



ORCA GOLD INC.

ANNUAL REPORT

For the Year Ended

December 31, 2016

ORCA GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016
(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, 2016 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is 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 March 29, 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 exclusive 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 March 2017, the Company selected and renewed approximately 2,176 km² of the Block 14 exploration license for its final exploration term, ending in May 2018. The water license, which permits hydrological studies on Block 14 and on an additional 300 km² area north of Block 14, is due to expire in May 2017, and its renewal is currently in process.

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.

2016 OPERATING HIGHLIGHTS

Completion of Preliminary Economic Assessment on Block 14

In July 2016, the Company completed a PEA on its Mineral Resources at Galat Sufar South ("GSS") and Wadi Doum (see News Release dated July 26, 2016), located on Orca's sole mineral exploration license, Block 14.

The PEA on Orca's 70% owned Block 14 Project is based on contract mining, with ore treated through a 1.8Mtpa standard carbon-in-leach ("CIL") processing plant. Process water will be supplied from a bore-field 55km north of GSS, where the Company has discovered water in a Nubian Sandstone aquifer system (see News Release dated July 5, 2016 and Hydrological Studies section below).

Using a gold price of US\$ 1,100/oz for mine design, and US\$ 1,200/oz for economic analysis, highlights of the Block 14 PEA, on a 100% basis, include:

- Pre-tax NPV_{7%} of US\$ 156 million and an IRR of 25%;
- After-tax NPV_{7%} of US\$ 128 million and an IRR of 22%;
- In-pit mineral resources comprising 25.07Mt grading 1.52 Au g/t for 1.22 million ounces of gold in the indicated category and 2.80Mt grading 1.51 Au g/t for 0.14 million ounces of gold in inferred resources;
- 1,053,302 ounces of gold produced from indicated resources and 117,034 ounces produced from inferred resources over life of mine ("LOM");
- Mine life of 16 years with average annual LOM production of 73,000 ounces of gold;
- Average annual production in years 1-5 of 82,400 ounces of gold;
- Average gold recoveries of 86%;
- Cash costs per ounce of US\$ 778 for LOM;
- All-in cash costs per ounce of US\$ 805 for LOM;
- Initial capital costs of US\$ 123 million (including a 19% contingency);
- Sustaining capital costs of US\$ 31 million; and
- Payback period of approximately 4 years, after-tax, from commencement of production.

The PEA's sensitivity to gold price fluctuations is illustrated below:

| Gold Price (US\$/oz) | 1,100 | 1,150 | 1,200 | 1,250 | 1,300 |
|---|-------|-------|-------|-------|-------|
| Pre-tax NPV _{7%} (US\$ millions) | 91 | 123 | 156 | 189 | 222 |
| After-tax NPV _{7%} (US\$ millions) | 72 | 100 | 128 | 156 | 184 |
| Pre-tax IRR (%) | 18 | 22 | 25 | 29 | 32 |
| After-tax IRR (%) | 16 | 19 | 22 | 25 | 28 |

While the PEA has demonstrated Block 14 to be a strong project, the Company recognizes that there still exist several opportunities for improvement and further strengthening of project economics. These potential areas for further value creation will be explored during the advancement of Block 14 through a pre-feasibility study ("PFS"), which commenced in Q3 2016 and is targeted for completion by the end of June, 2017.

Hydrological Studies

The Company conducted drill programmes to test two low resistivity anomalies, HA8 and HA9, which commenced in Q2 2016 and concluded in July 2016. While holes drilled at the HA9 anomaly failed to yield significant results, drilling at the HA8 anomaly, located 50 km north of GSS, generated positive results, with five of the seven new boreholes having intersected water bearing layers between depths of 34m and 148m within an interbedded sequence of course grained sandstone and sandy clays (see News Release dated July 5, 2016).

Together with the results of the first borehole drilled on HA8 in 2014, which also intersected water bearing sandstones, the Company has defined an aquifer system over an area of approximately 13 km², with the potential to expand the discovery to the north, east and south.

As part of the PFS, a series of four production scale boreholes were drilled across the HA8 aquifer. Pump testing of these boreholes, as supervised by the Company's consultants, GCS Water and Environmental Consultants, has confirmed that the aquifer is able to accommodate the 1.8 Mtpa throughput scenario used in the PEA.

Pre-feasibility Study on Block 14 in Progress

The Company's PFS programme includes exploring various opportunities to further enhance the value of the Block 14 Project, including, but not limited to, increasing recoveries through further metallurgical testing, confirmation of water supply and potential to increase throughput, optimisation of tailings management, and optimising pit slope parameters through targeted geotechnical drilling. While the overall programme is ongoing and planned for completion in June 2017, certain supporting component work areas have now been completed, and their results are highlighted as follows:

Geotechnical Assessment

Based on results from a 1,420m diamond core drilling programme designed by SRK Consulting (UK) Ltd., and subsequent analysis of geotechnical logging and laboratory test work, the pit slope design criteria has been revised from that employed in the PEA. The geotechnical work now supports an increase in the overall slope angle of the pits by at least 8 degrees (from 43 degrees to 51 degrees), with a concomitant reduction in strip ratio.

Update to Mineral Resource Estimate

MPR Geological Consultants have completed an updated Mineral Resource Estimate for the Block 14 Project following the completion of 7,062m of infill drilling in late 2016, conducted as part of the PFS (see News Release dated February 2, 2017).

The updated Mineral Resource Estimate, using a cut-off grade of 1.0 Au g/t, comprises an Indicated Resource of 30.6 Mt grading 1.82 Au g/t for 1.792 Moz of gold and an Inferred Resource of 9.7 Mt grading 1.7 Au g/t for an additional 0.536 Moz. In comparison to the previous estimate, effective July 2016, Indicated Resources have increased by 10% or 159 koz and Inferred Resources have decreased by 15% or 98 koz. The drilling was directed within the PEA design shells and has reduced the Inferred Resources within those shells to less than 3% of total material. Accordingly, the infill programme has successfully confirmed and expanded the PEA Mineral Resource Estimate.

Metallurgical Drilling and Test Work

All metallurgical core drilling at GSS and Wadi Doum as part of the PFS programme was completed by December 31, 2016. Assays of the metallurgical core holes, which were drilled within the pit design area used in the PEA, yielded results which were consistent with expectations and are highlighted by intercepts of 150 metres at 2.20 Au g/t, 50 metres at 4.44 Au g/t, 15 metres at 7.96 Au g/t, and 97 metres at 1.77 Au g/t (see News Releases dated November 1, 2016 and November 16, 2016).

The metallurgical drilling provided core for three programmes, as follows:

- Comminution parameters – Results indicate that the average energy required to achieve a P₈₀ of 75µm grind would be 9.0 kWh/t for oxide, 16.2 kWh/t for transition and 19.1 kWh/t for fresh;
- Flash flotation – Whilst there was an improvement in recovery it was insufficient to justify the higher capital and operating costs; and
- Variability testing and tailings samples – Testwork is ongoing (see Outlook section below).

Confirmation of High-grade Mineralization at Liseiwi

In late 2016, the Company completed a short programme of seven reverse circulation holes at the Liseiwi prospect, 15km north of Wadi Doum. Assay results are highlighted by intersects of 10m at 15.32 Au g/t, 8m at 12.8 Au g/t and 17m at 5.03Au g/t (see News Release dated February 2, 2017). Confirmation of high-grade mineralization at Liseiwi could represent an expanded development opportunity for the Block 14 Project and also garners support for Block 14's upside potential in hosting multiple satellite deposits in addition to the current Mineral Resources at GSS and Wadi Doum.

RESULTS FROM OPERATIONS

| Year Ended | Dec-16 | Dec-15 | Dec-14 |
|--|---------------|---------------|---------------|
| Net loss (\$'000's) | 12,396 | 9,899 | 17,146 |
| Loss per share, basic and diluted (\$) | 0.09 | 0.07 | 0.11 |
| Total assets (\$'000's) | 15,196 | 23,141 | 33,154 |

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 \$12.4 million (2015: \$9.9 million) during the year ended December 31, 2016. Exploration and project investigation costs account for approximately 77% (2015: 75%) of the net loss incurred during year ended December 31, 2016, while administration expenses account for approximately 25% (2015: 29%). The reported net loss for the year ended December 31, 2016 is net of \$195,000 (2014: \$396,000) of interest income.

Exploration costs are the most significant expenditure of the Company and have been expensed in accordance with its accounting policy. Detailed breakdowns of 2016 and 2015 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 2016 and accounted for 62% (2015: 34%) of exploration costs for the year, which is the result of the PEA work, which was undertaken during the first half of 2016 and completed in July 2016, and the intensive drill programme undertaken as part of the PFS in the latter half of 2016. Exploration staff compensation costs were the second largest component of exploration costs for 2016 and accounted for 17% (2015: 36%) 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 "2016 Operating Highlights", the focus of activities during the year ended December 31, 2016 was Block 14, accounting for approximately 98% of Orca's exploration costs for the year.

Excluding stock-based compensation of \$705,000 (2015: \$295,000) for the year ended December 31, 2016, administration costs were \$2.4 million (2015: \$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 \$195,000 (2015: \$396,000) for the year ended December 31, 2016 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 loss of \$122,000 (2015: gain of \$294,000) for the year ended December 31, 2016, 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-16 | Sep-16 | Jun-16 | Mar-16 | Dec-15 | Sep-15 | Jun-15 | Mar-15 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Exploration costs (\$000's) | 4,330 | 2,119 | 1,764 | 1,274 | 1,908 | 2,057 | 1,516 | 1,944 |
| Total net loss (\$000's) | 5,234 | 2,801 | 2,591 | 1,770 | 2,496 | 2,726 | 2,148 | 2,529 |
| Net loss attributed to the Company's shareholders (\$000's) | 4,010 | 2,201 | 2,129 | 1,418 | 1,976 | 2,154 | 1,743 | 1,996 |
| Net loss per share attributed to the Company's shareholders, basic and diluted (\$) | 0.04 | 0.02 | 0.02 | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 |

The nature and extent of exploration activities carried out under specific work programmes 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 and achieved various milestones, including a mineral resource update in February 2015, identification of a new prospective high grade target, Liseiwi, through sampling and drilling during 2015, substantial completion of the Block 14 PEA during the first half of 2016, and commencement of the Block 14 PFS in the latter half of 2016, accompanied by significant drill programmes as mentioned above (see "2016 Operating Highlights" section above).

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, the Company had a treasury of \$10.4 million, comprised of cash and cash equivalents of \$5.3 million and fixed income short-term investments of \$5.1 million as compared to cash and cash equivalents of \$10.0 million and fixed income short-term investments of \$7.7 million at December 31, 2015. Working capital at December 31, 2016 was \$7.6 million (2015: \$16.7 million).

On November 4, 2016, the Company received net proceeds of \$1.8 million upon closing of a non-brokered private placement of 5,882,353 common shares of the Company at a price of \$0.34 per common share, net of an 8.0% finder's fee payable in cash on a portion of the subscriptions and other share issuance costs (see News Release dated November 4, 2016).

Other than for general corporate and administrative costs, the majority of funds spent by Orca are directed towards exploration activities. 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, 2016, 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"), 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, and its representation on the Company's Board of Directors. Related party transactions are recorded at the exchange amounts.

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Services received from related parties

| | | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---------------|------------------------------------|------------------------------------|
| | Related party | | |
| Drilling and exploration support | Meyas Nub | 395,777 | 154,298 |
| Geological consulting | SinoTech | - | 40,568 |
| Geological consulting | HSEC | 213,873 | 631,352 |
| Support and administration | RB Energy | - | 63,871 |
| Support and administration | Sinotech | 3,750 | 30,000 |
| Total services received from related parties | | 613,400 | 920,089 |

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, 2016 | December 31, 2015 |
|--|---------------|----------------------|----------------------|
| | Related party | | |
| Accounts payable and accrued liabilities | Meyas Nub | (19,984) | (5,082) |
| Accounts payable and accrued liabilities | HSEC | (69,188) | (65,737) |
| Accounts payable and accrued liabilities | SinoTech | - | (7,500) |

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, 2016 | Year ended December 31, 2015 |
|--|---|---|
| Salaries and management fees | 626,378 | 524,004 |
| Short term benefits | 13,894 | 8,380 |
| Stock-based compensation | 318,093 | 95,874 |
| Total key management compensation | 958,365 | 628,258 |

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.

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 there are no closure costs obligations as at December 31, 2016.

SIGNIFICANT ACCOUNTING POLICIES

Orca follows the accounting policies described in Note 3 of the Company's December 31, 2016 audited consolidated financial statements that were filed on Sedar on March 29, 2017.

New accounting pronouncements

The IASB has issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company for periods after December 31, 2016, beginning on the dates indicated below. Pronouncements that are not applicable to the Company have been excluded from those described below.

| Pronouncement | Effective Date |
|---|---|
| IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes: (i) a third measurement category for financial assets – fair value through other comprehensive income and (ii) a single, forward-looking 'expected loss' impairment model. | Required to be applied for years beginning on or after January 1, 2018. |
| IFRS 7 <i>Financial instruments – disclosure</i> has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. | Required to be applied for years beginning on or after January 1, 2018. |
| IFRS 16 <i>Leases</i> specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. | Required to be applied for years beginning on or after January 1, 2019. |

Management is currently assessing whether these new standards and interpretations would have a material impact on the future financial position and results of the Company.

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, 2016, the Company's Sudanese operating subsidiaries' largest foreign currency risk exposure is a net financial liability denominated in US dollars of an amount equivalent to approximately 1.5 million 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 151,000 Canadian dollars in financial position/comprehensive loss.

ii) Canadian head office operations

At December 31, 2016, 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 | 534 | 680 | 68 |
| British pounds | - | (39) | 4 |

Credit risk

At December 31, 2016, the majority of the Company's cash and cash equivalents and short-term investments were held through Canadian institutions with 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, 2016 are as follows:

| | In thousands of dollars | | | |
|---|-------------------------|-----------------------------|------------------|------------------------------|
| | Total | Less than 1 year | 1-5 years | More than 5 years |
| Accounts payable and accrued liabilities | 3,108 | 3,108 | - | - |
| Total | 3,108 | 3,108 | - | - |

OUTSTANDING SHARE DATA

As at March 29, 2017, the Company had 113,288,106 common shares outstanding and 10,110,000 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 mineralized materials in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a base metal or precious metal bearing structure may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that exploration programs carried out by the Company will result in profitable commercial mining operations. 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. The Company's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards such as unusual or unexpected formations, pressures or other conditions may also be encountered.

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.

Title Matters

The mining regulatory regime in Sudan is defined almost entirely by concession contracts with the government which grant rights to explore, develop and operate a mine pursuant to The Mineral Resources Development and Mining Act 2007. The Company holds its mining interests through a concession agreement with the government. No assurance can be given that the terms and conditions of the Company's exploration and mining authorizations will not be amended or that such exploration and mining authorizations will not be challenged or impugned by third parties.

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. Other parties may dispute the validity of a concession agreement or the Company's right to enter into such agreement. Although the Company believes it has taken reasonable measures to ensure proper title to the properties in which it will have an interest, there is no guarantee that such title will not be challenged or impaired.

Foreign Investments and Operations

The Company conducts the majority of its exploration and development activities in Sudan. The Company's foreign mining investments are subject to the risks normally associated with the conduct of business in 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, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

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.

In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the local government or by its court system. These risks may limit or disrupt the Company's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation. The economy and political systems of Sudan, as with other countries in North and East Africa and many other mining jurisdictions, should be considered by investors to be less predictable than those in countries in which the majority of investors are likely to be resident. The possibility that the current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results of operations and financial condition.

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.

Influence of Third Party Stakeholders

The mineral properties in which the Company holds an interest, or the exploration equipment and road or other means of access which the Company intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the Company's work programs may be delayed even if such claims are not meritorious. Such claims may result in significant financial loss and loss of opportunity for the Company.

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. There can be no assurance that the Company's projects will move beyond the exploration stage and be put into production, achieve commercial production or that the Company will produce revenue, operate profitably or provide a return on investment in the future. Mineral exploration involves considerable financial and technical risk.

No History of Earnings

The Company has no history of earnings or of a return on investment, and there is no assurance that the Block 14 Project or any other property or business that the Company may acquire or undertake will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends in the future.

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 such as inflation, foreign currency fluctuation, interest rates, supply and demand and industrial disruption have an adverse impact on operating costs, commodity prices and stock market prices and may impact the Company's ability to fund its activities. The Company's costs and share price will likely be affected by these and other factors which are beyond the control of the Company. 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. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

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.

Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and, if warranted, commencement of production on properties in which it has an interest, require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the conduct of mineral exploration and development can be obtained or maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any such mineral exploration or development which the Company might undertake. Amendments to current laws, regulations and permits governing operations and activities of mineral exploration companies, or more stringent interpretation, implementation or enforcement thereof, could have a material adverse impact on the Company.

Capital Requirements and Operating Risks Associated with Exploration Activities

The Company must be able to utilize available financing sources to finance its growth and sustain capital requirements. The Company may be required to raise significant additional capital through the capital markets and/or incur significant borrowings to meet its capital requirements. These financing requirements could adversely affect the Company's credit ratings and its ability to access the capital markets in the future to meet any external financing requirements the Company might have.

In addition, the Company's operations and related infrastructure facilities are subject to risks normally encountered in the mining and metals industry. Such risks include, without limitation, environmental hazards, industrial accidents, labour disputes, changes in laws, technical difficulties or failures, late delivery of supplies or equipment, unusual or unexpected geological formations or pressures, cave-ins, pit-wall failures, rock falls, unanticipated ground, grade or water conditions, flooding, periodic or extended interruptions due to the unavailability of materials and force majeure events. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining or processing, losses and possible legal ability. Any prolonged downtime or shutdowns at the Company's exploration or development operations could materially adversely affect the Company's business, results of operations, financial condition and liquidity.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's activities and profitability.

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.

Acquisition Strategy

As part of the Company's business strategy, it will seek new exploration, development and mining opportunities in the resource industry. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

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 \$10.4 million and net working capital of \$7.6 million. Management and board continue to be mindful of the challenging conditions in the equity markets, particularly for junior gold exploration companies, and the importance of properly managing the treasury.

Block 14 Project in Sudan

The Company is in the process of completing a PFS on the Block 14 Project, which is now expected to be finished and reported by the end of June 2017. As part of the PFS, the Company has been exploring various opportunities to enhance the value of the Block 14 Project, including:

Metallurgy

Variability testing and tailings sample test work is ongoing and scheduled to be completed by the end of March 2017.

Tailings, Water Supply and Throughput

The HA8 area has been identified as the best area to undertake groundwater exploration. Four pump tests have been completed which identified the main aquifer zone in 6 boreholes between 80 and 120m depth. A number of boreholes indicated dominance of mud rock and small seepages were encountered at contact zones. Three zones have been identified within the identified aquifer and work is continuing to develop the optimal borefield.

A trade-off study is being carried out to determine the optimal throughput (up to 2.6 Mpta) and tailings disposal methods to match the borefiled capacity.

Concurrently, the Company is mobilizing an airborne geophysical survey with the aim of identifying additional water for the Block 14 Project.

Reserve Definition

The inaugural Mineral Reserve for the Block 14 Project will be published in the PFS.

Given its large area of approximately 2,176 km², its prospective geological setting and its clear gold endowment as indicated by the large presence of artisanal miners, the Block 14 exploration permit continues to demonstrate significant potential for resource expansion. Exploration will continue with respect to new target generation and evaluation. Most notably, the Liseiwi prospect, located 15km north of Wadi Doum, will be an area of interest, following confirmation of high-grade mineralization in February 2017 with intersects of 10m at 15.32 Au g/t, 8m at 12.8 Au g/t and 17m at 5.03 Au g/t (see News Release dated February 2, 2017).

In addition, the Company has identified the potential to expand the current GSS and Wadi Doum Mineral Resource at depth, following confirmation of high-grade mineralization in plunging shoots, extending below the base of the PEA pit design. At GSS, high-grade plunging shoots were intersected in the Main Zone footwall returning intercepts of 19m at 13.6 Au g/t, 16m at 17.97 Au g/t and 7m at 9.67 Au g/t. At Wadi Doum, four high-grade plunging shoots within or at the edge of the current resource have also been identified, highlighted by intercepts of 25m at 18.4 Au g/t, 27m at 5.47 Au g/t, 30m at 8.06 Au g/t, 30m at 5.83 Au g/t, and 14m at 13.37 Au g/t (see News Release dated February 2, 2017).

Expansion into Côte d'Ivoire

On February 1, 2017, the Company announced that it has executed a share purchase agreement with two wholly-owned subsidiaries of Kinross Gold Corporation ("Kinross"), whereby the Company is acquiring from Kinross all the issued and outstanding common shares of two wholly-owned exploration companies located and operating in Côte d'Ivoire (the "Acquisition"), which collectively own and have rights to the Morondo and Korokaha North exploration licences, and five exploration licence applications (see News Release dated February 1, 2017). Closing of the Acquisition is subject to a number of conditions, including, but not limited to, the parties receiving approval of the Acquisition by the Minister of Industry and Mines of Côte d'Ivoire (the "Ministerial Approval").

The Company does not currently have an expected closing date and there is no assurance that the transaction will be completed, however the Company is actively advancing its application to obtain the Ministerial Approval, a key requisite step in closing the Acquisition.

With a strong treasury and robust, preliminary project economics in-hand for Block 14, Orca is well positioned to be flexible and responsive to changes in the resource sector market conditions. Careful consideration has resulted in an operating budget that will advance Block 14 under strict financial oversight and future exploration programmes will continue to be guided by results and prospectivity.

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 forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws, including statements regarding Orca's (the "Company", the "Corporation", "we" or "our") plans and expectations relating, but not limited to, the Block 14 project ("Block 14") in northern Sudan and the Pre-Feasibility Study ("PFS") currently being conducted by the Company. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. The assumptions, risk and uncertainties outlined below are non-exhaustive. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Corporation, or industry results, may vary materially from those described in this presentation.

Any 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", "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 statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including without limitation, assumptions about the following (the "Forward-Looking Factors"): future prices of gold and other metals; successful exploration, development, and production of Block 14; the timing and completion of the PFS; performance of contractual obligations by counterparties; operating conditions; political stability; obtaining governmental approvals and financing on time; financial projections and budgets; obtaining licenses and permits; government regulation of the Corporation's mining activities; environmental risks and expenses; market conditions; the securities market; price volatility of the Corporation's securities; currency exchange rates; foreign mining tax regimes; insurance and uninsured risks; financial projections and results; competition; availability of sufficient capital, infrastructure, equipment and labour; dependence on key personnel; dependence on outside parties; conflicts of interest; litigation; land title issues; local community issues; estimation of mineral resources; realization of mineral resources; timing and amount of estimated future production; the life of Block 14; reclamation obligations; changes in project parameters as plans continue to be evaluated; and anticipated costs and expenditures and our ability to achieve the Corporation's goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, many of which are based on factors and events that are not within the control of the Corporation and there is no assurance they will prove to be correct.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation known and unknown risks, uncertainties and other factors relating to the Forward-Looking Factors above, and those factors disclosed under the heading "Risk Factors" in the Corporation's documents filed from time to time with the securities regulators in the provinces of Canada.

In addition, a number of other factors could cause the actual results, performance or achievements of the Corporation to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information, and there is no assurance that the actual results, performance or achievements of the Corporation will be consistent with them. For further details, reference is made to the risk factors discussed or referred to in the Corporation's annual and interim management's discussion and analyses on file with the Canadian securities regulatory authorities and available electronically on the SEDAR website at www.sedar.com. Although the Corporation has attempted to identify important factors that could cause actual actions, events, results, performance

or achievements to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events, results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements or information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Such forward-looking statements and information are made or given as at the date of this presentation and the Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities law. The reader is cautioned not to place undue reliance on forward-looking statements or forward-looking information.

Orca Gold Inc.

Consolidated Financial Statements

For the years ended December 31, 2016 and 2015



March 29, 2017

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Orca Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806*

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



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, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(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, 2016 | December 31, 2015 |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 5,285,095 | \$ 10,029,880 |
| Short-term investments (Note 5) | 5,141,625 | 7,721,959 |
| Receivables and other assets (Note 6) | 245,618 | 194,822 |
| | <u>10,672,338</u> | <u>17,946,661</u> |
| Equipment (Note 7) | 511,487 | 938,314 |
| Mineral properties (Note 8) | 4,012,503 | 4,256,045 |
| | <u>\$ 15,196,328</u> | <u>\$ 23,141,020</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,108,072 | \$ 1,225,930 |
| EQUITY | | |
| Equity attributed to common shareholders | | |
| Share capital (Note 9) | 84,570,738 | 82,739,268 |
| Contributed surplus | 5,754,887 | 4,895,389 |
| Accumulated other comprehensive income | 286,782 | 1,093,726 |
| Deficit | (65,095,080) | (55,337,229) |
| | <u>25,517,327</u> | <u>33,391,154</u> |
| Non-controlling interest (Note 16) | (13,429,071) | (11,476,064) |
| | <u>12,088,256</u> | <u>21,915,090</u> |
| | <u>\$ 15,196,328</u> | <u>\$ 23,141,020</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, 2016 | Year ended December 31, 2015 |
|--|---|---|
| Administration costs (Note 11) | \$ 3,075,726 | \$ 2,886,223 |
| Exploration and project investigation costs (Note 12) | 9,487,386 | 7,425,361 |
| Foreign exchange loss | 27,312 | 68,176 |
| Interest income | (194,691) | (395,779) |
| Other income | - | (85,161) |
| Net loss for the year | <u>\$ 12,395,733</u> | <u>\$ 9,898,820</u> |
| Net loss for the year attributed to: | | |
| Common shareholders of the Company | \$ 9,757,851 | \$ 7,869,230 |
| Non-controlling interest (Note 16) | 2,637,882 | 2,029,590 |
| | <u>\$ 12,395,733</u> | <u>\$ 9,898,820</u> |
| Net loss for the year | \$ 12,395,733 | \$ 9,898,820 |
| Items that may be subsequently reclassified to net loss: | | |
| Loss (gain) on translation to presentation currency | 122,069 | (293,757) |
| Comprehensive loss for the year | <u>\$ 12,517,802</u> | <u>\$ 9,605,063</u> |
| Comprehensive loss for the year attributed to: | | |
| Common shareholders of the Company | \$ 10,564,795 | \$ 6,907,854 |
| Non-controlling interest (Note 16) | 1,953,007 | 2,697,209 |
| | <u>\$ 12,517,802</u> | <u>\$ 9,605,063</u> |
| Basic and diluted loss per common share | <u>\$ 0.09</u> | <u>\$ 0.07</u> |
| Basic and diluted weighted average number of shares outstanding | <u>108,337,929</u> | <u>107,405,753</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, 2016 | Year ended December 31, 2015 |
|---|---|---|
| Cash flows from (for) operating activities | | |
| Net loss for the year | \$ (12,395,733) | \$ (9,898,820) |
| Add non-cash items | | |
| Depreciation of equipment (Note 7) | 396,658 | 472,856 |
| Stock-based compensation expense (Note 10) | 859,498 | 365,371 |
| Interest income on short-term investments | (110,517) | (92,721) |
| | <u>(11,250,094)</u> | <u>(9,153,314)</u> |
| Changes in non-cash working capital items | | |
| Receivables and other assets | (56,640) | (12,299) |
| Accounts payable and accrued liabilities | 2,010,296 | (850,850) |
| | <u>(9,296,438)</u> | <u>(10,016,463)</u> |
| Cash flows from (for) investing activities | | |
| Redemption (purchase) of short-term investments, net | 2,690,851 | (4,632,823) |
| Purchase of equipment (Note 7) | (10,411) | (15,931) |
| Acquisition of water exploration license | - | (24,810) |
| | <u>2,680,440</u> | <u>(4,673,564)</u> |
| Cash flows from financing activities | | |
| Net proceeds received from private placement (Note 9) | 1,831,470 | - |
| | <u>1,831,470</u> | <u>-</u> |
| Foreign exchange on cash and cash equivalents | <u>39,743</u> | <u>18,464</u> |
| Decrease in cash and cash equivalents | (4,744,785) | (14,671,563) |
| Cash and cash equivalents, beginning of year | 10,029,880 | 24,701,443 |
| Cash and cash equivalents, end of year | <u>\$ 5,285,095</u> | <u>\$ 10,029,880</u> |
| Supplemental information | | |
| Interest received | <u>\$ 221,228</u> | <u>\$ 303,058</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, 2016 | 107,405,790 | \$ 82,739,268 | \$ 4,895,389 | \$ 1,093,726 | \$ (55,337,229) | \$ 33,391,154 | \$ (11,476,064) | \$ 21,915,090 |
| Shares issued pursuant to private Placement, net (Note 9) | 5,882,353 | 1,831,470 | - | - | - | 1,831,470 | - | 1,831,470 |
| Stock-based compensation expense (Note 10) | - | - | 859,498 | - | - | 859,498 | - | 859,498 |
| Net loss for the year | - | - | - | - | (9,757,851) | (9,757,851) | (2,637,882) | (12,395,733) |
| Gain (loss) on translation to presentation currency | - | - | - | (806,944) | - | (806,944) | 684,875 | (122,069) |
| Balance December 31, 2016 | 113,288,143 | \$ 84,570,738 | \$ 5,754,887 | \$ 286,782 | \$ (65,095,080) | \$ 25,517,327 | \$ (13,429,071) | \$ 12,088,256 |
| 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 | - | - | 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 |

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, 2016 and 2015
(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 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 March 29, 2017.

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, 2016, the only material subsidiaries were SMCL and MSMCL.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(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, 2016 and 2015
(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.

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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 the technical feasibility and commercial viability of extracting a mineral resource deposit are demonstrable. Once a mineral property's technical and economic potential is demonstrable, 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

Non-financial assets 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.

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(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.

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(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.

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.

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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.

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 has issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company for periods after December 31, 2016, beginning on the dates indicated below. Pronouncements that are not applicable to the Company have been excluded from those described below.

| Pronouncement | Effective Date |
|---|---|
| IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes: (i) a third measurement category for financial assets – fair value through other comprehensive income and (ii) a single, forward-looking 'expected loss' impairment model. | Required to be applied for years beginning on or after January 1, 2018. |
| IFRS 7 <i>Financial instruments – disclosure</i> has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. | Required to be applied for years beginning on or after January 1, 2018. |
| IFRS 16 <i>Leases</i> specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. | Required to be applied for years beginning on or after January 1, 2019. |

Management is currently assessing whether these new standards and interpretations would have a material impact on the future financial position and results of the Company.

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.

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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.

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 there are no closure cost obligations as at December 31, 2016.

5. SHORT-TERM INVESTMENTS

At December 31, 2016, the Company held short-term, fixed-income monetary instruments, and related accrued interest, totalling \$5,142,000 (December 31, 2015: \$7,722,000), which includes principal of \$5,091,000, earning interest at 1.70% per annum, maturing on May 30, 2017.

6. RECEIVABLES AND OTHER ASSETS

| | December 31, 2016 | December 31, 2015 |
|---|------------------------------|------------------------------|
| Prepaid expenses | 173,748 | 129,390 |
| Other receivables | 71,870 | 65,432 |
| Total receivables and other assets | 245,618 | 194,822 |

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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, 2015 | 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 |
| Additions | 3,666 | - | - | 6,745 | 10,411 |
| Effects of foreign exchange on translation to presentation currency | (10,560) | (4,191) | (64,045) | (67,528) | (146,324) |
| As at December 31, 2016 | 181,907 | 69,053 | 1,055,176 | 1,115,346 | 2,421,482 |
| Accumulated depreciation | | | | | |
| As at January 1, 2015 | (101,824) | (24,549) | (373,301) | (544,435) | (1,044,109) |
| Depreciation | (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) |
| Depreciation | (23,766) | (7,146) | (172,647) | (193,099) | (396,658) |
| Effects of foreign exchange on translation to presentation currency | 9,754 | 2,164 | 38,803 | 55,023 | 105,744 |
| As at December 31, 2016 | (174,832) | (38,589) | (710,464) | (986,110) | (1,909,995) |
| Net book amount | | | | | |
| As at December 31, 2015 | 27,981 | 39,637 | 542,601 | 328,095 | 938,314 |
| As at December 31, 2016 | 7,075 | 30,464 | 344,712 | 129,236 | 511,487 |

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8. MINERAL PROPERTIES

| Cost | Block 14 |
|---|------------------|
| As at January 1, 2015 | 3,950,127 |
| Acquisition of water exploration license | 24,810 |
| Effects of foreign exchange on translation to presentation currency | 281,108 |
| As at December 31, 2015 | 4,256,045 |
| Effects of foreign exchange on translation to presentation currency | (243,542) |
| As at December 31, 2016 | 4,012,503 |

The Company's sole mineral project as at December 31, 2016 is Block 14, located in the northern part of the Republic of Sudan. The Block 14 mineral project consists of mineral exploration lands and an additional water exploration area.

9. SHARE CAPITAL

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

On November 4, 2016, the Company completed a private placement of 5,882,353 common shares of the Company for gross proceeds of \$2 million. Share issuance costs of \$169,000 were paid in relation to the private placement. The net proceeds received by the Company upon completion of the private placement totalled \$1.8 million.

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, 2016 and 2015.

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 agreements are at the discretion of the Board of Directors.

The total stock-based compensation for the year ended December 31, 2016 was \$859,000 (2015: \$365,000). Stock-based compensation of \$705,000 (2015: \$295,000) has been allocated to administration costs, and \$154,000 (2015: \$70,000) to exploration and project investigation costs, respectively, for employees directly involved in exploration activities.

The unrecognized compensation cost for non-vested share options at December 31, 2016 was \$333,000 (December 31, 2015: \$85,000).

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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, 2015 | 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 |
| Granted | 7,450 | \$0.27 |
| Expired | (5,350) | \$0.90 |
| Forfeited | (400) | \$0.27 |
| Outstanding at December 31, 2016 | 10,302 | \$0.34 |
| Exercisable at December 31, 2016 | 5,686 | \$0.39 |

During the year ended December 31, 2016, the Company granted 6,950,000 options at an exercise price of CDN \$0.27 per share, and 500,000 options at an exercise price of CDN \$0.32 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 7,450,000 options granted during the year ended December 31, 2016, are as follows:

| | |
|---|---------|
| (i) Average risk-free interest rate: | 0.53% |
| (ii) Expected life: | 3 years |
| (iii) Expected volatility: | 89.55% |
| (iv) Expected dividends: | nil |
| (v) Weighted average fair value per option: | \$0.16 |

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The following summarizes information about the stock options outstanding and exercisable at December 31, 2016:

| 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 | 6,700 | 2.28 | \$0.27 | 2,417 | 2.28 | \$0.27 |
| \$0.32 | 500 | 2.66 | \$0.32 | 167 | 2.66 | \$0.40 |
| \$0.40 | 2,785 | 0.91 | \$0.40 | 2,785 | 0.91 | \$0.40 |
| \$1.20 | 317 | 0.59 | \$1.20 | 317 | 0.59 | \$1.20 |
| | <u>10,302</u> | <u>1.88</u> | <u>\$0.34</u> | <u>5,686</u> | <u>1.52</u> | <u>\$0.39</u> |

11. ADMINISTRATION COSTS

| | Year ended December 31, 2016 | Year ended December 31, 2015 |
|--|---|---|
| Office and administration | 323,869 | 281,715 |
| Management and consulting fees | 752,058 | 893,783 |
| Salaries and benefits | 755,851 | 797,297 |
| Stock based compensation expense (Note 10) | 704,992 | 295,006 |
| Travel and promotion | 376,247 | 373,975 |
| Professional fees | 159,534 | 242,317 |
| Depreciation | 3,175 | 2,130 |
| Total administration costs | 3,075,726 | 2,886,223 |

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12. EXPLORATION AND PROJECT INVESTIGATION COSTS

| Years ended December 31, | | Sudan Block 14 | Other | Total |
|-------------------------------------|--|---------------------------|----------------|------------------|
| 2016 | Depreciation | 341,382 | 52,101 | 393,483 |
| | Drilling | 2,256,331 | - | 2,256,331 |
| | Exploration support and administration | 271,079 | 162,161 | 433,240 |
| | Field operation and consumables | 931,623 | - | 931,623 |
| | Geological consulting | 235,433 | - | 235,433 |
| | Permitting and licensing fees | 105,918 | - | 105,918 |
| | Salaries and benefits | 1,448,163 | - | 1,448,163 |
| | Sampling, satellite and geological costs | 3,400,457 | - | 3,400,457 |
| | Stock-based compensation expense (Note 10) | 154,506 | - | 154,506 |
| | Travel and accommodation | 128,232 | - | 128,232 |
| | Total exploration and project investigation costs | 9,273,124 | 214,262 | 9,487,386 |
| 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 |

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13. RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 31, 2016, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Meyas Nub Multiactivities Company Limited ("Meyas Nub") and SinoTech (Hong Kong) Corporate Limited ("SinoTech"). HSEC is 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 and its representation on the Company's Board of Directors. Related party transactions occur and are recorded at the amounts agreed between the parties.

a) Services received from related parties

| | Related party | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|----------------------|---|---|
| Drilling and exploration support | Meyas Nub | 395,777 | 154,298 |
| Geological consulting | SinoTech | - | 40,568 |
| Geological consulting | HSEC | 213,873 | 631,352 |
| Support and administration | RB Energy | - | 63,871 |
| Support and administration | Sinotech | 3,750 | 30,000 |
| Total services received from related parties | | 613,400 | 920,089 |

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:

| | Related party | December 31, 2016 | December 31, 2015 |
|--|----------------------|------------------------------|------------------------------|
| Accounts payable and accrued liabilities | Meyas Nub | (19,984) | (5,082) |
| Accounts payable and accrued liabilities | HSEC | (69,188) | (65,737) |
| Accounts payable and accrued liabilities | SinoTech | - | (7,500) |

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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 is as follows:

| | Year ended December 31, 2016 | Year ended December 31, 2015 |
|--|---|---|
| Salaries and management fees | 626,378 | 524,004 |
| Short term benefits | 13,894 | 8,380 |
| Stock-based compensation | 318,093 | 95,874 |
| Total key management compensation | 958,365 | 628,258 |

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 year. These differences result from the following items:

| | Year ended December 31, 2016 | Year ended December 31, 2015 |
|--|---|---|
| Loss before taxes | 12,395,733 | 9,898,820 |
| 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 | 3,222,891 | 2,573,693 |
| Losses and temporary differences for which an income tax benefit has not been recognized | (1,415,755) | (2,447,451) |
| Differences between Canadian and foreign tax rates | (979,246) | (605,497) |
| Non-deductible expenses | (239,991) | (111,629) |
| Impacts of changes in foreign exchange rates | (587,899) | 590,884 |
| Total income tax recovery | - | - |

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

| | December 31, 2016 | December 31, 2015 |
|---|------------------------------|------------------------------|
| Non-capital losses carried forward – Canada | 33,504,781 | 31,315,238 |
| Capital losses carried forward – Canada | 67,589,120 | 67,589,120 |
| Share issue costs – Canada | 134,824 | - |
| Other asset/resource pools – Canada | 6,016,317 | 6,016,815 |
| Cumulative exploration losses – Sudan | 45,475,291 | 39,544,064 |
| Cumulative operating losses – Sudan | 9,074,920 | 12,406,463 |
| | 161,795,253 | 156,871,700 |

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 | |
|--|-------------------|
| 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 | 5,288,437 |
| 2036 | 2,190,569 |
| Total non-capital loss carry-forwards | 33,504,781 |

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 | |
|---|------------------|
| 2017 | 5,412,355 |
| 2018 | 1,596,919 |
| 2019 | 1,178,512 |
| 2020 | 756,605 |
| 2021 | 130,529 |
| Cumulative operating losses in Sudan | 9,074,920 |

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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, 2016, the Company's exploration losses are \$45,475,291 (2015: \$39,544,064) 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 the 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.

The changes to the non-controlling interest for the year ended December 31, 2016 are as follows:

| | |
|---|-------------------|
| Balance, January 1, 2015 | 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 |
| Non-controlling interest's 30% share of MSMCL's comprehensive loss for the year | 1,953,007 |
| Balance, December 31, 2016 | 13,429,071 |

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The following is summarized financial information of MSMCL:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Current assets | 130,543 | 108,581 |
| Equipment, net | 156,640 | 379,515 |
| Mineral properties | 4,012,503 | 4,256,045 |
| Current liabilities | (2,865,482) | (1,030,599) |
| Advances from SMCL | (42,296,348) | (38,042,943) |
| Advances from another wholly owned subsidiary of Orca | (374,394) | (397,118) |
| | | |
| | Year ended December 31, 2016 | Year ended December 31, 2015 |
| Net loss | 8,792,939 | 6,765,301 |
| Comprehensive loss (income) | (2,282,918) | 8,990,698 |
| | | |
| Cash flows for operating activities | (6,642,669) | (7,116,484) |
| Cash flows from financing activities | 6,654,155 | 7,075,875 |
| Cash flows for investing activities | (6,746) | (39,205) |

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:

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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.

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2016 and 2015:

| In thousands of dollars | | | | |
|--|----------------------------------|--|--------------------------------------|-----------------------------|
| | Loans and receivables | Other financial liabilities | Total carrying amount | Total fair value |
| December 31, 2016 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 5,285 | - | 5,285 | 5,285 |
| Other receivables | 72 | - | 72 | 72 |
| Short-term investments | 5,142 | - | 5,142 | 5,142 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | - | 3,108 | 3,108 | 3,108 |

| In thousands of dollars | | | | |
|--|----------------------------------|--|--------------------------------------|-----------------------------|
| | Loans and receivables | Other financial liabilities | Total carrying amount | Total fair value |
| December 31, 2015 | | | | |
| 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 |

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, 2016, the Company's Sudanese operating subsidiaries' largest foreign currency risk exposure is a net financial liability denominated in US dollars of an amount equivalent to approximately 1.5 million 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 151,000 Canadian dollars in financial position/comprehensive loss.

ii) Canadian head office operations

At December 31, 2016, 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 | 534 | 680 | 68 |
| British pounds | - | (39) | 4 |

b) Credit risk

At December 31, 2016, the majority of the Company's cash was held through Canadian institutions with 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, 2016 are as follows:

| In thousands of dollars | | | | |
|---|--------------|---------------------|-----------|----------------------|
| | Total | Less than 1 year | 1-5 years | More than 5 years |
| Accounts payable and accrued liabilities | 3,108 | 3,108 | - | - |
| Total | 3,108 | 3,108 | - | - |



CORPORATE DIRECTORY

OFFICERS

L. Simon Jackson
Chairman of the Board
Richard Clark
Chief Executive Officer
Hugh Stuart
President
Jeffrey Yip
Chief Financial Officer
Kevin Ross
Chief Operating Officer
Rashida McLean
Corporate Secretary

DIRECTORS

Robert F. Chase
Audit Committee
Corporate Governance and Nominating
Committee
Richard Clark
Compensation Committee
Alexander Davidson
Compensation Committee
Corporate Governance and Nominating
Committee
David Field
Audit Committee
Corporate Governance and Nominating
Committee
L. Simon Jackson
Hugh Stuart
Derek White
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