



**ORCA GOLD INC.**

**FIRST QUARTER REPORT**

**For the Three Months Ended**

**March 31, 2016**

**ORCA GOLD INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THREE MONTHS ENDED MARCH 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 unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and the December 31, 2015 year end audited consolidated financial statements and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's condensed interim 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 May 19, 2016. Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.orcagold.com](http://www.orcagold.com).

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

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

The license for Block 14 was originally granted to Orca's partner, Meyas Nub Multiactivities Co. Ltd. ("Meyas Nub") under a Concession Agreement dated May 19, 2010. The license is currently held by Meyas Sand Minerals Company Ltd ("MSMCL"). Sand Metals Company Ltd. ("SMCL"), a 100% owned subsidiary of Orca, and Meyas Nub own 70% and 30% of MSMCL respectively. Under the Concession Agreement, MoM has a right to a 20% free-carried interest in any mining operation developed on Block 14. Under an agreement between SMCL and Meyas Nub, MoM's 20% interest will come from Meyas Nub's current 30% ownership interest in MSMCL. As provided under the Concession Agreement, in May 2015, the Company selected and renewed approximately 3,752 km<sup>2</sup> of the Block 14 exploration license for a further two years. In April 2015, the Company was also granted a two-year water license to further hydrological studies on Block 14 and on an additional 300 km<sup>2</sup> area north of Block 14.

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

## **FIRST QUARTER OPERATING HIGHLIGHTS**

### ***Ongoing Mineral Exploration and Progress of Preliminary Economic Assessment on Block 14***

Orca's sole mineral exploration license at and during the 3 months ended March 31, 2016 was Block 14. The Company currently has a NI 43-101 compliant mineral resource estimate at Block 14, updated in February 2015, consisting of an indicated resource of 27.6Mt at 1.83 Au g/t for 1,625,000 ounces of gold and an inferred resource of 10.3Mt at 1.8 Au g/t for an additional 594,000 ounces of gold, using a cut-off grade of 1.0 Au g/t.

The focus of Orca's activities in Q1 2016 has been with the commencement of a preliminary economic assessment ("PEA") to confirm preliminary economics for Galat Sufar South ("GSS") and Wadi Doum, while also continuing exploration efforts on Block 14, targeted at proving extensions to the current mineral resource estimate and also identifying new high grade satellite targets within the largely unexplored 3,752 km<sup>2</sup> exploration permit, which may positively contribute to overall project economics.

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

Work is ongoing on the PEA, which is being overseen by SGS Time Mining of South Africa, and is expected to be completed by the end of Q2 2016, after which the Company will consider the appropriate next steps in the ongoing development of Block 14.

### ***Hydrological Studies***

Previous 2014 drilling in the Nubian sandstones in Orca's water exploration license area, 50 kilometres north of GSS, intersected a water bearing sandstone unit from a depth of 35 metres below surface to over 90 metres depth. Further geophysical surveys in late 2015 have provided further indications of the potential for this area to provide an industrial water resource. In addition, a second survey (HA9), 30 kilometres from GSS, also identified a sizeable anomaly over 25 square kilometres at a depth of 180 metres.

A hydrological drill programme to confirm these discoveries is now being planned for Q2 2016, the results of which will be incorporated into the PEA, which will study the relative capital and operating costs of a bore field in the current water exploration license area, as compared to a pipeline from the River Nile located 195 kilometres to the south, and their respective impacts on project economics.

## **RESULTS FROM OPERATIONS**

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 \$1.8 million (2015: \$2.5 million) during the three months ended March 31, 2016. Exploration and project investigation costs account for approximately 72% (2015: 77%) of the net loss incurred during three months ended March 31, 2016, while administration expenses account for approximately 31% (2015: 30%). The reported net loss for the three months ended March 31, 2016 is net of \$66,000 (2015: \$94,000) 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 exploration costs for the three months ended March 31, 2016 and 2015, are provided in the notes to the unaudited condensed interim consolidated financial statements. Technical costs, such as drilling, assays, and costs related to the PEA, were the largest combined cost category for three months ended March 31, 2016 and accounted for 51% (2015: 28%) of exploration costs for the quarter, increasing as compared to Q1 2015, which is the result of commencement of PEA work in Q1 2016. Exploration staff compensation costs were the second largest component of exploration costs during the three months ended March 31, 2016 and accounted for 24% (2015: 44%) of exploration costs for the period. 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 "First Quarter Operating Highlights", the focus of activities during the three months ended March 31, 2016 was Block 14, accounting for approximately 99% of Orca's exploration costs for the period.

Excluding stock-based compensation of \$20,000 (2015: \$146,000) for the three months ended March 31, 2016, administration costs were \$0.5 million (2015: \$0.6 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 \$66,000 (2015: \$94,000) for the three months ended March 31, 2016 reflects 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 \$80,000 (2015: \$147,000) for the three months ended March 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.

<b>Three Months Ended</b>	<b>Mar-16</b>	<b>Dec-15</b>	<b>Sep-15</b>	<b>Jun-15</b>	<b>Mar-15</b>	<b>Dec-14</b>	<b>Sep-14</b>	<b>Jun-14</b>
Exploration costs (\$000's)	1,274	1,908	2,057	1,516	1,944	4,515	2,983	3,158
Total loss (\$000's)	1,770	2,496	2,726	2,148	2,529	5,482	3,709	3,831
Net loss attributed to the Company's shareholders (\$000's)	1,418	1,976	2,154	1,743	1,996	4,186	2,579	2,445
Net loss per share attributed to the Company's shareholders, basic and diluted (\$)	0.01	0.02	0.02	0.02	0.02	0.04	0.02	0.02

The nature and extent of exploration activities carried out under specific work programs affect the costs incurred and loss reported in any given quarter. Over the last eight quarters, Orca has been focused on exploration in Sudan as it advanced the evaluation of Block 14 to a mineral resource update in February 2015, identification of a new prospective high grade target, Liseiwi, through sampling and drilling during 2015, and now, commencement of a PEA in Q1 2016. Compared to earlier quarters, namely in 2014, even considering the small drill campaign which occurred during the latter half of 2015, the overall level of activity of 2015 and into Q1 2016 has been curtailed as the Company is mindful of the importance of managing its existing treasury during difficult capital market conditions in the resource sector, and for junior exploration companies in particular.

## **LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2016, the Company had a treasury of \$16.5 million, comprised of cash and cash equivalents of \$8.8 million and fixed income short-term investments of \$7.7 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 March 31, 2016 was \$15.1 million (December 31, 2015: \$16.7 million). Other than for general corporate and administrative costs, the majority of funds spent by Orca are directed towards exploration in Sudan. The short-term investments have a maturity of approximately one year from the date of purchase, and will be redeemable in the second quarter of 2016.

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

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

Under the agreement, the Company must fund all exploration, development and construction costs to commercial production in accordance with the purchase agreement. Based on the Company's financial position at March 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 three months ended March 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. SinoTech is related by virtue of its greater than 10% shareholding in the Company. Related party transactions are recorded at the exchange amounts.

### *Services received from related parties*

		Three months ended March 31,	
	Related party	2016	2015
Drilling and exploration support	Meyas Nub	11,272	23,118
Geological consulting	SinoTech	-	24,704
Geological consulting	HSEC	58,521	240,080
Support and administration	RB Energy	-	45,000
Support and administration	SinoTech	3,750	7,500
<b>Total services received from related parties</b>		<b>73,543</b>	<b>340,402</b>

### *Related party balances*

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

		March 31, 2016	December 31, 2015
	Related party		
Accounts payable and accrued liabilities	Meyas Nub	-	(5,082)
Accounts payable and accrued liabilities	HSEC	(45,006)	(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 was as follows:

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Salaries and management fees	125,858	82,743
Short term benefits	3,053	284
Stock-based compensation	4,313	54,272
<b>Total key management compensation</b>	<b>133,224</b>	<b>137,299</b>

### **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. There have been no material changes to the critical accounting estimates discussed in the annual MD&A filed on Sedar on April 18, 2016.

### **SIGNIFICANT ACCOUNTING POLICIES**

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

### **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*

At March 31, 2016, the Company's Sudanese operating subsidiaries' largest material foreign currency risk exposure was a net financial liability denominated in US dollars having a Canadian dollar equivalent of approximately \$249,000. A 10% change in the foreign exchange rate between the US dollar and the European Euro would give rise to increases/decreases of approximately \$25,000 in financial position/comprehensive loss.

*ii) Canadian head office operations*

At March 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
	<b>Foreign currency cash held (in source currency)</b>	<b>Net financial asset (liability) position</b>	<b>Change in net financial position from a 10% variation in exchange rates</b>
US dollar	113	144	14
British pounds	-	(24)	2

***Credit risk***

At March 31, 2016, the majority of the Company's cash and cash equivalents and short-term investments were held through Canadian institutions with high investment grade ratings.

***Liquidity risk***

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

The maturities of the Company's financial liabilities as at March 31, 2016 are as follows:

	In thousands of dollars			
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Accounts payable and accrued liabilities	1,555	1,555	-	-
<b>Total</b>	<b>1,555</b>	<b>1,555</b>	<b>-</b>	<b>-</b>

## **OUTSTANDING SHARE DATA**

As at May 19, 2016, the Company had 107,405,754 common shares outstanding and 10,201,667 share options outstanding under its stock-based incentive plan and no share purchase warrants outstanding.

## **RISKS AND UNCERTAINTIES**

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2015 MD&A that was filed on Sedar on April 18, 2016.

## **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 \$16.5 million and net working capital of \$15.1 million. Management and board continue to be mindful of current conditions in the equity market in the resource sector and for junior exploration companies in particular, which remain subdued, albeit showing signs of recovery, and the importance of properly managing the treasury.

The current focus for Orca is on completion of a PEA to confirm preliminary economics for the mineral resource estimates at GSS and Wadi Doum. The PEA work is underway, overseen by SGS Time Mining of South Africa, and is expected to be completed by the end of Q2 2016, after which the Company will consider the next steps in the ongoing development and/or exploration of Block 14, as appropriate.

Amongst the various analyses being performed as part of the PEA work, a key area is the study of various processing options, including a low cost oxide heap leach starter project and whole ore carbon-in-leach operations, and will include a trade-off study to evaluate the various process options with additional technical input of a gold mineralogical department study. The PEA work is also assessing the options for obtaining an industrial water resource for the Block 14 project, including the relative associated capital and operating costs of each option. Possible options include a bore field in the current water exploration license area, located 50 kilometres north of GSS, and a pipeline from the River Nile, located 195 kilometres to the south. As part of the advancement of the hydrological studies, a water drilling programme is planned to commence in Q2 2016, aimed at confirming the potential for the Block 14 water exploration license area to host an industrial source of water, which may have a potentially significant impact on the PEA and the underlying project economics.

Lastly, given the strong upside potential of Block 14, as most recently demonstrated with the high grade discovery at the satellite Liseiwi Prospect (see News Release dated September 17, 2015), exploration on Block 14 will continue, aimed at the further identification of new satellite deposits, and extension to the current mineral resource estimates at GSS and Wadi Doum, to further enhance project economics. Nevertheless, the Company is cognisant of the difficult conditions in the capital markets and of the importance of carefully managing its current treasury. Accordingly, careful consideration has resulted in an operating budget that will advance Block 14 under strict financial oversight and future exploration programs will continue to be guided by results and prospectivity.

With a strong treasury, and having crystallized its 70% interest in Block 14, Orca is well poised to remain flexible and adaptable to resource sector market conditions, while continuing to focus on enhancing the prospectivity of the Block 14 license. In addition, the Company remains open to partnership opportunities while actively pursuing future growth opportunities by evaluating other exploration, development or production assets on an on-going basis with a view to building a diversified, African focused exploration company. While at any given time

discussions and activities may be in progress on a number of initiatives, Orca currently does not have any binding agreements or binding commitments to enter into any such transactions. There is no assurance that these corporate activities will ever progress to the stage where a potential transaction might be successfully completed.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

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

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

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

- uncertainty relating to the estimation of the mineralization, resources and reserves;
- risks related to lack of infrastructure, or interference with access to existing infrastructure or other unanticipated difficulties with or interruptions in exploration, development, construction or production;
- uncertainty related to title to the Company's mineral properties;
- risks related to the competitive nature of the mining industry;

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

This is not meant to be an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Further, the Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. Accordingly, for the reasons set forth above, readers are cautioned not to place undue reliance on these forward-looking statements.

# **Orca Gold Inc.**

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

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

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 8,763,114	\$ 10,029,880
Short-term investments (Note 3)	7,755,842	7,721,959
Receivables and other assets (Note 4)	134,003	194,822
	<u>16,652,959</u>	<u>17,946,661</u>
Equipment (Note 5)	808,347	938,314
Mineral properties (Note 6)	4,184,115	4,256,045
	<u>\$ 21,645,421</u>	<u>\$ 23,141,020</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,555,279	\$ 1,225,930
	<u>1,555,279</u>	<u>1,225,930</u>
<b>EQUITY</b>		
Equity attributed to common shareholders		
Share capital (Note 7)	82,739,268	82,739,268
Contributed surplus	4,921,372	4,895,389
Accumulated other comprehensive income	828,693	1,093,726
Deficit	(56,754,760)	(55,337,229)
	<u>31,734,573</u>	<u>33,391,154</u>
Non-controlling interest (Note 13)	(11,644,431)	(11,476,064)
	<u>20,090,142</u>	<u>21,915,090</u>
	<u>\$ 21,645,421</u>	<u>\$ 23,141,020</u>

Subsequent event (Note 14)

Approved by the Board of Directors

(signed) "Robert F. Chase"  
Director

(signed) "Alex Davidson"  
Director

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

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

	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2015</b>
Administration costs (Note 9)	\$ 542,202	\$ 761,897
Exploration and project investigation costs (Note 10)	1,273,652	1,943,954
Foreign exchange loss (gain)	20,904	(22,678)
Interest income	(66,285)	(93,856)
Other income	-	(60,000)
Net loss for the period	<u>\$ 1,770,473</u>	<u>\$ 2,529,317</u>
Net loss for the period attributed to:		
Common shareholders of the Company	1,417,531	1,995,942
Non-controlling interest (Note 13)	<u>352,942</u>	<u>533,375</u>
	<u>\$ 1,770,473</u>	<u>\$ 2,529,317</u>
Net loss for the period	\$ 1,770,473	\$ 2,529,317
Items that may be subsequently reclassified to net loss:		
Loss on translation to presentation currency	80,458	147,470
Comprehensive loss for the period	<u>\$ 1,850,931</u>	<u>\$ 2,676,787</u>
Comprehensive loss for the period attributed to:		
Common shareholders of the Company	\$ 1,682,564	\$ 2,384,570
Non-controlling interest (Note 13)	<u>168,367</u>	<u>292,217</u>
	<u>\$ 1,850,931</u>	<u>\$ 2,676,787</u>
Basic and diluted loss per common share	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Basic and diluted weighted average number of shares outstanding	<u>107,405,790</u>	<u>107,405,790</u>

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



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

	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		
<b>Balance January 1, 2016</b>	107,405,790	82,739,268	4,895,389	1,093,726	(55,337,229)	33,391,154	(11,476,064)	21,915,090
Stock-based compensation expense (Note 8)	-	-	25,983	-	-	25,983	-	25,983
Net loss for the period	-	-	-	-	(1,417,531)	(1,417,531)	(352,942)	(1,770,473)
Gain (loss) on translation to presentation currency	-	-	-	(265,033)	-	(265,033)	184,575	(80,458)
<b>Balance March 31, 2016</b>	<b>107,405,790</b>	<b>\$ 82,739,268</b>	<b>\$ 4,921,372</b>	<b>\$ 828,693</b>	<b>\$ (56,754,760)</b>	<b>\$ 31,734,573</b>	<b>\$ (11,644,431)</b>	<b>\$ 20,090,142</b>
<b>Balance January 1, 2015</b>	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	-	-	181,004	-	-	181,004	-	181,004
Net loss for the period	-	-	-	-	(1,995,942)	(1,995,942)	(533,375)	(2,529,317)
Gain (loss) on translation to presentation currency	-	-	-	(388,628)	-	(388,628)	241,158	(147,470)
<b>Balance March 31, 2015</b>	<b>107,405,790</b>	<b>\$ 82,739,268</b>	<b>\$ 4,711,022</b>	<b>\$ (256,278)</b>	<b>\$ (49,463,941)</b>	<b>\$ 37,730,071</b>	<b>\$ (9,071,072)</b>	<b>\$ 28,658,999</b>

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

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. As such, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been condensed or omitted. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015. In preparation of these condensed interim consolidated financial statements, the Company has consistently applied the same accounting policies as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2015.

These condensed interim consolidated financial statements were approved for issue by Orca's board of directors on May 19, 2016.

**3. SHORT-TERM INVESTMENTS**

At March 31, 2016, the Company held short-term, fixed-income monetary instruments, and related accrued interest, totalling \$7,756,000 (December 31, 2015: \$7,722,000), which includes principal of \$5,000,000, earning interest at 1.85% per annum, maturing on May 30, 2016, and principal of \$2,644,000 earning interest at 1.75% per annum, maturing on June 23, 2016.

**4. RECEIVABLES AND OTHER ASSETS**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Prepaid expenses	67,816	129,390
Other receivables	66,187	65,432
<b>Total receivables and other assets</b>	<b>134,003</b>	<b>194,822</b>

Orca Gold Inc.  
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**5. EQUIPMENT**

Cost	Computer Equipment	Office Furniture and Equipment	Vehicles and Mobile Equipment	Field and Camp Equipment	Total
<b>As at January 1, 2015</b>	<b>174,385</b>	<b>68,414</b>	<b>1,045,420</b>	<b>1,085,022</b>	<b>2,373,241</b>
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
<b>As at December 31, 2015</b>	<b>188,801</b>	<b>73,244</b>	<b>1,119,221</b>	<b>1,176,129</b>	<b>2,557,395</b>
Additions	1,868	-	-	-	1,868
Effects of foreign exchange on translation to presentation currency	(3,119)	(1,238)	(18,916)	(19,878)	(43,151)
<b>As at March 31, 2016</b>	<b>187,550</b>	<b>72,006</b>	<b>1,100,305</b>	<b>1,156,251</b>	<b>2,516,112</b>
<b>Accumulated depreciation</b>					
<b>As at January 1, 2015</b>	<b>(101,824)</b>	<b>(24,549)</b>	<b>(373,301)</b>	<b>(544,435)</b>	<b>(1,044,109)</b>
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)
<b>As at December 31, 2015</b>	<b>(160,820)</b>	<b>(33,607)</b>	<b>(576,620)</b>	<b>(848,034)</b>	<b>(1,619,081)</b>
Depreciation	(11,254)	(1,845)	(44,568)	(61,188)	(118,855)
Effects of foreign exchange on translation to presentation currency	2,931	613	10,820	15,807	30,171
<b>As at March 31, 2016</b>	<b>(169,143)</b>	<b>(34,839)</b>	<b>(610,368)</b>	<b>(893,415)</b>	<b>(1,707,765)</b>
<b>Net book amount</b>					
<b>As at December 31, 2015</b>	<b>27,981</b>	<b>39,637</b>	<b>542,601</b>	<b>328,095</b>	<b>938,314</b>
<b>As at March 31, 2016</b>	<b>18,407</b>	<b>37,167</b>	<b>489,937</b>	<b>262,836</b>	<b>808,347</b>

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**(Unaudited)**

**6. MINERAL PROPERTIES**

<u>Cost</u>	<u>Block 14</u>
<b>As at January 1, 2015</b>	<b>3,950,127</b>
Acquisition of water exploration license	24,810
Effects of foreign exchange on translation to presentation currency	281,108
<b>As at December 31, 2015</b>	<b>4,256,045</b>
Effects of foreign exchange on translation to presentation currency	(71,930)
<b>As at March 31, 2016</b>	<b>4,184,115</b>

The Company's sole mineral project as at March 31, 2016 is Block 14, located in the northern part of the Republic of Sudan. The Block 14 mineral project consists of 3,752 km<sup>2</sup> of mineral exploration lands and an additional 300 km<sup>2</sup> for water exploration.

**7. SHARE CAPITAL**

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

The Company's issued and outstanding stock options were not included in the calculation of diluted earnings per share because they are anti-dilutive for the three months ended March 31, 2016 and 2015.

**8. STOCK OPTIONS**

**a) Stock option plan**

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

The total stock-based compensation for the three months ended March 31, 2016 was \$26,000 (2015: \$181,000). Stock-based compensation of \$20,000 (2015: \$146,000) has been allocated to administration costs and \$6,000 (2015: \$35,000) to exploration and project investigation costs for employees directly involved in exploration activities.

The unrecognized compensation cost for non-vested share options at March 31, 2016 was \$59,000 (December 31, 2015: \$85,000).

**Orca Gold Inc.**  
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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
Outstanding at March 31, 2016	8,602	\$0.74
Exercisable at March 31, 2016	7,573	\$0.79

The following summarizes information about the stock options outstanding and exercisable at March 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	150	2.16	\$0.27	50	2.16	\$0.27
\$0.40	2,785	1.66	\$0.40	1,856	1.66	\$0.40
\$0.90	5,350	0.05	\$0.90	5,350	0.05	\$0.90
\$1.20	317	1.34	\$1.20	317	1.34	\$1.20
	8,602	0.66	\$0.74	7,573	0.52	\$0.79

**9. ADMINISTRATION COSTS**

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Depreciation	688	252
Management and consulting fees	197,163	255,279
Office and administration	85,099	97,649
Professional fees	10,821	20,440
Salaries and benefits	178,936	153,688
Stock based compensation expense (Note 8a)	20,264	146,031
Travel and promotion	49,231	88,558
<b>Total administration costs</b>	<b>542,202</b>	<b>761,897</b>

Orca Gold Inc.  
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(Unaudited)

10. EXPLORATION AND PROJECT INVESTIGATION COSTS

Three months ended March 31,		Sudan		Total
		Northern Blocks	Other	
<b>2016</b>	Depreciation	104,718	13,449	118,167
	Drilling	8,939	-	8,939
	Exploration support and administration	60,837	160	60,997
	Field operation and consumables	98,420	-	98,420
	Geological consulting	61,562	-	61,562
	Permitting and licensing fees	25,061	-	25,061
	Salaries and benefits	303,411	-	303,411
	Sampling, satellite and geological costs	574,735	-	574,735
	Stock-based compensation expense (Note 8a)	5,719	-	5,719
	Travel and accommodation	16,641	-	16,641
	<b>Total exploration and project investigation costs</b>	<b>1,260,043</b>	<b>13,609</b>	<b>1,273,652</b>
<b>2015</b>	Depreciation	78,378	46,505	124,883
	Drilling	64,615	-	64,615
	Exploration support and administration	131,159	7,621	138,780
	Field operation and consumables	183,491	-	183,491
	Geological consulting	213,521	26,559	240,080
	Permitting and licensing fees	30,034	-	30,034
	Salaries and benefits	786,609	36,923	823,532
	Sampling, satellite and geological costs	230,040	183	230,223
	Stock-based compensation expense	33,405	1,568	34,973
	Travel and accommodation	73,343	-	73,343
	<b>Total exploration and project investigation costs</b>	<b>1,824,595</b>	<b>119,359</b>	<b>1,943,954</b>

**Orca Gold Inc.**  
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**11. RELATED PARTY TRANSACTIONS**

The related parties with which the Company has transacted during the three months ended March 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 13). SinoTech is related by virtue of its greater than 10% shareholding in the Company. Related party transactions are recorded at the exchange amounts.

**a) Services received from related parties**

		<b>Three months ended March 31,</b>	
	<b>Related party</b>	<b>2016</b>	<b>2015</b>
Drilling and exploration support	Meyas Nub	11,272	23,118
Geological consulting	SinoTech	-	24,704
Geological consulting	HSEC	58,521	240,080
Support and administration	RB Energy	-	45,000
Support and administration	SinoTech	3,750	7,500
<b>Total services received from related parties</b>		<b>73,543</b>	<b>340,402</b>

**b) Related party balances**

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

		<b>March 31, 2016</b>	<b>December 31, 2015</b>
Accounts payable and accrued liabilities	Meyas Nub	-	(5,082)
Accounts payable and accrued liabilities	HSEC	(45,006)	(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 was as follows:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Salaries and management fees	125,858	82,743
Short term benefits	3,053	284
Stock-based compensation	4,313	54,272
<b>Total key management compensation</b>	<b>133,224</b>	<b>137,299</b>

**12. SEGMENT INFORMATION**

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

**13. 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.

**14. SUBSEQUENT EVENT**

On April 19, 2016, the Company granted an aggregate 6,950,000 incentive stock options to certain officers, directors and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of three years at a price of \$0.27 per share.



## CORPORATE DIRECTORY

### OFFICERS

Richard Clark  
Chairman of the Board  
Hugh Stuart  
President &  
Chief Executive Officer  
Jeffrey Yip  
Chief Financial Officer &  
Interim Corporate Secretary

### DIRECTORS

Richard Clark  
Compensation Committee  
Corporate Governance and Nominating  
Committee  
L. Simon Jackson  
Dr. Jingbin Wang  
Audit Committee  
Compensation Committee  
Shuixing Fu  
Corporate Governance and Nominating  
Committee  
Robert F. Chase  
Audit Committee  
Corporate Governance and Nominating  
Committee  
Alexander Davidson  
Audit Committee  
Compensation Committee  
Hugh Stuart

### AUDITORS

PricewaterhouseCoopers LLP  
Vancouver, British Columbia, Canada

### LEGAL COUNSEL

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Vancouver, British Columbia, Canada

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Vancouver, British Columbia  
Canada V7X 1L3

### RECORDS OFFICE

Blake Cassels & Graydon LLP  
2600 - 595 Burrard Street  
Vancouver, British Columbia  
Canada V7X 1L3

### 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