# OREZONE GOLD CORPORATION

**(A Development Stage Company)**

Annual Consolidated Financial Statements
(Expressed in United States dollars)

For the years ended December 31, 2016 and 2015

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

**To the Shareholders of Orezone Gold Corporation.**

The accompanying annual consolidated financial statements (the "Financial Statements") of Orezone Gold Corporation (the "Company") and all the information in the Management's Discussion and Analysis ("MD&A") are the responsibility of Management and have been approved by the Company's Board of Directors (the "Board").

The Financial Statements have been prepared by Management in accordance with International Financial Reporting Standards. The Financial Statements include certain amounts that are based on the best estimates and judgments of Management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. When alternate accounting methods exist, Management has chosen those methods it deems most appropriate under the circumstances.

Management is responsible for the integrity of the Financial Statements and has developed and maintains a system of internal controls, which they believe provide reasonable assurance that transactions are properly authorized and recorded, that financial records are reliable and form a proper basis for the preparation of Financial Statements and that the Company's assets are properly accounted for and safeguarded. The internal control processes include Management's communication to employees of policies that govern ethical business conduct.

The Board is responsible for overseeing Management's performance of its responsibility for financial reporting and is ultimately responsible for reviewing and approving the Financial Statements. The Audit Committee meets periodically with Management, as well as the independent external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities and to review the Financial Statements and the external auditor's report. The Audit Committee reports its findings to the Board for consideration when the Board approves the Financial Statements for issuance. The Audit Committee also considers, for review by the Board and approval by the Company's shareholders, the engagement or re-appointment of the independent external auditors.

The Financial Statements have been audited by Deloitte LLP, the independent external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Company's shareholders. Deloitte LLP have full and free access to the Audit Committee.

/s/ Ronald N. Little

**Ronald N. Little**
Chief Executive Officer

April 6, 2017

/s/ Joe McCoy

**Joe McCoy**
Chief Financial Officer

April 6, 2017

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Orezone Gold Corporation

We have audited the accompanying consolidated financial statements of Orezone Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orezone Gold Corporation as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

April 6, 2017
Toronto, Ontario

# Orezone Gold Corporation

**(A Development Stage Company)**

## Consolidated Statements of Financial Position

(Expressed in United States dollars)

| As at | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **22,099,768** | 3,835,256 |
| Trade and other receivables | **98,867** | 20,031 |
| Inventories (Note 5) | **316,908** | 341,813 |
| Prepaid expenses and deposits | **108,298** | 107,479 |
| **Total current assets** | **22,623,841** | 4,304,579 |
| **Non-current assets** | | |
| Interests in exploration properties (Note 6) | **2,224,746** | 2,671,402 |
| **Total assets** | **24,848,587** | 6,975,981 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **805,489** | 210,272 |
| **Non-current liabilities** | | |
| Royalty-based obligation (Notes 4 and 7) | **3,600,000** | 3,300,000 |
| **Total liabilities** | **4,405,489** | 3,510,272 |
| **Equity** | | |
| Share capital (Note 8) | **161,396,693** | 138,425,137 |
| Reserves | **11,883,352** | 12,378,500 |
| Accumulated deficit | **(152,836,947)** | (147,337,928) |
| **Total equity** | **20,443,098** | 3,465,709 |
| **Total liabilities and equity** | **24,848,587** | 6,975,981 |

Going Concern (Note 2(b))
Commitments (Note 16)

These annual consolidated financial statements were approved by the Board of Directors of Orezone Gold Corporation April 6, 2017:

/s/ Ronald N. Little

**Ronald N. Little**
**Director**

/s/ Ronald Batt

**Ronald Batt**
**Director**

The accompanying notes form an integral part of these consolidated financial statements.

# Orezone Gold Corporation
**(A Development Stage Company)**
## Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2016 and 2015
(Expressed in United States dollars, except for number of share amounts)

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Expenses** | | |
| Exploration and evaluation costs (Note 9) | **2,721,160** | 3,446,962 |
| General and administrative costs (Note 9) | **2,045,758** | 2,508,262 |
| Share-based compensation (Note 8(b)) | **244,977** | 212,643 |
| Depreciation and amortization (Note 6) | **461,936** | 713,577 |
| | **5,473,831** | 6,881,444 |
| **Other (loss) income** | | |
| Foreign exchange gain (loss) | **169,502** | (342,657) |
| Finance income | **117,053** | 30,763 |
| Bank fees/charges | **(5,763)** | (9,581) |
| Fair value loss on royalty-based obligation (Note 7) | **(300,000)** | (300,000) |
| Gain on sale of PP&E | **-** | 16,576 |
| **Other loss** | **(19,208)** | (604,899) |
| **Net loss before tax** | **(5,493,039)** | (7,486,343) |
| Income tax expense (Note 10) | **(5,980)** | (80,408) |
| **Net loss for the year** | **(5,499,019)** | (7,566,751) |
| Net loss per common share, basic and diluted | **(0.04)** | (0.07) |
| Weighted-average number of common shares outstanding, basic and diluted | **136,940,801** | 105,359,497 |
| Net loss for the year | **(5,499,019)** | (7,566,751) |
| **Other comprehensive loss** | | |
| Foreign currency translation loss | **(658,541)** | (630,363) |
| **Total other comprehensive loss** | **(658,541)** | (630,363) |
| **Comprehensive loss** | **(6,157,560)** | (8,197,114) |

The above other comprehensive loss item will be subsequently recycled into the statement of loss.

The accompanying notes form an integral part of these consolidated financial statements.

# Orezone Gold Corporation

**(A Development Stage Company)**

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

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

| | Share capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Share-based payments** (Note 8) | **Foreign currency translation** | **Accumulated deficit** | **Total** |
| | # | $ | $ | $ | $ | $ |
| **Balance, January 1, 2016** | 117,350,364 | 138,425,137 | 12,489,964 | (111,464) | (147,337,928) | 3,465,709 |
| Share capital issued (Note 8(a)) | 36,450,000 | 24,157,875 | - | - | - | 24,157,875 |
| Share issuance costs (Note 8(a)) | - | (1,340,297) | - | - | - | (1,340,297) |
| Stock options exercised (Note 8(b)) | 250,000 | 153,978 | (81,584) | - | - | 72,394 |
| Share-based compensation | - | - | 244,977 | - | - | 244,977 |
| Foreign currency translation | - | - | - | (658,541) | - | (658,541) |
| Net loss for the year | - | - | - | - | (5,499,019) | (5,499,019) |
| **Balance, December 31, 2016** | **154,050,364** | **161,396,693** | **12,653,357** | **(770,005)** | **(152,836,947)** | **20,443,098** |

| | Share capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Share-based payments** (Note 8) | **Foreign currency translation** | **Accumulated deficit** | **Total** |
| | # | $ | $ | $ | $ | $ |
| **Balance, January 1, 2015** | 95,683,698 | 133,439,571 | 12,277,321 | 518,899 | (139,771,177) | 6,464,614 |
| Share capital issued (Note 8(a)) | 21,666,666 | 5,014,750 | - | - | - | 5,014,750 |
| Share issuance costs (Note 8(a)) | - | (29,184) | - | - | - | (29,184) |
| Share-based compensation | - | - | 212,643 | - | - | 212,643 |
| Foreign currency translation | - | - | - | (630,363) | - | (630,363) |
| Net loss for the year | - | - | - | - | (7,566,751) | (7,566,751) |
| **Balance, December 31, 2015** | **117,350,364** | **138,425,137** | **12,489,964** | **(111,464)** | **(147,337,928)** | **3,465,709** |

The accompanying notes form an integral part of these consolidated financial statements.

# Orezone Gold Corporation

**(A Development Stage Company)**

## Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in United States dollars)

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the year | **(5,499,019)** | (7,566,751) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation and amortization (Note 6) | **461,936** | 713,577 |
| Share-based compensation (Note 8(b)) | **244,977** | 212,643 |
| Finance income | **(117,053)** | (30,763) |
| Foreign exchange gain (loss) | **(169,502)** | 342,657 |
| Impairment of inventories (Note 5) | **-** | 4,662 |
| Fair value loss on royalty-based obligation (Note 7) | **300,000** | 300,000 |
| Realized gain on sale of property, plant and equipment | **-** | (16,576) |
| Income tax expense (Note 10) | **5,980** | 80,408 |
| Income tax paid (Note 10) | **(5,980)** | (171,334) |
| Changes in non-cash operating working capital (Note 11) | **561,555** | (889,922) |
| **Total cash outflows used in operating activities** | **(4,217,106)** | (7,021,399) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment (Note 6) | **(18,592)** | (31,381) |
| Net cash proceeds from sale of property, plant and equipment | **-** | 16,576 |
| Interest received | **102,836** | 30,931 |
| **Total cash inflows from investing activities** | **84,244** | 16,126 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from royalty arrangement (Note 7) | **-** | 3,000,000 |
| Proceeds from private placement (Note 8(a)) | **3,857,500** | 5,014,750 |
| Proceeds from financing (Note 8(a)) | **20,300,375** | - |
| Share issuance costs (Note 8(a)) | **(1,340,297)** | (29,184) |
| Proceeds from exercise of stock options | **72,394** | - |
| **Total cash inflows from financing activities** | **22,889,972** | 7,985,566 |
| **Effect of foreign currency translation on cash** | **(492,598)** | (560,320) |
| **Increase in cash** | **18,264,512** | 419,973 |
| **Cash, beginning of year** | **3,835,256** | 3,415,283 |
| **Cash, end of year** | **22,099,768** | 3,835,256 |

Supplemental cash flow information is provided in Note 11.

The accompanying notes form an integral part of these consolidated financial statements.

## 1. CORPORATE INFORMATION

Orezone Gold Corporation (the "Company") was incorporated on December 1, 2008 under the Canada Business Corporations Act and was a publicly listed corporation on the Toronto Stock Exchange (the "TSX"). Since December 2015, the Company is listed as a Tier 1 listed company on the TSX Venture Exchange (TSXV). The Company is primarily engaged in the exploration and development of gold properties in Burkina Faso, West Africa. The Company is in the exploration and evaluation phase and is in the process of determining whether any of its mineral properties are technically feasible and commercially viable. The Company's primary objective is to maximize shareholder value by identifying and developing commercially viable gold mining operations.

The address of the Company's corporate office is 290 Picton Avenue, Suite 201, Ottawa, Ontario, Canada, K1Z 8P8.

References to "$" or "US$" are to United States dollars, references to "C$" are to Canadian dollars and references to "CFA" or "XOF" are to Communauté Financière Africaine francs.

## 2. BASIS OF PRESENTATION

### (a) STATEMENT OF COMPLIANCE

These consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These Financial Statements were authorized for issue by the Board of Directors on April 6, 2017.

### (b) BASIS OF MEASUREMENT

These Financial Statements have been prepared on a historical cost basis, except for the financial liability at fair value through profit and loss which was measured at fair value. These Financial Statements are presented in United States dollars, unless otherwise indicated.

The preparation of consolidated financial statements in accordance with IFRS requires Management to make certain critical accounting estimates. It also requires Management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these Financial Statements, are disclosed in Note 4.

These Financial Statements have been prepared on the basis of principles applicable to a going concern which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company is in the exploration stage and, as is common with many exploration companies, raises funds in the equity market to conduct its activities. In order to fund its continued exploration and development activities beyond current estimates, the Company must raise additional debt and/or equity capital.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these Financial Statements.

### (a) BASIS OF CONSOLIDATION

These Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists where more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full on consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interests even if it results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The subsidiaries of the Company and their principal activities as at December 31, 2016 were as follows:

| Name of subsidiary | Place of incorporation | Ownership interest as at | | Principal activity |
|---|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 | |
| Orezone Inc. | British Virgin Islands | 100% | 100% | Exploration & Development |
| Orezone Inc. SARL | Burkina Faso | 100% | 100% | Exploration & Development |
| Orezone Bomboré SA | Burkina Faso | 100% [1] | N/A | Exploration & Development |
| Brighton Energy Corporation | Canada | N/A | 100% | Holding Company (Dissolved) |
| Brighton Energy Limited | British Virgin Islands | N/A | 100% | Holding Company (Dissolved) |
| Niger Resources Inc. | British Virgin Islands | N/A | 100% | Holding Company (Dissolved) |
| Burkina Resources Inc. | British Virgin Islands | 100% | 100% | Inactive |

[1] *In accordance with the mining laws of Burkina Faso, the Government of Burkina Faso will have a 10% carried equity interest in the company holding the mining permit for any producing mineral project of the Company in Burkina Faso.*

### (b) FINANCIAL CURRENCY AND FOREIGN CURRENCY TRANSLATION

These Financial Statements are presented in United States dollars. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates (the “functional currency”). The Company’s functional currency is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period: monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date; non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date; and, non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Such exchange differences arising from retranslation are recognized in net income (loss).

Foreign operations are translated from their functional currencies into the Company’s functional currency (Canadian dollars) on consolidation by applying the exchange rates prevailing at the end of the reporting year for assets and liabilities and the average exchange rate for the year for consolidated statements of comprehensive loss items. Such exchange differences, including differences that arise relating to long-term intercompany balances that form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss).

The consolidated financial statements are translated into the presentation currency (United States dollars) as follows: all assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; equity balances are translated at the rates of exchange at the transaction dates. All items included in the consolidated statements of comprehensive loss are translated using the average monthly exchange rates unless there are significant fluctuations in the exchange rate, in which case the rate at the date of the transaction is used. Exchange differences arising on the translation to the presentation currency are recorded in the foreign currency translation reserve.

### (c) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. The Company does not currently have goodwill.

Acquisition costs are expensed as incurred in net income (loss). Costs associated with the issuance of equity are charged to the relevant account within equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and attributed to the shareholders of the Company, through reserves.

### (d) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recognized at fair value when the Company or its subsidiaries become party to the contracts that give rise to them. Subsequent measurement depends on whether the financial instrument is classified as fair value through profit and loss ("FVTPL"), available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments classified as: FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss); available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss); and, held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Transaction costs in respect of FVTPL financial instruments are recognized in net income (loss) at the transaction date whereas transaction costs in respect of other financial instruments are included in the initial fair value measurement of the financial instrument.

The Company may also enter into financial instruments or other contracts that contain embedded derivatives. Embedded derivatives (e.g. a lease denominated in a currency other than that of either counterparty to the contract) are accounted for separately from the host contract at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract, and the host contract is not classified as FVTPL.

The Company does not currently have derivative instruments.

The Company has made the following classifications with respect to its financial instruments:

- Cash is classified as FVTPL, which is measured at fair value.
- Trade and other receivables, excluding taxes receivable balances that do not meet the definition of a financial instrument, and refundable deposits included in prepaid expenses and deposits, are classified as loans and receivables, which are measured at amortized cost, using the effective interest method, less any impairment losses.
- Accounts payable and accrued liabilities, excluding taxes payable balances that do not meet the definition of a financial instrument, are classified as other financial liabilities, which are measured at amortized cost, using the effective interest method.
- Royalty based obligations are classified as financial liabilities at fair value through profit and loss, which are measured at fair value.

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting year. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

### (e) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in interest-bearing accounts with high credit quality financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. The Company does not currently have cash equivalents.

### (f) INVENTORIES

Inventories are measured at the lower of cost and net realizable value and consist of materials and supplies to be consumed in exploration activities. Net realizable value is the estimated selling price in the ordinary course of business less the costs necessary to make the sale.

### (g) PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are measured at the lower of cost and net realizable value and consist of prepayments on service and rental contracts and short-term deposits on purchases of supplies and property, plant and equipment. Net realizable value is the estimated recovery value in the ordinary course of business less the costs necessary to recover the prepayment or deposit. Any initial deposits on property, plant and equipment are transferred to interests in exploration properties and included in the acquisition cost of the asset when it is received.

### (h) INTERESTS IN EXPLORATION PROPERTIES

All of the Company's projects are currently in the exploration and evaluation phase.

**Pre-exploration expenditures**

Costs during the pre-exploration phase are expensed as incurred in net (loss) income.

**Exploration and evaluation expenditures**

Once the legal right to explore a mineral property has been acquired, costs directly related to the acquisition of the mineral property rights are capitalized and accounted for on either an individual property or area-of-interest basis. Subsequently the mineral property rights are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by Management, or sale. Purchased mining properties are recognized as assets at their acquisition date fair value if purchased as part of a business combination. Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred in net income (loss).

**Mine development costs**

Once the technical feasibility and commercial viability of a mineral property has been established, the property is no longer in the exploration and evaluation phase and is considered to be a mine property under development. Thereafter, costs incurred directly related to mine development and construction are capitalized, including associated acquisition costs, directly attributable administrative or support costs and depreciation of related property, plant and equipment, and are accounted for on either an individual property or area-of-interest basis. Subsequently the mine properties under development are carried at the aforementioned cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by Management, or sale.

Technical feasibility and commercial viability is established once all of the following conditions have been met:

- The Company has established a NI 43-101 compliant estimate of property resources and/or reserves;
- The Company has obtained a mining permit or otherwise has the right to extract the resource and/or reserves; and
- The Company has established that it is economically viable to mine the resource and/or reserves. This

includes the completion of a NI 43-101 compliant study to a pre-feasibility level at a minimum.

As the Company currently has no operational income and is not capitalizing exploration expenditures during the exploration and evaluation phase, any incidental revenues earned in connection with the exploration activities, or government assistance or mining duty credits realized during this phase, are applied against the exploration costs in net income (loss).

**(i) REHABILITATION LIABILITIES**

The Company is subject to various government laws and regulations and constructive obligations related to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred, including estimated costs of restoration, reclamation and re-vegetation of the affected exploration sites. When the liability is recognized at the present value of the estimated costs, the carrying amount of the capitalized related mining assets is correspondingly increased. Subsequently, the liability is adjusted for changes in the present value based on current market discount rates and liability-specific risks. The Company does not currently have rehabilitation liabilities.

**(j) PROPERTY, PLANT AND EQUIPMENT**

Upon initial acquisition, property, plant and equipment including land are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by Management. In subsequent periods, property, plant and equipment excluding land are stated at cost less accumulated depreciation and any impairment in value, while land is stated at cost less any impairment in value.

Property, plant and equipment unrelated to production are depreciated using the straight-line method over the estimated useful lives of the assets. The rods used in the drilling process are depreciated using the number of meters drilled. Mineral properties are depleted on a unit-of-production basis over the measured and indicated resources or the life of the mine. Land is not depreciated. Where significant components of assets have differing useful lives, depreciation is calculated on each separate component.

Estimates of remaining useful lives and residual values are reviewed annually, with any changes accounted for prospectively.

Depreciation and amortization is provided on a straight-line basis over the following estimated useful lives:

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

**Major maintenance and repairs**

Expenditures on major maintenance and repairs include the cost of asset replacement parts and overhaul costs. When an asset or part of an asset is replaced or overhauled and it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured, that expenditure is capitalized and the carrying amount of the item replaced is derecognized. All maintenance and repairs costs, except major overhaul or replacement costs, are expensed as incurred in net income (loss).

**Gains and losses**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in other income (loss).

**Leased assets**

The Company does not currently have any leases where the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a “finance lease”), whereby the asset is treated as if it had been purchased outright.

**(k) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS**

The Company assesses financial assets including investments available-for-sale and non-financial assets including mineral property rights, mine properties under development, mineral property assets and property, plant and equipment for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in net income (loss). An impairment loss in respect of investments is calculated by reference to its fair value.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods.

Capitalized mineral property rights are also tested for impairment before the assets are transferred to the mineral property costs.

**(l) PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company does not currently have any provisions.

Contingent liabilities and assets are not recognized in the consolidated financial statements. However, contingent liabilities are disclosed in the notes to the consolidated financial statements unless their occurrence is remote, and contingent assets are disclosed in the notes to the consolidated financial statements if their recovery is deemed probable.

**(m) FINANCIAL INSTRUMENTS – ROYALTY-BASED OBLIGATION**

The Company has classified the royalty-based obligation relating to the upfront royalty from Sandstorm Gold Ltd. (“Sandstorm”) as a financial liability at fair value through profit or loss which is measured at fair value with unrealized gains (losses) recognized in net income (loss).

**(n) INCOME TAXES**

Income tax expense consists of current and deferred income taxes and includes all domestic and foreign taxes based on taxable profits. Current and deferred income taxes are included in net income (loss) except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income (loss) for the current period and any adjustment to income taxes payable or receivable in previous periods. Current income taxes are determined based on enacted or substantively enacted tax rates and laws at the end of the current financial reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income taxes are determined using the liability method where there are differences between the carrying amounts and tax bases of assets and liabilities, and unused tax losses and credits. Deferred tax liabilities and assets are measured by applying tax rates that are expected to apply when the amounts are realized or settled respectively, based on enacted or substantively enacted tax rates and laws at the end of the current financial reporting year. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be realized, and is later reduced if the Company determines it is no longer probable to be realized. The Company has not currently recognized any deferred tax assets or liabilities. In particular, no deferred tax asset has been recognized in respect of tax loss carry-forwards or deductible temporary differences as it is not probable at the end of the financial reporting year that future taxable profits will be available such that a tax asset can be realized.

It is the Company's policy to permanently write-off any previously unrecognized deferred tax assets on resource-related deductions related to permits no longer held by the Company in the period in which the permits are disposed of/expire. The related valuation allowance is also adjusted accordingly.

### (o) SHARE CAPITAL

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company's common shares and common share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

### (p) EARNINGS (LOSS) PER SHARE

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

Diluted earnings (loss) per share is computed by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted-average number of outstanding common shares for the year including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares.

### (q) SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the "Plan") described in Note 8(b). Compensation costs are measured at the grant date based on the fair value of the award and are recognized over the vesting period in net income (loss), with a corresponding increase to reserves. Upon exercise, common shares are issued from treasury and the amount reflected in reserves is credited to share capital, as adjusted for any consideration paid.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which affect the calculated values. At the end of each reporting period, the Company reviews the option pricing model and updates model inputs for any changes for the purposes of determining the fair value of new grants, and reflects the impact of changes to non-market inputs, like forfeitures, for previous grants in net income (loss), with a corresponding adjustment to reserves.

Options issued to non-employees are measured based on the fair value of the services received at the date of receiving those services. If the fair value of the goods or services cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

### (r) COMPREHENSIVE INCOME (LOSS)

The Company reports the changes in equity which result from transactions, events and circumstances from non-shareholder sources in its comprehensive income (loss) that are not included in net income (loss) such as certain unrealized gains and losses resulting from changes in the fair value of financial assets classified as available-for-sale, gains and losses on derivative instruments and from foreign currency exchange gains and losses resulting from foreign subsidiaries with a functional currency different than the functional currency of the Company, and from foreign currency exchange gains and losses resulting from translating the consolidated results of the Company to the presentation currency.

**(s) SEGMENTED REPORTING**

The Company is organized into business units based on mineral properties and has one business segment, being the acquisition, exploration and potential development of precious metal properties. At December 31, 2016, the Company had operations in two geographic areas, being Canada and Burkina Faso.

**(t) CHANGES IN ACCOUNTING POLICIES**

Application of new and revised accounting standards by the Company for the year ended December 31, 2016:

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. The IASB also issued a number of narrow scope amendments to the certain IFRSs and IASs which were effective for annual periods beginning on or after January 1, 2016. These amendments did not have a significant impact on the Company's consolidated financial statements.

The Company has not early adopted any other amendment, standard or interpretation that has been issued by the International Accounting Standards Board ("IASB") but is not yet effective.

**(u) STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE**

**Revenue recognition**

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – *Construction Contracts;* IAS 18 – *Revenue;* IFRIC 13 – *Customer Loyalty Programmes;* IFRIC 15 – *Agreements for the Construction of Real Estate;* IFRIC 18 – *Transfers of Assets from Customers;* and SIC 31 – *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. On 22 July, 2015 the IASB confirmed a one-year deferral of the effective date of IFRS 15 to January 1, 2018. Early adoption is permitted.

**Financial Instruments**

In February 2016, the IASB issued IFRS 9 – *Financial Instruments* to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9. The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that we present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The effective date of IFRS 9 is January 1, 2018. Earlier adoption is permitted.

**Leases**

The IASB issued IFRS 16 – Leases to replace IAS 40 – Investment Property, the objective of this standard is to set out the principles for the recognition, measurement, presentation and disclosure of leases. The effective date of IFRS 16 is January 1, 2019. Earlier adoption is permitted.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the Financial Statements. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the year of change and future years if the change impacts both years.

**Critical judgments in applying accounting policies**

*Going concern risk assessment*

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments.

*Determination of functional currency*

Management has made determinations with respect to its functional currency in accordance with IAS 21, "*The Effects of Changes in Foreign Exchange Rates*," and as such has determined that the functional currency of all of its entities is the Canadian dollar with the exception of its subsidiaries, Orezone Inc. SARL and Orezone Bomboré SA, which have a functional currency of the CFA.

*Accounting policy selection for interest in exploration properties including property, plant and equipment*

As disclosed in Note 3(h), Management judgment is applied in capitalizing costs related to acquired mineral property rights and property, plant and equipment. Management has determined that expenditures incurred during the exploration and evaluation phase will be expensed as incurred until it determines that the technical feasibility and commercial viability of a mineral property has been established.

*Impairment of non-financial assets*

Management assesses non-financial assets for impairment as disclosed in Note 3(k).

*Deferred income taxes*

Judgment is required in order to determine whether to recognize deferred tax assets and/or liabilities on the Statement of Financial Position. Management must assess the extent to which it is probable that the Company and its subsidiaries will have future taxable profits available against which it can recognize unused tax losses or unused tax credits as well as sufficient loss carry forwards to offset potential tax liabilities. The amount and availability of deferred tax assets and liabilities are directly influenced by future changes to tax laws in the jurisdictions in which the Company and its subsidiaries operate.

*Current income tax liabilities*

The Company's operating subsidiary tax filings may be reviewed from time to time in accordance with the Burkina Faso Code. The Company's interpretations of underlying tax regulations may differ from those of the tax department. Judgment is required in order to determine the appropriate accounting and disclosure treatment based on the facts. To the extent that a dispute arises, Management must determine whether it's probable that a tax liability exists and whether the extent of the liability may be estimated and accrued in its Statement of Financial Position in addition to determining the appropriate level of disclosure regarding the dispute.

*Classification of royalty as royalty-based obligation*

Management has determined that based on the specific agreements reached with Sandstorm the royalty-based obligation should be classified as a financial liability at fair value through profit or loss.

*Fair value of the Sandstorm upfront royalty*

Management has assessed the fair value of the upfront royalty as the value of the royalty plus any buyback premiums based on its assumption that the Company will have the necessary funds to repurchase the royalty from Sandstorm prior to the expiry of the irrevocable buyback option.

**Sources of estimation uncertainty**

*Share-based compensation related to stock options*

Management assesses the fair value of stock options as disclosed in Note 3(q), using the Black-Scholes option pricing model. This model requires Management to make estimates and assumptions with respect to inputs including the risk-free interest rate, volatility and expected life of the equity-settled instruments. As well, Management must make assumptions about anticipated forfeitures based on the historical actions of plan participants which may not be a true representation of future participant exercise behaviour.

*Useful lives of property, plant and equipment*

As disclosed in Note 3(j), Management reviews its estimate of the useful life of property, plant and equipment annually and accounts for any changes in estimates prospectively.

## 5. INVENTORIES

The cost of materials and supplies inventories recognized as an expense during the year ended December 31, 2016 was $46,629 (2015 – $23,363). There were no write-downs or reversals of write-downs of inventories to net realizable value during the year ended December 31, 2016 (2015 - $4,662). As at December 31, 2016, no specific inventories were pledged as security for liabilities.

(Expressed in United States dollars)

## 6. INTERESTS IN EXPLORATION PROPERTIES

| **Assets not subject to depreciation** | **Land** | **Mineral property rights** | **Construction in progress** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cost, being carrying amount** | | | | |
| **Balance, January 1, 2015** | 166,030 | 976,384 | - | 1,142,414 |
| Additions | - | - | 6,938 | 6,938 |
| Foreign currency translation | (17,099) | (144,177) | (17) | (161,293) |
| **Balance, December 31, 2015** | 148,931 | 832,207 | 6,921 | 988,059 |
| Additions | - | - | 484 | 484 |
| Disposals | - | - | (493) | (493) |
| Transfer to depreciable property | - | - | (6,921) | (6,921) |
| Foreign currency translation | (4,139) | 13,317 | 9 | 9,187 |
| **Balance, December 31, 2016** | **144,792** | **845,524** | **-** | **990,316** |

| **Assets subject to depreciation** | **Building** | **Capital improve-ments** | **Field equipment** | **Vehicles** | **Office equipment and furniture** | **Total** |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| **Balance, January 1, 2015** | 2,297,904 | 1,385,356 | 2,207,867 | 535,960 | 201,633 | 6,628,720 |
| Additions | - | - | - | - | 31,381 | 31,381 |
| Disposals | - | - | (2,547) | - | - | (2,547) |
| Foreign currency translation | (236,638) | (142,666) | (280,013) | (55,194) | (28,977) | (743,488) |
| **Balance, December 31, 2015** | 2,061,266 | 1,242,690 | 1,925,307 | 480,766 | 204,037 | 5,914,066 |
| Additions | - | 2,447 | 12,089 | - | 3,572 | 18,108 |
| Disposals | - | - | - | - | (5,295) | (5,295) |
| Transfer from construction in progress | - | 6,921 | - | - | - | 6,921 |
| Foreign currency translation | (57,295) | (34,825) | (10,000) | (13,363) | 1,255 | (114,228) |
| **Balance, December 31, 2016** | **2,003,971** | **1,217,233** | **1,927,396** | **467,403** | **203,569** | **5,819,572** |
| **Accumulated depreciation** | | | | | | |
| **Balance, January 1, 2015** | 946,707 | 1,160,396 | 1,301,115 | 404,533 | 172,745 | 3,985,496 |
| Depreciation for the year | 211,264 | 130,890 | 266,408 | 90,108 | 14,907 | 713,577 |
| Disposals | - | - | (2,547) | - | - | (2,547) |
| Foreign currency translation | (102,103) | (122,938) | (173,081) | (43,797) | (23,884) | (465,803) |
| **Balance, December 31, 2015** | 1,055,868 | 1,168,348 | 1,391,895 | 450,844 | 163,768 | 4,230,723 |
| Depreciation for the year | 210,642 | 17,305 | 187,853 | 28,593 | 17,543 | 461,936 |
| Disposals | - | - | - | - | (5,295) | (5,295) |
| Foreign currency translation | (39,075) | (33,269) | (16,226) | (13,844) | 192 | (102,222) |
| **Balance, December 31, 2016** | **1,227,435** | **1,152,384** | **1,563,522** | **465,593** | **176,208** | **4,585,142** |

| **Carrying amounts as at:** | **Building** | **Capital improve-ments** | **Field equipment** | **Vehicles** | **Office equipment and furniture** | **Total** |
|---|---|---|---|---|---|---|
| December 31, 2015 | 1,005,398 | 74,342 | 533,412 | 29,922 | 40,269 | 1,683,343 |
| **December 31, 2016** | **776,536** | **64,849** | **363,874** | **1,810** | **27,361** | **1,234,430** |

(Expressed in United States dollars)

| Total interests in exploration properties | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| | $ | $ |
| **Cost, beginning of year** | **6,902,125** | 7,771,134 |
| Additions | **18,592** | 38,319 |
| Disposals | **(5,788)** | (2,547) |
| Foreign currency translation | **(105,041)** | (904,781) |
| **Cost, end of year** | **6,809,888** | 6,902,125 |
| **Accumulated depreciation, beginning of year** | **4,230,723** | 3,985,496 |
| Depreciation | **461,936** | 713,577 |
| Disposals | **(5,295)** | (2,547) |
| Foreign currency translation | **(102,222)** | (465,803) |
| **Accumulated depreciation, end of year** | **4,585,142** | 4,230,723 |
| **Carrying amounts, beginning of year** | **2,671,402** | 3,785,638 |
| **Carrying amounts, end of year** | **2,224,746** | 2,671,402 |

The Company does not currently have depreciation and amortization capitalized in interests in exploration properties.

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

| As at | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $ | $ |
| **Burkina Faso** | | |
| Bomboré | **697,270** | 679,714 |
| Bondi | **148,254** | 152,493 |
| **Total mineral property rights** | **845,524** | 832,207 |

**Bomboré, Burkina Faso**

The original Bomboré I exploration permit (104.5 km$^2$) expired on February 17, 2016 after the Company had applied for a mining permit in May 2015. Three exploration permits were received on January 10, 2017 that covers much of the previous exploration permit area that surrounds the mining permit. On January 25, 2017, the company received the Bomboré mining permit Decree dated December 30, 2016. The permit refers to the 2015 Mining Code, however the Company has not yet received the mining convention and all relevant details as to the fiscal policies of the 2015 mining code that would apply to the permit. The Bomboré project now consists of the mining permit (25 km$^2$) and four exploration permits; Toéyoko (63 km$^2$), Bomboré II (17.6 km$^2$), Bomboré III (42.7 km$^2$) and Bomboré IV (11.3 km$^2$). The second three-year term of the Toéyoko permit will expire in July 2017 and may be renewed for one additional three-year term.

**Bondi, Burkina Faso**

On May 24, 2016, the Company agreed to a sale and transfer of the Bondi project to Sarama for the consideration of 9.6M Sarama shares valued at C$0.15 per share, plus 3M warrants priced at C$0.195 per share with an expiry of two years and 2M warrants priced at C$0.24 per share with an expiry of three years. The transaction also includes a US$20/oz royalty on the first 200,000 ounces sold out of production from the Bondi Permit area. Orezone and Sarama continue to do all things possible to complete the transaction.

The Bondi project consists of the Djarkadougou (168 $km^2$) permit, which relates to properties located in the Bougouriba province. The Company owns a 100% interest in the permit. This permit was renewed in August 2012 for its final three-year term. However, the Company applied for and received the approval of an exceptional three-year extension of the permit which will expire on August 18, 2018.

## 7. ROYALTY-BASED OBLIGATION

### (a) BACKGROUND

On January 27, 2015, the Company announced the completion of a royalty purchase agreement (the "Agreement") with Sandstorm that would provide up to $8.0M in financing to advance its Bomboré project. Sandstorm initially purchased a 0.45% net smelter returns ("NSR") royalty payable by the Company on future revenues from Bomboré (the "Upfront Royalty") for $3.0M. The Company had the option to buy back 100% of the Upfront Royalty prior to January 27, 2018 and the Company exercised this option to buy back 100% of the upfront royalty in January 2017 for $3.6M.

The Agreement also grants Sandstorm a right of first refusal ("ROFR") on all future gold stream financings ("Stream") completed by the Company up to three years subsequent to the commencement of commercial production on the Bomboré project. This provision remains in force.

The Agreement with Sandstorm was executed with Orezone and, while any related royalty obligations are calculated based on production from the Bomboré permit, they remained the obligation of Orezone until the buy back option was exercised. As security for the original Agreement, Orezone pledged all of the issued and outstanding shares of its subsidiary Orezone Inc. as well as its intercompany account. These were returned with the exercise of the buy back option.

### (b) ACCOUNTING FOR THE ROYALTY-BASED OBLIGATION

The NSR is classified as a financial liability at fair value through profit or loss. Due to the lack of a quoted price in an active market for a liability similar to the NSR, the Company calculates the fair value of the NSR by estimating the value a market participant would pay to purchase the creditor's interest in the liability. As at December 31, 2016, the Company has recorded the royalty obligation at $3.6M, which represents the fair value of this obligation which is the cost, including the related premium, of buying back the royalty from Sandstorm as at that date.

## 8. SHARE CAPITAL

### (a) CAPITAL STOCK

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

On July 21, 2015, the Company completed a non-brokered private placement that resulted in the issuance of 21,666,666 common shares at a price of C$0.30 per share. As a result of the transaction, the Company recorded C$6,500,000 ($5,014,750) as an increase to share capital along with share issuance costs of $29,184 for net proceeds of $4,985,566.

On March 30, 2016, the Company completed a non-brokered private placement that resulted in the issuance of the 10,000,000 common shares at a price of C$0.50 per share. As a result of the transaction, the Company recorded C$5,000,000 ($3,857,500) as an increase to share capital along with share issuance costs of $101,798 for net proceeds of $3,755,702.

On July 19, 2016, the Company completed a short form prospectus equity financing that resulted in the issuance of 26,450,000 common shares at a price of C$1.00 per share. As a result of the transaction, the Company recorded C$26,450,000 ($20,300,375) as an increase to share capital along with share issuance costs of $1,238,499 for net proceeds of $19,061,876.

(Expressed in United States dollars)

### (b) SHARE-BASED PAYMENTS

**Orezone Gold Corporation**

The equity compensation plans which the Company has in place are the 2009 Stock Option Plan (“2009 Plan”) that was re-approved by the shareholders at the Annual and Special Meeting of Shareholders on June 11, 2015 and the 2016 Stock Option Plan (“2016 Plan”) that was adopted by the Company in connection with the Company’s voluntary move from the TSX to the TSXV in December 2015. As part of the transition, the Company adopted the 2016 Plan that is compliant with the TSXV Policy 4.4. As a result, no new stock options can be granted under the 2009 Plan and as of December 31, 2016 there were 7,262,900 options granted and outstanding under the 2009 Plan. The Company’s 2016 Plan was adopted by the Board of Directors and conditionally approved by the TSXV on November 16, 2015, and was approved by the shareholders at the AGM held June 22, 2016. The Company’s 2016 Plan is a 10% “rolling” plan and, under the policies of the TSXV, must be approved on an annual basis by the shareholders of the Company. The number of shares reserved for issuance under the 2009 Plan and the 2016 Plan combined shall not exceed 10% of the Company’s issued and outstanding common shares on a non-diluted basis. The 2016 Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The 2016 Plan is administered by the directors of the Company and allows for options to be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. All options expire on a date no later than ten years after the date of grant of such option.

As at December 31, 2016, based on the Company’s total common shares outstanding, a total of 15,405,036 stock options may be issued and outstanding. Based on this, the Company could grant up to 5,912,136 additional stock options beyond what was issued and outstanding as at December 31, 2016. TSXV approval is required to reserve the related common shares for issuance.

Stock option activity between January 1, 2015 and December 31, 2016 was as follows:

| Grant date | Expiry date | Exercise price | Opening balance | Activity during the period | | | Closing balance | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Granted | Exercised | Forfeited | | | |
| | | C$ | # | # | # | # | # | # | # |
| 05/15/2009 | 03/25/2019 | 0.36 | 1,125,000 | - | 150,000 | 125,000 | 850,000 | 850,000 | - |
| 05/26/2009 | 05/26/2019 | 0.40 | 2,050,000 | - | 100,000 | 237,500 | 1,712,500 | 1,712,500 | - |
| 07/08/2010 | 07/08/2020 | 0.85 | 430,500 | - | - | 40,500 | 390,000 | 390,000 | - |
| 10/21/2010 | 10/21/2020 | 2.35 | 200,000 | - | - | - | 200,000 | 200,000 | - |
| 04/27/2012 | 04/27/2017 | 1.70 | 1,954,150 | - | - | 582,250 | 1,371,900 | 1,371,900 | - |
| 05/14/2012 | 05/14/2017 | 1.70 | 10,000 | - | - | - | 10,000 | 10,000 | - |
| 12/17/2012 | 12/17/2017 | 1.50 | 916,000 | - | - | 227,500 | 688,500 | 688,500 | - |
| 06/04/2013 | 06/04/2018 | 1.50 | 200,000 | - | - | - | 200,000 | 200,000 | - |
| 01/30/2014 | 01/30/2019 | 0.65 | 1,600,000 | - | - | 360,000 | 1,240,000 | 1,240,000 | - |
| 05/26/2014 | 05/26/2019 | 0.65 | 300,000 | - | - | - | 300,000 | 300,000 | - |
| 10/13/2014 | 10/13/2019 | 0.75 | 300,000 | - | - | - | 300,000 | 300,000 | - |
| 02/08/2016 | 02/08/2026 | 0.30 | - | 1,980,000 | - | - | 1,980,000 | 660,006 | 1,319,994 |
| 09/19/2016 | 09/19/2026 | 1.00 | - | 250,000 | - | - | 250,000 | 83,334 | 166,666 |
| **Totals** | | | 9,085,650 | 2,230,000 | 250,000 | 1,572,750 | 9,492,900 | 8,006,240 | 1,486,660 |
| **Weighted average exercise price** | | | C$0.94 | C$0.38 | C$0.38 | C$1.11 | C$0.79 | C$0.87 | C$0.38 |

The grant date fair value is calculated using the Black-Scholes option pricing model. Where relevant, the expected life has been adjusted based on Management’s best estimate for the effects of historical forfeitures and behavioural considerations. Expected volatility is based on the historical share price volatility. During the year ended December 31, 2016, the weighted average market share price at exercise was C$1.18 (2015 - C$Nil as no options were exercised). The outstanding options as at December 31, 2016 have a weighted average remaining contractual life of 3.60 years (2015 – 2.90 years).

(Expressed in United States dollars)

The Black-Scholes option valuation model input factors used for stock options granted between January 1, 2015 and December 31, 2016 were as follows:

| | | | | Weighted average value per stock option | | | | |
|---|---|---|---|---|---|---|---|---|
| **Grant date** | **Expiry date** | **Grant date market price** | **Exercise price** | **Risk-free interest rate** | **Expected life** | **Expected volatility** | **Dividend yield** | **Grant date fair value** |
| | | C$ | C$ | % | (in years) | % | % | C$ |
| 02/08/2016 | 02/08/2026 | 0.28 | 0.30 | 0.49 | 3.7 | 84.18 | - | 0.16 |
| 09/19/2016 | 09/19/2026 | 0.62 | 1.00 | 0.58 | 2.8 | 88.76 | - | 0.26 |
| **Weighted average for the period** | | 0.32 | 0.38 | 0.50 | 3.6 | 84.70 | - | 0.17 |

As at December 31, 2016, there was $71,476 (2015 – $53,460) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the 2016 Plan that are expected to be recognized over a weighted-average term of 0.68 years.

**Dilutive Effect of Stock Options**

For the year ended December 31, 2016, 9,492,900 stock options (2015 – 7,697,775) which could have been dilutive were excluded from the computation of diluted earnings per share as the Company realized a net loss and it would be anti-dilutive to include them.

## 9. NATURE OF EXPENSES

The components of exploration and evaluation costs and general and administrative costs for the years ended December 31 were as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Drilling and assaying | **504,049** | 92,758 |
| Exploration and development studies | **1,003,168** | 1,597,433 |
| General, camp, infrastructure and other | **1,027,549** | 1,440,451 |
| Exploration surveys | **186,394** | 316,320 |
| **Total exploration and evaluation costs** | **2,721,160** | 3,446,962 |
| Salaries and employee costs | **1,079,302** | 1,551,246 |
| Public company costs | **214,653** | 247,864 |
| Professional fees | **288,229** | 278,807 |
| General and office costs | **305,889** | 270,428 |
| Investor relations and travel | **157,685** | 159,917 |
| **Total general and administrative costs** | **2,045,758** | 2,508,262 |

Total short-term employee compensation and benefits expense and termination benefit expense excluding share-based compensation for the year ended December 31, 2016 was $2,374,806 (2015 – $3,369,809).

Total general and administrative expense ("G&A") above included both the Company's head office G&A and local office G&A related to operating the Company's subsidiaries. Head office G&A encompasses the costs of head office salaries and benefits, director compensation, investor relations and travel, facilities and IT, as well as all costs associated with maintaining the Company's listing on the TSX and TSXV. Total G&A pertaining to the Company's head office for the year ended December 31, 2016 was $1,029,408 (2015 – $1,708,705).

(Expressed in United States dollars)

## 10. INCOME TAXES

On April 14, 2014, the Company's Burkina Faso operating subsidiary ("SARL") received a letter from the local tax authority indicating it intended to substantially re-assess taxes owing by the subsidiary. SARL disagreed with the assessment and after a series of discussions with the local tax authority, SARL agreed to a settlement on May 11, 2015 in the amount of XOF 100,000,000 ($171,334). As a result of the settlement the subsidiary remitted an additional payment of $80,408 on May 13, 2015.

The income tax expense differs from what would have been computed using the combined Canadian federal (15%) and provincial (11.5%) statutory income tax rate of 26.5% in 2016 (2015 – 15% and 11.5% respectively, 26.5% combined). The reconciliation of total income tax expense for the years ended December 31 was as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Loss before income taxes** | **(5,493,039)** | (7,486,353) |
| Income tax recovery based on the Canadian corporate income tax rate of 26.5% (2015 – 26.5%) | **1,455,655** | 1,983,880 |
| Effect of income taxes recorded at rates other the Canadian income tax rate | **(43,892)** | (346,098) |
| Effect of changes in income tax rates | **-** | 7,849,396 |
| Effect of foreign currency translation on income taxes | **769,955** | (2,840,722) |
| Effect of expenses that are not deductible for tax purposes | **(157,377)** | (142,776) |
| Unrecognized change in deductible temporary differences | **486** | 4,240 |
| Unrecognized change in share issuance costs | **(256,260)** | (2,217) |
| Unrecognized change in Canadian non-capital loss carry-forwards | **(474,071)** | 19,143 |
| Unrecognized change in foreign resource-related income tax deductions | **(1,300,476)** | (6,605,254) |
| **Total income tax expense** | **(5,980)** | (80,408) |

The following deferred tax assets have not been recognized as it is not considered probable that sufficient future taxable profit will be generated to allow these assets to be recovered as at the following dates:

| **As at** | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| Canadian non-capital loss carry-forwards | **3,920,563** | 3,452,511 |
| Foreign resource-related income tax deductions | **21,641,799** | 20,341,322 |
| Unamortized share issuance costs deductible for tax purposes | **269,115** | 6,836 |
| Deductible temporary differences | **684** | 1,170 |
| | **25,832,161** | 23,801,839 |

If not utilized, these Canadian non-capital loss carry-forwards expire between 2029 and 2036. The unamortized share issuance costs as at December 31, 2016 will be deductible for Canadian income tax purposes between 2017 and 2020.

The resource-related deductions generated by the Company's foreign subsidiaries are available to reduce future income taxes in Burkina Faso over an indefinite period. These deductions are tracked by project and can be applied to reduce future profit earned in Burkina Faso on the same respective projects should they be taken into production, or can be used to offset taxable gains associated with associated permit sales if such a sale is undertaken. The effective corporate income tax rate in Burkina Faso was 17.5% as at December 31, 2014. As of June 2015, the government of Burkina Faso has passed new laws increasing the effective corporate income tax rate to 27.5%.

(Expressed in United States dollars)

### 11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental details of the changes in non-cash working capital for the years ended December 31 were as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Changes in non-cash working capital impacting cash flows from operating activities were as follows: | | |
| Trade and other receivables | **(65,197)** | 8,634 |
| Inventories | **16,150** | 12,354 |
| Prepaid expenses and deposits | **(1,873)** | 13,202 |
| Accounts payable and accrued liabilities | **612,475** | (924,112) |
| | **561,555** | (889,922) |
| Changes in non-cash working capital impacting cash flows from investing activities were as follows: | | |
| Trade and other receivables, related to interest received | **(14,217)** | 168 |

### 12. SEGMENTED INFORMATION

The Company operates in business units based on mineral properties and has one business segment, being the acquisition, exploration and potential development of precious metal properties, as carried out through Orezone Inc.

The carrying amounts of interests in exploration properties segmented by geographic area were as follows:

| **As at** | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| Canada | **17,226** | 30,552 |
| Burkina Faso | **2,207,520** | 2,640,850 |
| | **2,224,746** | 2,671,402 |

Total additions to the cost of interests in exploration properties segmented by geographic area for the years ended December 31 were as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Canada | **-** | 21,520 |
| Burkina Faso | **18,592** | 16,799 |
| | **18,592** | 38,319 |

### 13. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed through its exploration and evaluation activities to the following financial risks: foreign currency risk, market price risk, liquidity risk, credit risk and title risk. In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated. The overall objective of the Board of Directors is to set policies that seek to reduce risk without unduly affecting the Company's competitiveness and flexibility.

The Company's financial instruments consist of cash, trade and other receivables, certain refundable deposits, accounts payable and accrued liabilities, and a royalty-based obligation. The fair value of trade and other receivables, refundable deposits, and accounts payable and accrued liabilities are equivalent to their carrying amounts given their short maturity period.

Taxes receivable, prepaid expenses and taxes payable balances included in the consolidated statements of financial position do not meet the definition of a financial instrument, and are thus excluded from the analysis of financial instruments and risk that follows:

| **As at** | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| Taxes receivable, included in trade and other receivables | **78,783** | 12,778 |
| Prepaid expenses, included in prepaid expenses and deposits | **83,700** | 61,059 |
| Taxes payable, included in accounts payable and accrued liabilities | **41,454** | 41,046 |

### (a) FOREIGN 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 Canadian dollars ("CAD"), United States dollars ("USD"), 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 USD equivalent of the Company's financial instruments by originating denomination currency was as follows:

| **As at December 31, 2016** | **USD** | **CAD** | **EUR & CFA[1]** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Financial assets** | | | | |
| Cash | 3,828,059 | 17,591,676 | 680,033 | 22,099,768 |
| Trade and other receivables | 2,415 | 17,233 | 436 | 20,084 |
| Deposits | - | - | 24,598 | 24,598 |
| | 3,830,474 | 17,608,909 | 705,067 | 22,144,450 |
| **Financial liabilities** | | | | |
| Accounts payable and accrued liabilities | 145,133 | 210,244 | 408,658 | 764,035 |
| Royalty-based obligation | 3,600,000 | - | - | 3,600,000 |
| | 3,745,133 | 210,244 | 408,658 | 4,364,035 |
| **Net financial instruments, December 31, 2016** | **85,341** | **17,398,665** | **296,409** | **17,780,415** |

| As at December 31, 2015 | USD | CAD | EUR & CFA[1] | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Cash | 210,572 | 3,496,866 | 127,818 | 3,835,256 |
| Trade and other receivables | 887 | 4,360 | 2,006 | 7,253 |
| Deposits | - | - | 46,420 | 46,420 |
| | 211,459 | 3,501,226 | 176,244 | 3,888,929 |

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

(Expressed in United States dollars)

| | | | | |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Accounts payable and accrued liabilities | 544 | 79,461 | 89,221 | 169,226 |
| | 3,300,000 | - | - | 3,300,000 |
| | 3,300,544 | 79,461 | 89,221 | 3,469,226 |
| Net financial instruments, December 31, 2015 | (3,089,085) | 3,421,765 | 87,023 | 419,703 |

A 10% weakening against the USD of the currencies to which the Company had exposure would have had the following effects (a 10% strengthening against the USD would have had the opposite effect):

| As at | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | **$** | $ |
| CAD | **(1,739,867)** | (342,177) |
| EUR & CFA | **(29,641)** | (8,702) |

The Company is also exposed to foreign currency risk on the CFA currency held, as the peg rate to the EUR is periodically reviewed and could be adjusted which may result in a devaluation of currency on hand. The Company manages this risk by minimizing the amount of CFA held at any point in time and by monitoring ongoing discussions concerning the peg rate to ensure that proposed changes are known prior to implementation.

**(b) LIQUIDITY RISK**

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Company's accounts payable and accrued liabilities are due within one year of the end of the reporting periods. The Company currently has sufficient resources to meet its obligations as they become due. The Company will periodically need to raise funds in the future to continue operations, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

**(c) CREDIT RISK**

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

**(d) TITLE RISK**

Title to mineral property rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyance history characteristic of many mining properties and from political risk associated with the country in which the Company carries out its exploration activities. The Company has taken all reasonable steps to ensure it has proper title to its properties. However, no guarantees can be provided that there are no unregistered agreements, claims or defects which may result in the Company's title to its properties being challenged. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business and there can be no assurance that they will be renewed upon expiry. The Company is also subject to the risk that a new mineral exploration permit or mining permit will not be issued upon expiration of the third term of an exploration permit, although this has never occurred in the past.

(Expressed in United States dollars)

## 14. FAIR VALUE MEASUREMENTS

### (a) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

As at December 31, 2016, the Company's assets and liabilities recorded at fair value were as follows:

| | **December 31, 2016** | | | | December 31, 2015 |
|---|---|---|---|---|---|
| Fair value | **Level 1** | **Level 2** | **Level 3** | **Total** | Total |
| | **$** | **$** | **$** | **$** | $ |
| *Assets* | | | | | |
| Cash | **22,099,768** | **-** | **-** | **22,099,768** | 3,835,256 |
| *Liabilities* | | | | | |
| Royalty-based obligation | **-** | **-** | **3,600,000** | **3,600,000** | 3,300,000 |

The Company did not transfer any assets or liabilities between levels on the fair value hierarchy and has not offset any of its financial assets against its financial liabilities.

### (b) VALUATION TECHNIQUES

*Royalty-based obligation*

The valuation of the royalty-based obligation requires certain inputs that are both unobservable and significant, as a result it has been classified as Level 3 in the fair value hierarchy. The Company uses production data and timelines, from technical work completed on its project, as well as observable inputs such as gold price and the risk-adjusted discount rate in valuing the obligation.

| Royalty-based obligation included in Level 3 | **Year ended December 31, 2016** |
|---|---|
| | **$** |
| Balance, beginning of year | 3,300,000 |
| Change in fair value reported in other income (loss) | 300,000 |
| **Balance, end of year** | **3,600,000** |

## 15. CAPITAL MANAGEMENT

As at December 31, 2016, the Company's capital consisted of $22,099,768 of cash and $161,396,693 of common shares (as at December 31, 2015 – $3,835,256 and $138,425,137).

The Company is not subject to any externally imposed capital requirements.

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, periodically raising capital from investors and/or the development and divestiture of non-core assets.

## 16. COMMITMENTS

As at December 31, 2016, the Company had contractual obligations for head office rent, professional fees, feasibility study update costs, communication services, security services, training costs, IT services and equipment and inventory purchases and rentals in the amount of $707,076 (as at December 31, 2015 – $147,979). The schedule of certain payments is dependent upon the contractors' ability to complete various milestones, however it is expected that the majority of the commitments will be payable throughout the 2017 fiscal year.

Subsequent to December 31, 2016, the Company entered into further contractual obligations in the amount of $848,648 for drilling activities, sample analysis services, professional fees, feasibility study update costs, relocation action plan costs, building lease, security and surveillance services, communication services, marketing costs and equipment and inventory purchases and rentals, of which the majority are expected to be payable throughout the 2017 fiscal year.

(Expressed in United States dollars)

### 17. KEY MANAGEMENT COMPENSATION

Key Management, Personnel and Director compensation for the years ended December 31 was as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Short-term key management personnel compensation and benefits and director fees | **747,051** | 1,123,346 |
| Key management personnel termination benefits | **-** | 156,330 |
| Share-based compensation | **178,250** | 202,519 |
| | **925,301** | 1,482,195 |

### 18. RELATED PARTY

Related parties purchased 3,800,000 common shares in the March 30, 2016 private placement and on the same terms and conditions as other subscribers. In addition, a related party purchased 100,000 common shares in the July 19, 2016 prospectus financing on the same terms and conditions as other subscribers. The Company had no other transactions with related parties for the year ended December 31, 2016.