



ORCA GOLD INC.

ANNUAL REPORT

For the Year Ended

December 31, 2015

ORCA GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015
(Amounts in Canadian Dollars unless otherwise indicated)

The following management's discussion and analysis ("MD&A") of Orca Gold Inc. ("Orca" or the "Company") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The effective date of this MD&A is April 13, 2016. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.orcagold.com.

Orca is a junior exploration company focused on the acquisition and exploration of mineral properties in Africa. Its current exploration focus is on the Arabian Nubian Shield in the north of Sudan, where it holds the Block 14 prospecting license. This property is located close to the Egyptian border, 700 km north of Khartoum and 300 km west of the Red Sea. The nearest significant population centre is the town of Abu Hamad located 200 km due south of the Block 14 prospecting license perimeter.

All exploration and mining projects in Sudan are subject to The Mineral Resources Development and Mining Act, 2007, which sets forth the legal and fiscal framework for the administration of the country's mineral industry by the Ministry of Minerals ("MoM"). Industrial levels of exploration and mining rights are provided for in the Mining Code, defined by concession agreements and granted under exclusive prospecting licenses and mining leases (the "Concession Agreement").

The license for Block 14 was originally granted to Orca's partner, Meyas Nub Multiactivities Co. Ltd. ("Meyas Nub") under a Concession Agreement dated May 19, 2010. The license is currently held by Meyas Sand Minerals Company Ltd ("MSMCL"). Sand Metals Company Ltd. ("SMCL"), a 100% owned subsidiary of Orca, and Meyas Nub own 70% and 30% of MSMCL respectively. Under the Concession Agreement, MoM has a right to a 20% free-carried interest in any mining operation developed on Block 14. Under an agreement between SMCL and Meyas Nub, MoM's 20% interest will come from Meyas Nub's current 30% ownership interest in MSMCL. As provided under the Concession Agreement, in May 2015, the Company selected and renewed approximately 3,752 km² of the Block 14 exploration license for a further two years. In April 2015, the Company was also granted a two-year water license to further hydrological studies on Block 14 and on an additional 300 km² area north of Block 14.

The technical contents of this MD&A have been reviewed by Hugh Stuart, CGeol., FGS, a Qualified Person pursuant to NI 43-101. Mr. Stuart holds the position of President and CEO of the Company. Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

2015 OPERATING HIGHLIGHTS

Ongoing Mineral Exploration and New Discovery on Block 14

Orca's sole mineral exploration license at and during the year ended December 31, 2015 was Block 14. The Company currently has a NI 43-101 compliant mineral resource estimate at Block 14, updated in February 2015, consisting of an indicated resource of 27.6Mt at 1.83 Au g/t for 1,625,000 ounces of gold and an inferred resource of 10.3Mt at 1.8 Au g/t for an additional 594,000 ounces of gold, using a cut-off grade of 1.0 Au g/t.

Following target identification efforts undertaken on Block 14 during Q2 2015 via trench, chip and surface sampling in areas hosting high levels of artisanal mining activity, a small drill campaign was executed in the latter half of the year, with the objective of confirming the potential to expand and/or add satellite resources to the currently identified mineral resources at Galat Sufar South ("GSS") and Wadi Doum. The highlight of this drill campaign was the confirmation of prospective, high grade mineralization at the newly identified Liseiwi Prospect, located 17 kilometres north of Wadi Doum, which includes the following intercepts (see News Release dated September 17, 2015):

- 24 metres at 3.89 Au g/t (2.97 Au g/t cut to 20 g/t)
- 10 metres at 15.32 Au g/t (11.65 Au g/t cut to 20 g/t);
- 8 metres at 12.8 Au g/t (8.55 Au g/t cut to 20 g/t); and
- 8 metres at 5.21 Au g/t (5.21 Au g/t cut to 10 g/t).

Drilling also took place at the prospective NE Target, located approximately 200 metres from the current GSS Resource. Assay results at this target included an intersection of 16 metres at 4.41 Au g/t extending the known mineralisation to the east from previous drilling which intersected 19 metres at 6.04 Au (4.69 Au g/t cut to 20 g/t) and 18 metres at 3.32 Au g/t (3.24 Au g/t cut to 20 g/t).

Although further drilling would be necessary to define a resource estimates at Liseiwi or the NE Target, the positive results to date do confirm the potential for Block 14 to host numerous high grade deposits in addition to the current resources at GSS and Wadi Doum.

Further reverse circulation drilling at Wadi Doum, close to the base of the existing resource, included intersections of 31 metres at 4.88 Au g/t (3.95 Au g/t cut to 20 g/t) and 33 metres at 4.66 Au g/t (4.66 Au g/t cut to 20 g/t), which show the high grade mineralization to be resolving into two distinct shoots. Additional drilling in the 320 Zone of the GSS Resource was highlighted by 12 metres at 5.19 Au g/t (5.02 Au g/t cut to 20 g/t) and 9 metres at 5.06 Au g/t (4.31 Au g/t cut to 20 g/t), adding definition and extension to a targeted high grade shoot. Although these results do not provide an update Orca's current mineral resource estimates at Block 14 at this time, they do confirm the upside potential of expanding the resource estimates at GSS and Wadi Doum.

Metallurgical Test Work

Preliminary metallurgical test and leach test work continued throughout 2015, and results to date show that recoveries of 79-83% can be achieved through a standard cyanide tank leach process. Flotation has been found to provide extremely high gold recoveries (92-95%) to a low (12-15%Wt) mass rougher concentrate and at coarser primary grind size. The flotation concentrate is amenable to intensive leaching and provides similar overall gold recoveries to the direct cyanide leach approach.

Metallurgical tests and leach tests will continue in 2016, as part of the compilation of a Preliminary Economic Assessment ("PEA").

Hydrological Studies

In April 2015, Orca was granted a water exploration license, which permits the furthering of hydrological studies on Block 14 and on an additional 300 km² area to the north of the original Block 14 exploration license area for this purpose. The water exploration license has a two-year term, which coincides with the term of the underlying Block 14 exploration license.

A geophysical exploration programme was completed in Q4 2015, aimed at expanding on the 2014 discovery of a water bearing sandstone aquifer within the Cretaceous Nubian Sandstone basin at one location in the water exploration license area (50 kilometres north of GSS).

In the area of the 2014 discovery borehole (HA8), 50 kilometers from GSS, the anomaly related to the water bearing horizon was extended significantly to in excess of 30 square kilometres. The aquifer in this hole was intersected from a depth of 35 metres below surface to over 90 metres depth and the recent geophysical results are a positive indication of the potential of this area to provide an industrial water resource. In addition, a second survey (HA9), 30 kilometres from GSS, also identified a sizeable anomaly over 25 square kilometres at a depth of 180 metres. A hydrological drill programme to confirm these discoveries is now being planned for 2016.

RESULTS FROM OPERATIONS

Year Ended	Dec-15	Dec-14	Dec-13
Net loss (\$000's)	9,899	17,146	23,203
Loss per share, basic and diluted (\$)	0.07	0.11	0.18
Total assets (\$000's)	23,141	33,154	53,934

As a junior exploration company, Orca has no expectation of generating operating profits until it identifies and develops a commercially viable mineral deposit. Orca incurred a net loss of \$9.9 million (2014: \$17.1 million) during the year ended December 31, 2015. Exploration and project investigation costs account for approximately 75% (2014: 81%) of the net loss incurred during year ended December 31, 2015, while administration expenses account for approximately 29% (2014: 21%). The reported net loss for the year ended December 31, 2015 is net of \$396,000 (2014: \$594,000) of interest income. In addition, the reported net loss for the year ended December 31, 2015 is net of \$85,000 in other income (2014: \$105,000) generated by management and administrative services provided to a third party. These services were terminated in May 2015.

Exploration costs are the most significant expenditure of the Company and have been expensed in accordance with its accounting policy. Detailed breakdowns of 2015 and 2014 exploration costs are provided in the notes to the audited consolidated financial statements. Drilling and other technical geological costs, such as assays, were the largest cost category for 2015 and accounted for 34% (2014: 40%) of exploration costs for the year, decreasing as compared to 2014, which was characterized by much higher levels of drilling and sampling activity. Exploration staff compensation costs were the second largest component of exploration costs for 2015 and accounted for 36% (2014: 24%) of exploration costs for the year. In addition, consistent with prior years, costs related to logistics and infrastructure remain high due to the remoteness of Block 14. As fully described under the section "2015 Operating Highlights", the focus of activities during the year ended December 31, 2015 was Block 14, accounting for approximately 92% of Orca's exploration costs for the year.

Excluding stock-based compensation of \$295,000 (2014: \$1,015,000) for the year ended December 31, 2015, administration costs were \$2.6 million (2014: \$2.6 million). Stock-based compensation, a non-cash cost, reflects the amortization of the estimated fair value of options over their vesting period. The calculation of the fair value of options is based to a large degree on the Company's share price and its volatility. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of Orca's shares if and when the options are exercised. In addition, as the granting of options and their vesting is at the discretion of the Board, the related expense is unlikely to be uniform across quarters or financial years.

Interest income of \$396,000 (2014: \$594,000) for the year ended December 31, 2015 reflect the interest earned from cash held on deposit and invested in short-term money market instruments. The decrease in interest income is due to Orca's smaller treasury and lower interest rates. Foreign exchange gains or losses reflect the short-term fluctuations of foreign currencies used in operations against the Canadian dollar.

No tax recovery is recognized as a result of the nature of activities and lack of expectations of profits in the near term.

In other comprehensive income, the Company also reported a foreign exchange translation gain of \$294,000 (2014: loss of \$186,000) for the year ended December 31, 2015, on translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. This is principally the result of fluctuations of the Canadian dollar relative to the Euro during the respective periods.

Key operating statistics and financial results for the last eight quarters are provided in the table below.

Three Months Ended	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14
Exploration costs (\$000's)	1,908	2,057	1,516	1,944	4,515	2,983	3,158	3,289
Total loss (\$000's)	2,496	2,726	2,148	2,529	5,482	3,709	3,831	4,124
Net loss attributed to the Company's shareholders (\$000's)	1,976	2,154	1,743	1,996	4,186	2,579	2,445	2,654
Net loss per share attributed to the Company's shareholders, basic and diluted (\$)	0.02	0.02	0.02	0.02	0.04	0.02	0.02	0.02

The nature and extent of exploration activities carried out under specific work programs affect the costs incurred and loss reported in any given quarter. Over the last eight quarters, Orca has been focused on exploration in Sudan as it advanced the evaluation of Block 14 to the drilling, resource definition, and resource update phases. Compared to earlier quarters, even considering the small drill campaign which occurred during the latter half of 2015, the overall level of activity during the year ended December 31, 2015 has been curtailed as the Company is mindful of the importance of managing its existing treasury during difficult capital market conditions in the resource sector, and for junior gold exploration companies in particular.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, the Company had a treasury of \$17.7 million, comprised of cash and cash equivalents of \$10.0 million and fixed income short-term investments of \$7.7 million as compared to cash and cash equivalents of \$24.7 million and fixed income short-term investments of \$3.0 million at December 31, 2014. Working capital at December 31, 2015 was \$16.7 million (2014: \$25.9 million). Other than for general corporate and administrative costs, the majority of funds spent by Orca are directed towards exploration in Sudan. The short-term investments have a maturity of approximately one year from the date of purchase, and will be redeemable in the second quarter of 2016.

Orca's interest in its Block 14 license was acquired on March 1, 2012 when SMCL acquired the right and option to a 70% interest in MSMCL from Meyas Nub. Under the purchase agreement, SMCL paid USD \$9.5 million in three installments in exchange for an increasing ownership interest in MSMCL, as follows:

Date	Payment	Total ownership interest
March 1, 2012	USD \$3.5 million	35.0%
September 30, 2013	USD \$3.0 million	52.5%
September 30, 2014	USD \$3.0 million	70.0%

Under the agreement, the Company must fund all exploration, development and construction costs to commercial production in accordance with the purchase agreement. Based on the Company's financial position at December 31, 2015, the Company has a strong treasury to support its ongoing exploration expenditures in Sudan and general corporate activities.

RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 31, 2015, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), RB Energy Inc. ("RB Energy"), Meyas Nub Multiactivities Company Limited ("Meyas Nub") and SinoTech (Hong Kong) Corporate Limited ("SinoTech"). Other than Meyas Nub and SinoTech, these companies are related by way of directors, officers and shareholders in common. Meyas Nub is identified as a related party as a result of its ability to exert significant influence on MSMCL through its non-controlling equity interest. SinoTech is related by virtue of its greater than 10% shareholding in the Company. Related party transactions are recorded at the exchange amounts.

Services received from related parties

		Year ended December 31, 2015	Year ended December 31, 2014
	Related party		
Drilling and exploration support	Meyas Nub	154,298	837,821
Geological consulting	SinoTech	40,568	96,349
Geological consulting	HSEC	631,352	663,407
Support and administration	RB Energy	63,871	378,000
Support and administration	Sinotech	30,000	30,000
Total services received from related parties		920,089	2,005,577

Related party balances

The amounts due to related parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

		December 31, 2015	December 31, 2014
	Related party		
Accounts payable and accrued liabilities	Meyas Nub	(5,082)	(28,072)
Accounts payable and accrued liabilities	RB Energy	-	(75,365)
Accounts payable and accrued liabilities	HSEC	(65,737)	(121,587)
Accounts payable and accrued liabilities	SinoTech	(7,500)	(31,575)

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and vice-presidents.

The remuneration of key management personnel were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and management fees	524,004	558,843
Short term benefits	8,380	11,714
Stock-based compensation	95,874	459,083
Total key management compensation	628,258	1,029,640

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

Areas of judgement and estimates that may have the most significant effect on amounts recognized in the financial statements are:

Valuation of mineral properties

The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking these reviews, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

Stock-based compensation

The fair value of stock options is determined using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management of the Company is required to make certain assumptions and estimates regarding the life of the options, volatility and forfeitures rates. Changes in the assumptions used could result in materially different results.

Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Decommissioning and site restoration

The future obligations for site closure activities are estimated by the Company based on the laws and regulations of the countries in which it operates, with due consideration to the fact that the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the site closure activities are to be carried out. In light of the early stage of its exploration activities, the Company has determined that its closure costs as at December 31, 2015 would not be material.

SIGNIFICANT ACCOUNTING POLICIES

Orca follows the accounting policies described in Note 3 of the Company's December 31, 2015 audited consolidated financial statements that were filed on Sedar on April 18, 2016.

New account pronouncements

The IASB issued IFRS 9, *Financial Instruments*, and IFRS 16, *Leases*, which are not yet effective and have not yet been adopted by the Company. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and IFRS 16 is effective for annual periods beginning on or after January 1, 2019, however early adoption is permitted for both new standards. The Company is currently evaluating the impact that these new standards will have on its consolidated financial statements.

The following is a brief summary of these new standards:

IFRS 9, Financial Instruments

IFRS 9 will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard introduces a revised methodology for the recognition, classification and measurement of financial instruments, as well as a model for assessing impairment of financial assets. The standard also provides significant changes to hedge accounting.

IFRS 16, Leases

IFRS 16 will replace IAS 17, *Leases*. This new standard defines how to recognize, measure, present, and disclose leases, including the requirement for lessees to recognize assets and liabilities for most leases on the consolidated statement of financial position.

New accounting pronouncements which are not applicable to the Company have been excluded from this section.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, other receivables, short-term investments, and accounts payable and accrued liabilities. The carrying amounts reported in the consolidated statements of financial position for cash and cash equivalents, other receivables, short-term investments, accounts payable and accrued liabilities approximate their fair value because of the immediate or short-term maturity of these financial instruments.

The Company's financial instruments are exposed to certain financial risks, including currency, credit and liquidity risk.

Currency risk

Foreign currency risk can arise when the Company or its subsidiaries transact in currencies other than their functional currencies.

(i) Sudanese operations

As at December 31, 2015, the Company's Sudanese operating subsidiaries' largest material foreign currency risk exposure is a net financial liability denominated in British pounds having a Canadian dollar equivalent of approximately \$52,000. A 10% change in the foreign exchange rate between the British pound and the European Euro would give rise to increases/decreases of approximately \$5,000 in financial position/comprehensive loss.

ii) Canadian head office operations

At December 31, 2015, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets and liabilities. The estimated impacts of relative currency rate fluctuations between the foreign currencies and the Canadian dollar, the Company's functional currency, based on these total foreign currency exposures are as follows:

		In thousands of dollars	
	Foreign currency cash held (in source currency)	Net financial asset (liability) position	Change in net financial position from a 10% variation in exchange rates
US dollar	26	32	3
British pounds	-	(36)	4

Credit risk

At December 31, 2015, the majority of the Company's cash and cash equivalents and short-term investments were held through Canadian institutions with high investment grade ratings.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity requirements are managed based on expected cash flow to ensure that there is capital to meet short term and long term obligations.

The maturities of the Company's financial liabilities as at December 31, 2015 are as follows:

In thousands of dollars				
	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	1,226	1,226	-	-
Total	1,226	1,226	-	-

OUTSTANDING SHARE DATA

As at April 13, 2016, the Company had 107,405,754 common shares outstanding and 8,601,667 share options outstanding under its stock-based incentive plan and no share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The more significant risks include:

Exploration and Development Risks: The successful exploration and development of mineral properties is speculative and subject to a number of uncertainties which even a combination of careful evaluation, experience and knowledge may not eliminate. There is no certainty that the expenditures to be made by the Company in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of commercially mineable deposits. Major expenses may be required to establish resources and reserves by drilling and to construct mining and processing facilities at a site. The Company's operations are subject to all of the hazards and risks normally incident to mineral exploration, mine development and operation, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

Estimation of Mineralization, Resources and Reserves: There is a degree of uncertainty attributable to the calculation of mineralization, resources and reserves and corresponding grades being mined or dedicated to future production. Until reserves or mineralization are actually mined and processed, the quantity of mineralization and reserve grades must be considered estimates only. In addition, the quantity of reserves and mineralization may vary depending on commodity prices. Any material change in quantity of reserves, mineralization, grade or stripping ratio may affect the economic viability of a mine. In addition, there can be no assurance that recoveries from laboratory tests will be duplicated in tests under on-site conditions or during production.

Financial Markets: The Company must utilize external financing sources to finance its growth and sustain capital requirements. In time, the Company may be required to raise significant additional capital through the capital markets and/or incur significant borrowings to meet its capital requirements. There is no assurance that the Company will be successful in obtaining additional financing, if available, on a timely basis, in the amount required or on favorable terms.

Foreign Investments and Operations: The Company conducts its exploration and development activities in Sudan. The economy and political systems of Sudan, as with other countries in North and East Africa and many other mining jurisdictions, are subject to the risks normally associated with the conduct of business in these foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on the Company's profitability or the viability of its affected foreign operations. Risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. These risks could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial position.

Regulatory Risks: The Company's operations may be affected by other government regulations, in addition to the mining regime, with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, claims of artisanal miners, water use and safety regulations. Changes in these regulations due to a change in government, a change in the policies of the existing government, a change in political attitude or a change in the international policies may adversely affect the Company's business and its ability to conduct operations. The effect of these factors cannot be predicted.

Title Risk: The mining regulatory regime in Sudan is defined almost entirely by concession contracts with the government and the Company holds its mining interests through concession agreements with the government. In addition, any mining property may be subject to prior agreements, transfers, claims, including claims by artisanal miners currently working on the properties, and title may be affected such undetected defects. Although the Company has taken reasonable measures to ensure proper title to the properties in which it has an interest, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Environmental: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas.

Competition: There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition and development of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Mineral Prices: Factors beyond the control of the Company such as inflation, foreign currency fluctuation, interest rates, supply and demand and industrial disruption may have an adverse impact on operating costs, commodity prices and stock market prices and may impact the Company's ability to fund its activities. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market will continue to exist for the sale of products from that ore as mineral prices have fluctuated widely, particularly in recent years.

No Operating History: Exploration projects have no operating history upon which to base estimates of future cash flows. Substantial expenditures are required to develop mineral projects. It is possible that actual costs and future economic returns may differ materially from the Company's estimates. There can be no assurance that the underlying assumed levels of expenses for any activity or project will prove to be accurate. Further, it is not unusual in the mining industry for new mining operations to experience unexpected problems during start-up, resulting in delays and requiring more capital than anticipated.

Uninsured Risks: The mining business is subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company may maintain insurance against certain risks associated with its business in amounts that it believes to be reasonable. Such insurance, however, would contain exclusions and limitations on coverage. There can be no assurance that such insurance would be available, would be available at economically acceptable premiums or would be adequate to cover any resulting claim.

Conflicts of Interest: Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

OUTLOOK

Orca is a Canadian resource company focused on exploration opportunities in Africa with an experienced board of directors and management team and a strong balance sheet which includes a treasury of \$17.7 million and net working capital of \$16.7 million. Management and board continue to be mindful of the subdued equity market conditions in the resource sector and for junior gold exploration companies in particular and the importance of properly managing the treasury.

The focus of Orca's activities in 2016 will be the completion of a PEA to confirm preliminary economics for GSS and Wadi Doum. The PEA is expected to be completed by the end of Q2 2016, after which the Company will consider the appropriate next steps in the ongoing development of Block 14.

Amongst other considerations, the PEA will study several processing options, including a low cost oxide heap leach starter project and whole ore carbon-in-leach operations, and will include a trade-off study to evaluate the various process options with additional technical input of a gold mineralogical deportment study.

With respect to hydrological studies, previous 2014 drilling in water bearing Nubian sandstone in Orca's water exploration license area, 50 kilometres north of GSS, discovered an aquifer intersecting from a depth of 35 metres below surface to over 90 metres depth. Recent geophysical results are a positive indication of the potential for this area to provide an industrial water resource. In addition, a second survey (HA9), 30 kilometres from GSS, also identified a sizeable anomaly over 25 square kilometres at a depth of 180 metres. A hydrological drill programme to confirm these discoveries is now being planned for 2016. The PEA will also study the relative capital and operating costs of a bore field in the current water exploration license area, as compared to a pipeline from the River Nile located 195 kilometres to the south, and their respective impacts on project economics.

Lastly, given the strong upside potential of Block 14, as most recently demonstrated with the high grade discoveries at the satellite Liseiwi Prospect, exploration will continue, targeting the identification of new satellite deposits, with the aim of further enhancing project economics. Nevertheless, the Company is cognisant of the difficult conditions in the capital markets and of the importance of carefully managing its current treasury. Accordingly, careful consideration has resulted in an operating budget that will advance Block 14 under strict financial oversight and future exploration programs will continue to be guided by results and prospectivity.

With a strong treasury, and having crystallized its 70% interest in Block 14, Orca is well poised to remain flexible and adaptable to resource sector market conditions, while continuing to focus on enhancing the prospectivity of the Block 14 license. In addition, the Company remains open to partnership opportunities while actively pursuing future growth opportunities by evaluating other exploration, development or production assets on an on-going basis with a view to building a diversified, African focused exploration company. While at any given time discussions and activities may be in progress on a number of initiatives, Orca currently does not have any binding agreements or binding commitments to enter into any such transactions. There is no assurance that these corporate activities will ever progress to the stage where a potential transaction might be successfully completed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and contained herein in the MD&A and elsewhere may contain statements of forward-looking information. Forward-looking statements are frequently, but not always, identified by words or statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of projections and estimates; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of diminishing quantities of grades of resources; contests over title to properties; and changes in project parameters as plans continue to be refined.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- our ability to achieve exploration targets;
- estimated future mineral prices, capital and operating costs, production and economic returns;
- assumptions underlying the Company's potential future resource estimates;
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;
- assumptions that all necessary permits and governmental approvals will be obtained;
- assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;
- our expectations regarding demand for equipment, skilled labour and services needed for exploration, development and operations of mineral properties; and
- our assumption that activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

Forward-looking statements are statements about the future and are inherently uncertain. The actual results and achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A. Such factors include, without limitation:

- uncertainty relating to the estimation of the mineralization, resources and reserves;
- risks related to lack of infrastructure, or interference with access to existing infrastructure or other unanticipated difficulties with or interruptions in exploration, development, construction or production;
- uncertainty related to title to the Company's mineral properties;
- risks related to the competitive nature of the mining industry;
- fluctuations in interest rates, foreign currency exchange rates, the supply and demand of mineral products, marketability, commodity prices and the general volatility of the securities markets;
- risks related to the Company's ability to finance the exploration and development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- the presence of potentially uninsurable risks;
- acts of the governments of the jurisdictions in which the Company's operations and properties are located and other risks associated with operations in foreign jurisdictions;
- risks related to the third parties on which the Company depends for its exploration, development and operating activities as well as the inherent hazards and risks associated with mining operations;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to hedging of commodity prices and exchange rates should the Company choose or need to do so; and
- conflicts of interest as well as the Company's dependence on its management and technical teams.

This is not meant to be an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Further, the Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update

forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. Accordingly, for the reasons set forth above, readers are cautioned not to place undue reliance on these forward-looking statements.

Orca Gold Inc.

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014



April 16, 2016

Independent Auditor's Report

To the Shareholders of Orca Gold Inc.

We have audited the accompanying consolidated financial statements of Orca Gold Inc., which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the year then ended, and the related notes, which comprise 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 audit. We conducted our audit 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 control 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 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 Orca Gold Inc. as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other matter

The consolidated financial statements as at December 31, 2014 and for the year then ended were audited by other auditors who expressed an opinion without reservation in their report dated April 30, 2015.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Orca Gold Inc.
Consolidated Statements of Financial Position
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,029,880	\$ 24,701,443
Short-term investments (Note 5)	7,721,959	2,996,415
Receivables and other assets (Note 6)	194,822	176,488
	<u>17,946,661</u>	<u>27,874,346</u>
Equipment (Note 7)	938,314	1,329,132
Mineral properties (Note 8)	4,256,045	3,950,127
	<u>\$ 23,141,020</u>	<u>\$ 33,153,605</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,225,930	\$ 1,998,823
	<u>1,225,930</u>	<u>1,998,823</u>
EQUITY		
Equity attributed to common shareholders		
Share capital (Note 9)	82,739,268	82,739,268
Contributed surplus	4,895,389	4,530,018
Accumulated other comprehensive income	1,093,726	132,350
Deficit	<u>(55,337,229)</u>	<u>(47,467,999)</u>
	33,391,154	39,933,637
Non-controlling interest (Note 16)	<u>(11,476,064)</u>	<u>(8,778,855)</u>
	21,915,090	31,154,782
	<u>\$ 23,141,020</u>	<u>\$ 33,153,605</u>

Approved by the Board of Directors

(signed) "Robert F. Chase"
Director

(signed) "Alex Davidson"
Director

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

Orca Gold Inc.
Consolidated Statements of Comprehensive Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Year ended December 31, 2015	Year ended December 31, 2014
Administration costs (Note 11)	\$ 2,886,223	\$ 3,655,780
Exploration and project investigation costs (Note 12)	7,425,361	13,945,421
Write-off of mineral properties	-	14,664
Loss on disposal of equipment	-	24,454
Foreign exchange loss	68,176	204,334
Interest income	(395,779)	(594,142)
Other income	(85,161)	(105,000)
Net loss for the year	<u>\$ 9,898,820</u>	<u>\$ 17,145,511</u>
Net loss for the year attributed to:		
Common shareholders of the Company	7,869,230	11,863,570
Non-controlling interest (Note 16)	2,029,590	5,281,941
	<u>\$ 9,898,820</u>	<u>\$ 17,145,511</u>
Net loss for the year	\$ 9,898,820	\$ 17,145,511
Items that may be subsequently reclassified to net loss:		
Loss (gain) on translation to presentation currency	(293,757)	185,989
Comprehensive loss for the year	<u>\$ 9,605,063</u>	<u>\$ 17,331,500</u>
Comprehensive loss for the year attributed to:		
Common shareholders of the Company	\$ 6,907,854	\$ 12,509,098
Non-controlling interest (Note 16)	2,697,209	4,822,402
	<u>\$ 9,605,063</u>	<u>\$ 17,331,500</u>
Basic and diluted loss per common share	<u>\$ 0.07</u>	<u>\$ 0.11</u>
Basic and diluted weighted average number of shares outstanding	<u>107,405,790</u>	<u>107,405,790</u>

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

Orca Gold Inc.
Consolidated Statements of Cash Flows
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from (for) operating activities		
Net loss for the year	\$ (9,898,820)	\$ (17,145,511)
Changes in non-cash items		
Depreciation of equipment (Note 7)	472,856	529,138
Stock-based compensation expense (Note 10)	365,371	1,177,521
Interest income on short-term investments	(92,721)	-
Write-off of mineral properties	-	14,664
Loss on disposal of equipment	-	24,454
	<u>(9,153,314)</u>	<u>(15,399,734)</u>
Changes in non-cash working capital items		
Receivables and other assets	(12,299)	185,500
Accounts payable and accrued liabilities	(850,850)	(1,296,820)
	<u>(10,016,463)</u>	<u>(16,511,054)</u>
Cash flows for investing activities		
Purchase of short-term investments	(4,632,823)	(2,996,415)
Acquisition of water exploration license (Note 8)	(24,810)	-
Purchase of equipment (Note 7)	(15,931)	(470,421)
Payment to increase interest in MSMCL	-	(3,257,100)
	<u>(4,673,564)</u>	<u>(6,723,936)</u>
Foreign exchange on cash	<u>18,464</u>	<u>(22,212)</u>
Decrease in cash	(14,671,563)	(23,257,202)
Cash, beginning of year	24,701,443	47,958,645
Cash, end of year	<u>\$ 10,029,880</u>	<u>\$ 24,701,443</u>
Supplemental information		
Interest received	<u>\$ 303,058</u>	<u>\$ 594,142</u>

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

Orca Gold Inc.
Consolidated Statements of Changes in Equity
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Number of Shares Issued and Outstanding	Equity Attributed to Common Shareholders					Non- controlling Interest	Total
		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total		
Balance January 1, 2015	107,405,790	82,739,268	4,530,018	132,350	(47,467,999)	39,933,637	(8,778,855)	31,154,782
Stock-based compensation expense (Note 10)	-	-	365,371	-	-	365,371	-	365,371
Net loss for the year	-	-	-	-	(7,869,230)	(7,869,230)	(2,029,590)	(9,898,820)
Gain (loss) on translation to presentation currency	-	-	-	961,376	-	961,376	(667,619)	293,757
Balance December 31, 2015	107,405,790	\$ 82,739,268	\$ 4,895,389	\$ 1,093,726	\$ (55,337,229)	\$ 33,391,154	\$ (11,476,064)	\$ 21,915,090
Balance January 1, 2014	107,405,790	82,739,268	3,352,497	841,045	(28,179,356)	58,753,454	(8,187,593)	50,565,861
Stock-based compensation expense	-	-	1,177,521	-	-	1,177,521	-	1,177,521
Increase in proportionate shareholding in MSMCL	-	-	-	(63,167)	(7,425,073)	(7,488,240)	4,231,140	(3,257,100)
Net loss for the year	-	-	-	-	(11,863,570)	(11,863,570)	(5,281,941)	(17,145,511)
Gain (loss) on translation to presentation currency	-	-	-	(645,528)	-	(645,528)	459,539	(185,989)
Balance December 31, 2014	107,405,790	\$ 82,739,268	\$ 4,530,018	\$ 132,350	\$ (47,467,999)	\$ 39,933,637	\$ (8,778,855)	\$ 31,154,782

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

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS

Orca Gold Inc. ("Orca" or the "Company") is a resource company engaged in the acquisition and exploration of mineral properties in Africa. As an exploration-stage company with no current sources of revenues, it is dependent on its ability to raise funds through the equity markets to support its future activities. Orca is a public company listed on the TSX-V and trades under the symbol "ORG.V".

Orca was incorporated under the Business Corporations Act (British Columbia) on January 13, 1987 and its registered office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3. The Company's significant subsidiaries are Sand Metals Company Limited ("SMCL") and Meyas Sand Minerals Company Limited ("MSMCL"), which are located and operate in the Republic of the Sudan.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on IFRS in effect as at December 31, 2015. The consolidated financial statements have been prepared on a historical cost basis.

These financial statements were approved for issue by Orca's board of directors on April 13, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these consolidated financial statements are outlined below. These accounting policies have been applied by all of Orca's subsidiaries, as necessary, to ensure consistency with the policies adopted by the Company.

a) Consolidation

These financial statements consolidate the financial statements of the Company and its subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated in full on consolidation.

(i) Subsidiaries

Subsidiaries are entities controlled by Orca. The Company exercises control when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is often evidenced by a shareholding representing more than one half of an entity's voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated on the date that control ceases. As at December 31, 2015, the only material subsidiaries were SMCL and MSMCL.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

(ii) Acquisitions

The acquisition method of accounting is used to account for acquisitions. The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

If the investee constitutes a business, as defined by IFRS, the acquisition is accounted for as a business combination whereby identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in net loss.

If the investee does not meet the definition of a business, the acquisition is accounted for as an asset acquisition, whereby the cost of the acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill can be recognized in an asset acquisition.

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the parent company and a Canadian holding company is the Canadian dollar. The functional currency of all other subsidiaries is the European Euro. The consolidated financial statements are presented in Canadian dollars.

The results and financial positions of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each statement of financial position presented are translated using the exchange rate prevailing at the date of that statement of financial position.
- b) Income, expenses, and other comprehensive income for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- c) All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from changes in the translation rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss within the consolidated statement of comprehensive loss.

c) Equipment

Equipment is carried at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of each asset is calculated using the straight line method to allocate its cost less its residual value over its estimated useful life. The depreciation rates and methods are as follows:

Computer equipment	straight line basis over 2 to 4 years
Office furniture and equipment	straight line basis over 4 to 10 years
Vehicles and mobile equipment	straight line basis over 6 to 7 years
Field and camp equipment	straight line basis over 4 years

The assets' residual values, depreciation methods, and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3e).

When an asset is disposed of, the difference between the net sale proceeds and its carrying amount is recognized as a gain or loss within net loss on the consolidated statement of comprehensive loss.

d) Exploration and evaluation expenditure and mineral properties

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

Exploration and evaluation expenditures are expensed as incurred except for the costs associated with the acquisition of mineral interests and for costs incurred after management has determined that there is sufficient technical evidence to support the potential for positive economic returns from a deposit. Once a mineral property is considered to be sufficiently advanced and economic potential is identified, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets they relate to. These costs include further exploration, costs of maintaining the site until commercial production, mine planning costs, and other development and infrastructure costs.

e) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or "CGU's"). Value in use is determined as the present value of future cash inflows expected to be derived from a CGU using a pre-tax discount rate that reflects the current time value of money and the risks specific to that CGU.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Financial assets

Purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial assets in the following categories: (i) at fair value through profit or loss, (ii) loans and receivables, and (iii) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling it in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or losses are initially and subsequently recognized at fair value, and transaction costs are expensed through net loss in the consolidated statement of comprehensive loss. Gains or losses arising from changes in the fair value of these assets are presented in the consolidated statement of comprehensive loss within 'other (losses)/gains – net', a component of net loss, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive loss as part of other income, a component of net loss, when the Company's right to receive payments is established.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets, unless they have maturities extending to more than 12 months after the end of the reporting period. Orca's loans and receivables comprise cash and cash equivalents, short-term investments, and trade and other receivables.

Loans and receivables are initially recognized at the amount expected to be received less, if applicable, a discount to reduce the asset to its fair value. Subsequently, they are carried at amortized cost using the effective interest method less a provision for impairment.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognized at fair value plus transaction costs and subsequently carried at fair value. Changes in the fair value of assets classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income are included in net loss on the consolidated statement of comprehensive loss as 'other (losses)/gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive loss as part of other income, a component of net loss. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive loss as part of other income, a component of net loss, when the Company's right to receive payments is established.

g) Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets (other than financial assets classified at fair value through profit or loss) is impaired as a result of one or more events that occurred after the initial recognition of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired.

(i) Assets carried at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in net loss.

(ii) Assets classified as available for sale

The amount of the impairment loss is measured as the difference between the acquisition cost of the asset and its current fair value, less any impairment loss previously recognized in net loss. This amount is removed from accumulated other comprehensive income and recognized in net loss.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

Impairment losses on financial assets carried at amortized costs or available for sale are reversed in a subsequent period if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in net loss on the consolidated statement of comprehensive loss. Impairment losses on available for sale equity instruments are not reversed.

h) Cash

Cash includes cash on hand and deposits held with banks, including monetary instruments that may be cashed or redeemed within three months of purchase.

i) Short-term investments

Short-term investments include monetary instruments which may not be cashed or redeemed within three months of purchase, and are expected to be held for no more than twelve months.

j) Receivables and other assets

Receivables and other assets are amounts prepaid or expected to be collected in the normal course of business within the next twelve months.

k) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the related proceeds, net of applicable tax.

l) Payables

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

m) Income tax

Tax is recognized in net loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is the expected tax payable on the taxable income for the year plus any adjustment to tax payable in respect to previous years. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and associates operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

n) Stock-based compensation

Share-based compensation arises when the Company issues equity instruments as consideration for services received from employees and non-employees. Its amount is calculated based on the fair value of shares or stock options awarded to employees, measured on their grant date. The fair value of shares or stock options awarded to non-employees is measured on the date that the goods or services are received.

The fair value of the shares and stock options is recognized as an expense over their vesting period with a corresponding increase in equity.

o) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: (1) the Company has a present legal or constructive obligation as a result of past events; (2) it is probable that an outflow of resources will be required to settle the obligation; and (3) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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p) New accounting pronouncements

The IASB issued IFRS 9, *Financial Instruments*, and IFRS 16, *Leases*, which are not yet effective and have not yet been adopted by the Company. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and IFRS 16 is effective for annual periods beginning on or after January 1, 2019, however early adoption is permitted for both new standards. The Company is currently evaluating the impact that these new standards will have on its consolidated financial statements.

The following is a brief summary of these new standards:

IFRS 9, Financial Instruments

IFRS 9 will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard introduces a revised methodology for the recognition, classification and measurement of financial instruments, as well as a model for assessing impairment of financial assets. The standard also provides significant changes to hedge accounting.

IFRS 16, Leases

IFRS 16 will replace IAS 17, *Leases*. This new standard defines how to recognize, measure, present, and disclose leases, including the requirement for lessees to recognize assets and liabilities for most leases on the consolidated statement of financial position.

New accounting pronouncements which are not applicable to the Company have been excluded from this note.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

Areas of judgement and estimates that have the most significant effect on the amounts recognized in the financial statements are:

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking these reviews, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

Stock-based compensation – The fair value of stock options is determined using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management of the Company is required to make certain assumptions and estimates regarding the life of the options, volatility and forfeitures rates. Changes in the assumptions used could result in materially different results.

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Income taxes – Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (“temporary differences”), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is “probable” that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Decommissioning and site restoration – The future obligations for site closure activities are estimated by the Company based on the laws and regulations of the countries in which it operates, with due consideration to the fact that the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the site closure activities are to be carried out. In light of the early stage of its exploration activities, the Company has determined that its closure costs as at December 31, 2015 would not be material.

5. SHORT-TERM INVESTMENTS

At December 31, 2015, the Company held short-term, fixed-income monetary instruments, and related accrued interest, totalling \$7,722,000 (2014: \$2,996,000), which includes principal of \$5,000,000, earning interest at 1.85% per annum, maturing on May 30, 2016, and principal of \$2,644,000 earning interest at 1.75% per annum, maturing on June 23, 2016.

6. RECEIVABLES AND OTHER ASSETS

	December 31, 2015	December 31, 2014
Prepaid expenses	129,390	113,826
Other receivables	65,432	62,662
Total receivables and other assets	194,822	176,488

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7. EQUIPMENT

Cost	Computer Equipment	Office Furniture and Equipment	Vehicles and Mobile Equipment	Field and Camp Equipment	Total
As at January 1, 2014	248,824	61,952	891,368	899,843	2,101,987
Additions	33,958	10,040	200,123	226,299	470,420
Disposal of equipment	(100,862)	(996)	-	(5,868)	(107,726)
Effects of foreign exchange on translation to presentation currency	(7,535)	(2,582)	(46,071)	(35,252)	(91,440)
As at December 31, 2014	174,385	68,414	1,045,420	1,085,022	2,373,241
Additions	2,247	-	-	13,684	15,931
Effects of foreign exchange on translation to presentation currency	12,169	4,830	73,801	77,423	168,223
As at December 31, 2015	188,801	73,244	1,119,221	1,176,129	2,557,395
Accumulated depreciation					
As at January 1, 2014	(106,820)	(13,590)	(224,646)	(286,336)	(631,392)
Depreciation for the year	(82,734)	(11,614)	(165,163)	(269,627)	(529,138)
Disposal of equipment	83,271	-	-	-	83,271
Effects of foreign exchange on translation to presentation currency	4,459	655	16,508	11,528	33,150
As at December 31, 2014	(101,824)	(24,549)	(373,301)	(544,435)	(1,044,109)
Depreciation for the period	(49,000)	(6,907)	(166,886)	(250,063)	(472,856)
Effects of foreign exchange on translation to presentation currency	(9,996)	(2,151)	(36,433)	(53,536)	(102,116)
As at December 31, 2015	(160,820)	(33,607)	(576,620)	(848,034)	(1,619,081)
Net book amount					
As at December 31, 2014	72,561	43,865	672,119	540,587	1,329,132
As at December 31, 2015	27,981	39,637	542,601	328,095	938,314

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8. MINERAL PROPERTIES

Cost	Sudan Northern Blocks		Total
	Block 14	Block 68	
As at January 1, 2014	4,123,743	14,656	4,138,399
Write-off of mineral properties	-	(14,664)	(14,664)
Effects of foreign exchange on translation to presentation currency	(173,616)	8	(173,608)
As at December 31, 2014	3,950,127	-	3,950,127
Acquisition of water exploration license	24,810	-	24,810
Effects of foreign exchange on translation to presentation currency	281,108	-	281,108
As at December 31, 2015	4,256,045	-	4,256,045

The Company's sole mineral project as at December 31, 2015 is Block 14, located in the northern part of the Republic of Sudan.

In April 2015, the Company was granted a water exploration license, which permits the furthering of hydrological studies on Block 14 and on an additional 300 km² area to the north of Block 14. The water exploration license has a two-year term which coincides with the term of the Block 14 exploration license. The acquisition costs of the Block 14 water exploration license have been capitalized in accordance with the Company's accounting policies.

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9. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares, with no par value.

The Company's issued and outstanding stock options were not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended December 31, 2015 and 2014.

10. STOCK OPTIONS

a) Stock option plan

The Company has a stock option plan (the "Plan") in which common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. Under the Plan, the total number of options outstanding at any given point in time cannot exceed 10% of the issued and outstanding common shares of the Company. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

The total stock-based compensation for the year ended December 31, 2015 was \$365,000 (2014: \$1,178,000). Stock-based compensation of \$295,000 (2014: \$1,016,000) has been allocated to administration costs and \$70,000 (2014: \$162,000) to exploration and project investigation costs for employees directly involved in exploration activities.

The unrecognized compensation cost for non-vested share options at December 31, 2015 was \$85,000 (December 31, 2014: \$443,000).

b) Stock options outstanding

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of shares (In thousands)	Weighted average exercise price CDN\$
Outstanding at January 1, 2014	6,420	\$1.81
Granted	2,875	\$0.40
Expired	(50)	\$0.90
Forfeited	(17)	\$0.90
Outstanding at December 31, 2014	9,228	\$1.38
Granted	150	\$0.27
Expired	(633)	\$9.93
Forfeited	(143)	\$0.69
Outstanding at December 31, 2015	8,602	\$0.74
Exercisable at December 31, 2015	7,573	\$0.79

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In May 2015, 150,000 options were granted at an exercise price of CDN \$0.27 per share.

The Company uses the Black Scholes option pricing model to estimate the fair value for all stock-based compensation. The weighted average assumptions used in this pricing model, and the resulting weighted average fair values per option, for the 150,000 options granted during the year ended December 31, 2015, are as follows:

(i) Average risk-free interest rate:	0.67%
(ii) Expected life:	3 years
(iii) Expected volatility:	84.30%
(iv) Expected dividends:	nil
(v) Weighted average fair value per option:	\$0.15

The following summarizes information about the stock options outstanding and exercisable at December 31, 2015:

Exercise prices (CDN\$)	Outstanding options			Exercisable options		
	Number of options outstanding (In thousands)	Weighted average remaining contractual life (Years)	Weighted average exercise price (CDN\$)	Number of options exercisable (In thousands)	Weighted average remaining contractual life (Years)	Weighted average exercise price (CDN\$)
\$0.27	150	2.41	\$0.27	50	2.41	\$0.27
\$0.40	2,785	1.91	\$0.40	1,856	1.91	\$0.40
\$0.90	5,350	0.30	\$0.90	5,350	0.30	\$0.90
\$1.20	317	1.59	\$1.20	317	1.59	\$1.20
	<u>8,602</u>	<u>0.91</u>	<u>\$0.74</u>	<u>7,573</u>	<u>0.76</u>	<u>\$0.79</u>

11. ADMINISTRATION COSTS

	Year ended December 31, 2015	Year ended December 31, 2014
Office and administration	281,715	328,882
Management and consulting fees	893,783	1,025,251
Salaries and benefits	797,297	786,029
Stock based compensation expense	295,006	1,015,310
Travel and promotion	373,975	339,033
Professional fees	242,317	160,940
Depreciation	2,130	335
Total administration costs	2,886,223	3,655,780

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12. EXPLORATION AND PROJECT INVESTIGATION COSTS

Year ended December 31,		Sudan Northern Blocks	Other	Total
2015	Depreciation	286,461	184,265	470,726
	Drilling	901,909	-	901,909
	Exploration support and administration	505,665	29,260	534,925
	Field operation and consumables	858,017	-	858,017
	Geological consulting	638,238	95,273	733,511
	Permitting and licensing fees	113,858	-	113,858
	Salaries and benefits	2,455,062	170,324	2,625,386
	Sampling, satellite and geological costs	797,545	91,872	889,417
	Stock-based compensation expense	65,800	4,565	70,365
	Travel and accommodation	227,247	-	227,247
	Total exploration and project investigation costs	6,849,802	575,559	7,425,361
2014	Depreciation	365,706	163,097	528,803
	Drilling	4,775,282	-	4,775,282
	Exploration support and administration	647,327	66,645	713,972
	Geological consulting	581,476	75,615	657,091
	Field operation and consumables	1,514,452	4,015	1,518,467
	Permitting and licensing fees	220,862	-	220,862
	Salaries and benefits	3,077,599	70,456	3,148,055
	Sampling, satellite and geological costs	1,820,673	-	1,820,673
	Stock-based compensation expense	158,581	3,630	162,211
	Travel and accommodation	396,438	3,567	400,005
	Total exploration and project investigation costs	13,558,396	387,025	13,945,421

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13. RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 31, 2015, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), RB Energy Inc. ("RB Energy"), Meyas Nub Multiactivities Company Limited ("Meyas Nub") and SinoTech (Hong Kong) Corporate Limited ("SinoTech"). Other than Meyas Nub and SinoTech, these companies are related by way of directors, officers and shareholders in common. Meyas Nub is identified as a related party as a result of its ability to exert significant influence on MSMCL through its non-controlling equity interest (Note 16). SinoTech is related by virtue of its greater than 10% shareholding in the Company. Related party transactions are recorded at the exchange amounts.

a) Services received from related parties

		Year ended December 31, 2015	Year ended December 31, 2014
	Related party		
Drilling and exploration support	Meyas Nub	154,298	837,821
Geological consulting	SinoTech	40,568	96,349
Geological consulting	HSEC	631,352	663,407
Support and administration	RB Energy	63,871	378,000
Support and administration	Sinotech	30,000	30,000
Total services received from related parties		920,089	2,005,577

b) Related party balances

The amounts due to related parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

		December 31, 2015	December 31, 2014
	Related party		
Accounts payable and accrued liabilities	Meyas Nub	(5,082)	(28,072)
Accounts payable and accrued liabilities	RB Energy	-	(75,365)
Accounts payable and accrued liabilities	HSEC	(65,737)	(121,587)
Accounts payable and accrued liabilities	SinoTech	(7,500)	(31,575)

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c) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and vice-presidents.

The remuneration of key management personnel were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and management fees	524,004	558,843
Short term benefits	8,380	11,714
Stock-based compensation	95,874	459,083
Total key management compensation	628,258	1,029,640

14. INCOME TAX

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss for the period. These differences result from the following items:

	Year ended December 31, 2015	Year ended December 31, 2014
Loss before taxes	9,898,820	17,145,511
Combined Canadian federal and provincial statutory income tax rates	<u>26.00%</u>	<u>26.00%</u>
Income tax recovery based on the above rate	2,573,693	4,457,833
Losses and temporary differences for which an income tax benefit has not been recognized	(2,447,451)	(2,892,949)
Impacts of changes in income tax rates	-	797,329
Differences between Canadian and foreign tax rates	(605,497)	(1,771,488)
Non-deductible expenses	(111,629)	(328,435)
Impacts of changes in foreign exchange rates	590,884	(262,290)
Total income tax recovery	-	-

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The following are temporary differences for which benefits have not been recognized:

	December 31, 2015	December 31, 2014
Non-capital losses carried forward – Canada	31,315,238	28,701,865
Capital losses carried forward – Canada	67,589,120	67,589,120
Share issue costs – Canada	-	977,929
Other asset/resource pools – Canada	6,016,815	6,016,883
Cumulative exploration losses – Sudan	39,544,064	29,675,411
Cumulative operating losses – Sudan	12,406,463	11,197,369
	156,871,700	144,158,577

The Canadian capital loss carry-forwards noted above have no expiration and the respective years of expiration of the Canadian non-capital loss carry-forwards are as follows:

Year of expiration	December 31, 2015
2026	946,533
2027	821,178
2028	971,806
2029	964,651
2030	1,762,183
2031	4,940,525
2032	4,476,464
2033	7,558,852
2034	3,583,583
2035	4,099,438
2036	1,190,025
Total non-capital loss carry-forwards	31,315,238

Operating losses in Sudan may be carried forward for five years, and no benefit has been recognized for tax purposes.

The respective years of expiration of the cumulative operating losses in Sudan are as follows:

Year of expiration	December 31, 2015
2016	2,933,314
2017	5,740,863
2018	1,693,845
2019	1,250,042
2020	788,399
Cumulative operating losses in Sudan	12,406,463

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In addition, should the Company reach a development decision with respect to a mineral property, cumulative exploration losses incurred may be capitalized and subsequently depleted against the related mineral property as operating costs for tax purposes in Sudan. As at December 31, 2015, the Company's exploration losses are \$39,544,064 (2014: \$29,675,411) and relate to Block 14, its sole mineral property as of that date.

15. SEGMENT INFORMATION

The Company's operations currently consist of the acquisition and exploration of mineral resources in the Republic of Sudan. Materially all of the Company's equipment and exploration and project investigation costs are located and incurred in the Republic of Sudan, whereas materially all of the Company's cash is held by the Canadian parent.

16. NON-CONTROLLING INTEREST

On March 1, 2012, an indirect wholly owned subsidiary of Orca, SMCL, closed a transaction whereby it acquired the right and option to a 70% interest in MSMCL, a Sudanese company incorporated to hold the Block 14 exploration license in the Republic of the Sudan. Under the purchase agreement, SMCL paid the holder of the license a total of USD \$9.5 million in three installments, in exchange for an increasing ownership interest in MSMCL, as follows:

Date	Payment	Total ownership interest
March 1, 2012	USD \$3.5 million	35.0%
September 30, 2013	USD \$3.0 million	52.5%
September 30, 2014	USD \$3.0 million	70.0%

Under the agreement, the Company must fund all exploration, development and construction costs to commercial production in accordance with the purchase agreement.

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The changes to the non-controlling interest for the year ended December 31, 2015 are as follows:

Balance, January 1, 2014	8,187,593
Non-controlling interest's 47.5% share of MSMCL's comprehensive loss, from January 1, 2014 to August 28, 2014	3,296,931
Balance, before change in non-controlling interest in MSMCL	11,484,524
Change in the non-controlling interest in MSMCL from 47.5% to 30%	(4,231,140)
Non-controlling interest's 30% share of MSMCL's comprehensive loss, from August 29, 2014 to December 31, 2014	1,525,471
Balance, December 31, 2014	8,778,855
Non-controlling interest's 30% share of MSMCL's comprehensive loss for the year	2,697,209
Balance, December 31, 2015	11,476,064

The following is summarized financial information of MSMCL:

	December 31, 2015	December 31, 2014
Current assets	108,581	193,205
Equipment, net	379,515	624,669
Mineral properties	4,256,045	3,950,127
Current liabilities	(1,030,599)	(1,606,942)
Advances from SMCL	(38,042,943)	(28,525,948)
Advances from another wholly owned subsidiary of Orca	(397,118)	(370,932)

	Year ended December 31, 2015	Period ended December 31, 2014
Net loss	6,765,301	13,165,034
Comprehensive loss	8,990,698	12,025,810
Cash flows for operating activities	(7,116,484)	(14,229,855)
Cash flows from financing activities	7,075,875	14,542,707
Cash flows for investing activities	(39,205)	(268,284)

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17. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to provide returns for shareholders, through investment in mineral exploration, while safeguarding the Company's ability to continue as a going concern.

In the management of capital, the Company considers its capital resources to be the shareholders' equity, existing cash resources and short-term investments.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, adjust the level of operations, acquire or dispose of assets, bring in joint venture partners, or enter into corporate transactions.

In order to facilitate the management of its capital requirements, the Company prepares annual exploration budgets that are updated as necessary depending on various factors, including exploration results, political stability, and general industry conditions.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has estimated the fair values of its financial instruments based on appropriate valuation methodologies. These values are not materially different from their carrying value.

The Company classifies the fair values of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1- Quoted price (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company's cash equivalents and short-term investments are considered to be Level 2 of the fair value hierarchy.

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The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2015 and 2014:

In thousands of dollars						
December 31, 2015	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	10,030	-	-	-	10,030	10,030
Other receivables	65				65	65
Short-term investments	7,722				7,722	7,722
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	1,226	1,226	1,226

In thousands of dollars						
December 31, 2014	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	24,701	-	-	-	24,701	24,701
Other receivables	63				63	63
Short-term investments	2,996				2,996	2,996
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	1,999	1,999	1,999

19. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity risk.

a) Currency risk

Foreign currency risk can arise when the Company or its subsidiaries transact in currencies other than their functional currencies (Note 3b(i)).

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(i) Sudanese operations

As at December 31, 2015, the Company's Sudanese operating subsidiaries' largest foreign currency risk exposure is a net financial liability denominated in British Pounds of an amount equivalent to approximately 52,000 Canadian dollars. A 10% change in the foreign exchange rate between the US dollar and the European Euro would give rise to increases/decreases of approximately 5,000 Canadian dollars in financial position/ comprehensive loss.

ii) Canadian head office operations

At December 31, 2015, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets and liabilities. The estimated impacts of relative currency rate fluctuations between the foreign currencies and the Canadian dollar, the Company's functional currency, based on these total foreign currency exposures are as follows:

In thousands of dollars			
	Foreign currency cash held (in source currency)	Net financial asset (liability) position	Change in net financial position from a 10% variation in exchange rates
US dollar	26	32	3
British pounds	-	(36)	4

b) Credit risk

At December 31, 2015, the majority of the Company's cash was held through Canadian institutions with high investment grade ratings.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity requirements are managed based on expected cash flow to ensure that there is capital to meet short term and long term obligations.

The maturities of the Company's financial liabilities as at December 31, 2015 are as follows:

In thousands of dollars				
	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	1,226	1,226	-	-
Total	1,226	1,226	-	-



CORPORATE DIRECTORY

OFFICERS

Richard Clark
Chairman of the Board
Hugh Stuart
President/Chief Executive Officer
Jeffrey Yip
Chief Financial Officer
Rashida McLean
Corporate Secretary

DIRECTORS

Richard Clark
Compensation Committee
Corporate Governance and Nominating
Committee
L. Simon Jackson
Dr. Jingbin Wang
Audit Committee
Compensation Committee
Shuixing Fu
Corporate Governance and Nominating
Committee
Robert F. Chase
Audit Committee
Corporate Governance and Nominating
Committee
Alexander Davidson
Audit Committee
Compensation Committee
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REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, British Columbia
Canada

SHARE LISTING

TSX Venture Exchange
Symbol: ORG
CUSIP No.: 68558N102
ISIN: CA68558N1024