b>1,281,819</b>	<b>(1,232,250)</b>
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)
<b>Comprehensive income (loss)</b>	<b>(336,733)</b>	<b>(193,927)</b>	<b>1,281,819</b>	<b>(1,232,250)</b>

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)

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### 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 AND GOING CONCERN

The Company’s unaudited interim consolidated financial statements and accompanying notes as at, and for, the three and nine months ended September 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 September 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)

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### 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 nine months ended September 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

	September 30, 2010	December 31, 2009
	\$	\$
<b>Assets not subject to amortization</b>		
Mineral property acquisition costs	1,263,105	1,024,251
Deferred exploration costs	33,162,985	28,834,896
Deposits	60,740	64,739
Land	306,736	306,736
	<b>34,793,566</b>	<b>30,230,622</b>
<b>Assets subject to amortization</b>		
Property, plant and equipment, net		
Buildings	967,520	905,864
Accumulated amortization	(156,108)	(83,741)
Office and field equipment	346,334	280,403
Accumulated amortization	(220,341)	(118,030)
	<b>937,405</b>	<b>984,496</b>
	<b>35,730,971</b>	<b>31,215,118</b>

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

	September 30, 2010		December 31, 2009	
	Acquisition Cost	Deferred Exploration Costs	Acquisition Cost	Deferred Exploration Costs
	\$	\$	\$	\$
Sega	11,410	12,206,983	11,410	11,914,115
Bomboré	866,656	12,301,608	866,656	8,743,882
Bondi	146,185	7,881,005	146,185	7,829,906
Niger	238,854 <sup>1</sup>	773,389	-	346,993
	<b>1,263,105</b>	<b>33,162,985</b>	<b>1,024,251</b>	<b>28,834,896</b>

#### *Sega, Burkina Faso*

The Sega project consists of the Tiba (124 km<sup>2</sup>) and Namasa (189 km<sup>2</sup>) 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<sup>2</sup>.

#### *Bomboré, Burkina Faso*

The Bomboré (105 km<sup>2</sup>) 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<sup>2</sup>.

<sup>1</sup> Note 4

<sup>2</sup> 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

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

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### 3 — EXPLORATION PROPERTIES (continued)

#### *Bondi, Burkina Faso*

The Bondi project consists of the Djarkadougou (224 km<sup>2</sup>) 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<sup>2</sup>. 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 km<sup>2</sup>) and Zeline 4 (500 km<sup>2</sup>) expire in October 2012 and may be renewed for two more three year terms with permit size reductions. The Company also holds Mining Conventions relating to these permits with terms of 20 years, which are renewable until the reserves are exhausted.

The Abelajouad (2,000 km<sup>2</sup>) permit expires in April 2012, while the Assaouas 1 (491 km<sup>2</sup>) and Assaouas 2 (485 km<sup>2</sup>) permits expire in November 2012. All three permits may be renewed for two more three year terms with permit size reductions. During the three months ended September 30, 2010, the Company received formal 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 were subject to the same extension however the length of the extension was reduced by the time elapsed between August 1, 2007 and the permit issuance date. This extension benefited all three of the newly acquired permits, as well as the Company's two existing uranium exploration permits.

During the second quarter of 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 net proceeds of \$4,806,929. As a result, the Company's ownership interest in NIREs was reduced to 53.33%. Accordingly, the Company's proportionate share of the increase in net assets of NIREs (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.

On September 8, 2010, the Company closed a share purchase agreement to purchase all outstanding shares of NIREs owned by NAC for CAD \$1 million (US \$960,523). As a result of the transaction, the Company's interest in NIREs increased to 67% and the Non-Controlling Interest on the Consolidated Balance Sheets was reduced by the purchase price.

\$4.5 million of the cash held at September 30, 2010 was raised in NIREs to be used only to advance uranium exploration projects in Niger.

# Orezone Gold Corporation

(A Development Stage Company)

## 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
		\$	\$
<b>Balance, December 31, 2008</b>	1	57,349,863	3,573,542
Stock-based compensation	-	-	780,606
Contribution from IMG	-	4,424,184	-
Stock options exercised <sup>1</sup>	-	1,274,842	(571,077)
Issue costs	-	(58,801)	-
Common shares issued at closing of transaction between IMG and Resources <sup>2</sup>	53,955,530	-	-
<b>Balance, December 31, 2009</b>	<b>53,955,531</b>	<b>62,990,088</b>	<b>3,783,071</b>
Stock-based compensation	-	-	499,843
Proceeds from issuance of common shares	13,340,000	9,470,844	-
Issue costs	-	(804,204)	-
Stock options exercised	605,000	372,640	(153,312)
Warrants exercised	250,000	222,857	-
<b>Balance, September 30, 2010</b>	<b>68,150,531</b>	<b>72,252,225</b>	<b>4,129,602</b>

<sup>1</sup> Represents stock options exercised by the Company's employees on Resources stock. No shares of the Company were issued upon exercise.

<sup>2</sup> See Note 1

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 6,815,053 options are available for issue under the Plan (representing 10% of the shares outstanding at September 30, 2010).

As at September 30, 2010, there was \$541,632 (September 30, 2009 - \$847,850) 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 1.25 years.

# Orezone Gold Corporation

(A Development Stage Company)

## 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 September 30, 2010			Nine months ended September 30, 2010		
	Number of options	Weighted average exercise price	Weighted average grant date fair value	Number of options	Weighted average exercise price	Weighted average grant date fair value
		CAD\$	CAD\$		CAD\$	CAD\$
<b>Outstanding, beginning of period</b>	<b>4,750,000</b>	<b>0.40</b>	<b>0.44</b>	<b>5,320,000</b>	<b>0.39</b>	<b>0.44</b>
Granted	645,000	0.85	0.80	645,000	0.85	0.80
Exercised	(275,000)	(0.38)	(0.41)	(605,000)	(0.38)	(0.41)
Forfeited	-	-	-	(240,000)	(0.40)	(0.48)
<b>Outstanding, end of period</b>	<b>5,120,000</b>	<b>0.45</b>	<b>0.49</b>	<b>5,120,000</b>	<b>0.45</b>	<b>0.49</b>
<b>Options exercisable, September 30, 2010</b>				<b>3,017,500</b>	<b>0.40</b>	<b>0.43</b>

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 September 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 \$0.49	4,125,000	8.60	0.39	2,715,000	0.38
\$0.50 to \$0.69	350,000	8.82	0.52	237,500	0.52
\$0.70 to \$0.89	645,000	9.78	0.85	65,000	0.85
	<b>5,120,000</b>	<b>8.76</b>	<b>0.45</b>	<b>3,017,500</b>	<b>0.40</b>

As at December 31, 2009, 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	1,735,000	9.24	0.36	1,735,000	0.36
\$0.40 to \$0.49	3,235,000	9.41	0.40	-	-
\$0.50 to \$0.59	350,000	9.56	0.52	125,000	0.52
	<b>5,320,000</b>	<b>9.36</b>	<b>0.39</b>	<b>1,860,000</b>	<b>0.37</b>

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

### 5 — CAPITAL STOCK (continued)

The fair value of each option award granted was estimated on the grant date using the Black-Scholes option valuation model, with the following weighted average assumptions:

	<u>2010</u>
Expected option life*	10 years
Expected volatility**	80%
Risk-free interest rate***	2.84%
Expected dividend yield	0.00%

\* The expected option life (estimated period of time outstanding) of options granted was estimated using the historical exercise behaviour of employees with reference to the current weighted average life and intrinsic value of options outstanding as at September 30, 2010.

\*\* The expected volatility was based on historical volatility of the Company since its listing date less the first three months of trading data.

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

For the nine months ended September 30, 2010, stock-based compensation costs of \$416,203 were expensed and \$83,640 were capitalized to deferred exploration costs (September 30, 2009 – \$530,543 and \$113,459).

#### (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.

On August 26, 2010, Standard exercised its warrants in the Company and as a result the Company issued 250,000 common shares in exchange for CAD \$234,000 (US \$222,857).

#### (d) Earnings (loss) per share

Basic earnings (loss) per share computation:	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Numerator:				
Net income (loss)	<b>(336,733)</b>	(193,927)	<b>1,281,819</b>	(1,232,250)
Denominator:	<b>Number</b>	Number	<b>Number</b>	Number
Weighted average common shares outstanding	<b>67,904,254</b>	53,955,531	<b>66,268,269</b>	53,849,942
Basic earnings (loss) per share	<b>\$(0.00)</b>	\$(0.00)	<b>\$0.02</b>	\$(0.02)

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

### 5 — CAPITAL STOCK (continued)

Diluted earnings (loss) per share computation:	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Numerator:				
Net income (loss)	(336,733)	(193,927)	1,281,819	(1,232,250)
Denominator:	Number	Number	Number	Number
Weighted average common shares outstanding	67,904,254	53,955,531	66,268,269	53,849,942
Dilutive effect of employee stock options	-	-	2,758,293	-
Total average common shares outstanding	67,904,254	53,955,531	69,026,562	53,849,942
Diluted earnings (loss) per share	<b>\$(0.00)</b>	<b>\$(0.00)</b>	<b>\$0.02</b>	<b>\$(0.02)</b>

None of the outstanding stock options have been included in the diluted loss per share calculation for the three months ended September 30, 2010 or the three and nine months ended September 30, 2009 as the impact would be antidilutive.

### 6 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash working capital related to operating activities for the three and nine months ended September 30 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Taxes and other receivables	42,267	7,342	6,016	133,184
Prepaid expenses and other assets	(5,445)	7,779	(58,191)	100,979
Investments	-	-	-	18,261
Accounts payable and accrued liabilities	13,356	14,479	80,111	(175,477)
	<b>50,178</b>	<b>29,600</b>	<b>27,936</b>	<b>76,947</b>

Items not affecting cash related to the additions to expenditures on exploration properties for the three and nine months ended September 30 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Non-cash items</b>				
Amortization of capital assets	56,616	40,491	153,900	104,833
Stock-based compensation	52,959	14,646	83,640	113,459
	<b>109,575</b>	<b>55,137</b>	<b>237,540</b>	<b>218,292</b>
<b>Changes in non-cash working capital</b>				
Taxes and other receivables	(3,373)	54,342	(5,391)	3,117
Prepaid expenses and other assets	(164,534)	91,498	(141,221)	42,901
Accounts payable and accrued liabilities	(4,252)	(126,348)	(185,538)	(48,154)
	<b>(172,159)</b>	<b>19,492</b>	<b>(332,150)</b>	<b>(2,136)</b>

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

### 7 — SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition, exploration and potential development of mineral 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:

	September 30, 2010	December 31, 2009
Canada	\$ 21,243	\$ 37,651
Burkina Faso	34,516,437	30,662,508
Niger	1,193,291	514,959
	<u>35,730,971</u>	<u>31,215,118</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Canada	\$ -	\$ -	\$ 4,190	\$ -
Burkina Faso	883,637	465,886	4,130,513	2,114,306
Niger	217,430	81,360	541,611	192,371
	<u>1,101,067</u>	<u>547,246</u>	<u>4,676,314</u>	<u>2,306,677</u>

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.

### 8 — 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 other receivables balance of \$21,679 and the accounts payable and accrued liabilities balance of \$379,566 at September 30, 2010 include taxes receivable of \$7,651 and taxes payable of \$19,463 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.

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

### 8 — FINANCIAL INSTRUMENTS AND RISKS (continued)

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

	September 30, 2010				Total
	USD	CAD	EUR & CFA <sup>1</sup>	Other	
<b>Financial assets</b>					
Cash	236,538	11,448,051	332,303	-	12,016,892
Other receivables	-	10,947	3,081	-	14,028
Deposits	-	-	60,740	-	60,740
	<u>236,538</u>	<u>11,458,998</u>	<u>396,124</u>	<u>-</u>	<u>12,091,660</u>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	(95,206)	(184,098)	(78,846)	(1,953)	(360,103)
<b>Net financial assets (liabilities)</b>	<u>141,332</u>	<u>11,274,900</u>	<u>317,278</u>	<u>(1,953)</u>	<u>11,731,557</u>

<sup>1</sup> 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 USD of the currencies to which the Company had exposure at September 30, 2010 would have had the following effects in the three and nine months ended September 30, 2010 (a 10% strengthening against the USD would have had the opposite effect):

	Foreign exchange (losses) gains
	\$
CAD	(1,127,490)
EUR & CFA	(25,654)
Other	195
	<u>(1,152,949)</u>

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

	September 30, 2010	December 31, 2009
	Level 1	Level 1
Cash	12,016,892	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.



# Orezone Gold Corporation

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

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### 8 — FINANCIAL INSTRUMENTS AND RISKS (continued)

#### (c) Credit risk

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

### 9 — CAPITAL MANAGEMENT

As at September 30, 2010, the Company's capital consisted of cash of \$12,016,892 and common shares of \$72,252,225 (December 31, 2009 - \$4,538,551 and \$62,990,088 respectively).

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

The Company's capital structure was modified during the nine months ended September 30, 2010 in order to meet these objectives. In January 2010, the Company undertook an equity financing at CAD \$0.75 per share with gross proceeds of CAD \$10,005,000. As well, in August 2010, the Company's warrants were exercised, resulting in the issuance of 250,000 common shares at CAD \$0.94 per share for gross proceeds of CAD \$234,000.

### 10 – RELATED PARTY TRANSACTIONS

In the three and nine months ended September 30, 2010, the Company charged \$6,153 and \$19,348 respectively (three and nine months ended September 30, 2009 – \$ nil and \$ nil) in administrative fees to Northern Graphite ("Northern") for rent, expenses incurred on its behalf and administrative and geological services that were provided by the Company to Northern during the 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.

### 11 – SUBSEQUENT EVENTS

On October 4, 2010, the Board of Orezone Inc., a wholly-owned subsidiary of the Company, approved the issuance of 545,000 warrants to certain members of the Company and its subsidiaries' management and board of directors to purchase 545,000 of the common shares of Brighton Energy Corporation held by Orezone Inc. The warrants have a price of CAD \$1.00, vest immediately and expire one year subsequent to the date of the initial public offering of Brighton Energy Corporation which is expected to occur during 2011.

# Orezone Gold Corporation

(A Development Stage Company)

## Notes to Consolidated Financial Statements

(Expressed in United States dollars) (Unaudited)

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### 11 – SUBSEQUENT EVENTS (continued)

On October 21, 2010, the Board approved the issuance of 300,000 stock options to the Company's Chief Financial Officer at a strike price of CAD \$2.35 per share. 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 expire on October 21, 2020.

### 12 — COMPARATIVE FIGURES

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