



**ORCA GOLD INC.**

**THIRD QUARTER REPORT**

**For the Three and Nine Months Ended**

**September 30, 2016**

**ORCA GOLD INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 and nine months ended September 30, 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, applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The effective date of this MD&A is November 24, 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 focus is on the Block 14 prospecting license, located within the Arabian Nubian Shield in the north of Sudan, where the Company has completed a preliminary economic assessment ("PEA") (see News Release dated July 26, 2016). 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 3,747 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, where it has defined the HA8 aquifer system, water bearing sandstone with the potential of supplying in excess of 30 million cubic metres of water to the Block 14 Project (see News Release dated July 5, 2016).

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 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.

### THIRD QUARTER OPERATING HIGHLIGHTS

#### ***Completion of Preliminary Economic Assessment on Block 14***

Orca's sole mineral exploration license at and during the nine months ended September 30, 2016 was Block 14, and 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).

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<sub>7%</sub> of US\$ 156 million and an IRR of 25%;
- After-tax NPV<sub>7%</sub> 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 <sub>7%</sub> (US\$ millions)	91	123	156	189	222
After-tax NPV <sub>7%</sub> (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 has commenced in Q3 2016 and is targeted for completion in Q1 2017.

#### ***Commencement of Pre-feasibility Study on Block 14***

As part of the PFS, the Company has been exploring various opportunities to further enhance the value of the Block 14 Project, including, but not limited to, bettering recoveries through further metallurgical testing, confirmation of water supply and potential to increase throughput, improvement of tailings management, and decreasing the strip ratio with geotechnical drilling (see Outlook Section).

During Q3 2016, the focus of the PFS programme has been on the drilling campaigns associated with these initiatives and started with 1,420 metres drilled as part of a geotechnical programme and 826 metres of diamond drilling at GSS and Wadi Doum for metallurgical samples. With respect to the metallurgical holes, which were drilled within the pit design area used in the PEA, where the true width of the mineralization is in excess of 65 metres, the assay results were consistent with expectations and 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 Release dated November 1, 2016).

### ***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 numerous 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 km<sup>2</sup>, with the potential to expand the discovery to the north, east and south.

The drilling and initial airlift testing at HA8 has been supervised by GCS Water and Environmental Consultants of South Africa who have opined that:

- The Nubian Sandstone sequence at HA8 consists of multiple layers of coarse, medium and fine grained sandstone bounded by layers of mudstone, siltstone and clay;
- Water strikes are related to a number of course and medium grained sandstone units within the sequence, with combined thickness of these water bearing units averaging between 16m and 20m;
- Secondary water bearing horizons may also be contributing to the water flow;
- Water yields increase with depth and it is fair to assume that yields may increase further for boreholes GSBH006, 12 and 13 if drilled deeper on the basis that the basement floor may act as an aquiclude;
- It appears that some recharge of the aquifer system takes place; and
- Subject to a more detailed phase of pump testing and confirmation of aquifer characteristics, the aquifer system defined to date has the potential to supply in excess of 30 million cubic metres of water to the Block 14 Project.

As part of the PFS, five large diameter production boreholes will be drilled at the HA8 aquifer in order to fully test hydraulics and production rates (see Outlook section).

## **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 net losses of \$2.8 million and \$7.2 million (2015: \$2.7 million and \$7.4 million), respectively, during the three and nine months ended September 30, 2016. Exploration and project investigation costs account for approximately 76% and 72% (2015: 75% and 75%) of the respective net losses incurred during three and nine months ended September 30, 2016, while administration expenses account for approximately 25% and 30% (2015: 26% and 30%), respectively. The reported net losses for the three and nine months ended September 30, 2016 are net of \$38,000 and \$165,000 (2015: \$84,000 and \$324,000) of interest income, respectively.

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 and nine months ended September 30, 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 the three and nine months ended September 30, 2016. These costs accounted for 58% and 55% (2015: 40% and 32%) of exploration costs for the respective periods, increasing over the comparative 2015 periods, which is the result of the PEA work, which was undertaken during the first half of 2016 and completed in July 2016, and the commencement of the PFS programme in Q3 2016, which has been focused on geotechnical and metallurgical drilling thus far. Exploration staff compensation costs were the second largest component of exploration costs during the three and nine months ended September 30, 2016 and accounted for 19% and 22% of exploration costs for the respective periods (2015: 32% and 38%). 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 "Third Quarter Operating Highlights", the focus of activities during the three and nine months ended September 30, 2016 was Block 14, accounting for approximately 99% of Orca's exploration costs for the respective periods.

Excluding stock-based compensation of \$172,000 and \$610,000 (2015: \$55,000 and \$263,000) for the three and nine months ended September 30, 2016, respectively, administration costs were \$0.5 million and \$1.5 million (2015: \$0.7 million and \$2.0 million), respectively. 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 \$38,000 and \$165,000 (2015: \$84,000 and \$324,000), respectively, for the three and nine months ended September 30, 2016 reflect interest earned on 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 held and used by the Company and its subsidiaries, which differ from their respective functional currencies.

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

In other comprehensive income, the Company also reported a foreign exchange translation gain of \$98,000 and a loss of \$65,000 (2015: gains of \$328,000 and \$272,000) respectively for the three and nine months ended September 30, 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>Sep-16</b>	<b>Jun-16</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>
Exploration costs (\$000's)	2,119	1,764	1,274	1,908	2,057	1,516	1,944	4,515
Total loss (\$000's)	2,801	2,591	1,770	2,496	2,726	2,148	2,529	5,482
Net loss attributed to the Company's shareholders (\$000's)	2,201	2,129	1,418	1,976	2,154	1,743	1,996	4,186
Net loss per share attributed to the Company's shareholders, basic and diluted (\$)	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.04

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 to 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 Q3 2016. Compared to Q4 2014, even considering the small drill campaign which occurred during the latter half of 2015 and the PFS drilling which has commenced in Q3 2016, the overall level of activity 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 September 30, 2016, the Company had a treasury of \$12.7 million, comprised of cash and cash equivalents of \$7.5 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. 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 2017. Working capital at September 30, 2016 was \$10.6 million (December 31, 2015: \$16.7 million).

Subsequent to the three and nine months ended September 30, 2016, 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 (the "Private Placement"), net of an 8.0% finder's fee payable in cash on a portion of the subscriptions (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 in Sudan.

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 September 30, 2016, and the net proceeds generated by closing of the Private Placement on November 4, 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 and nine months ended September 30, 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***

	Related party	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Drilling and exploration support	Meyas Nub	218,711	56,065	277,939	104,159
Geological consulting	SinoTech	-	-	-	40,568
Geological consulting	HSEC	213,383	124,668	326,420	533,577
Support and administration	RB Energy	-	-	-	63,871
Support and administration	SinoTech	-	7,500	3,750	22,500
<b>Total related party costs</b>		<b>432,094</b>	<b>188,233</b>	<b>608,109</b>	<b>764,675</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:

	Related party	September 30, 2016	December 31, 2015
Accounts payable and accrued liabilities	Meyas Nub	(136,825)	(5,082)
Accounts payable and accrued liabilities	HSEC	(67,411)	(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:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Salaries and management fees	153,202	158,314	396,298	366,706
Short term benefits	3,073	4,929	8,390	7,557
Stock-based compensation	80,749	16,279	243,062	86,830
<b>Total key management compensation</b>	<b>237,024</b>	<b>179,522</b>	<b>647,750</b>	<b>461,093</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.

### **New accounting pronouncements**

The International Accounting Standards Board issued IFRS 9, *Financial Instruments*, and IFRS 16, *Leases*, which are not yet effective and have not yet been adopted by the Company. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and IFRS 16 is effective for annual periods beginning on or after January 1, 2019, however early adoption is permitted for both new standards. The Company is currently evaluating the impact that these new standards will have on its consolidated financial statements. A summary of these new standards is provided 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 September 30, 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 \$780,000. A 10% change in the foreign exchange rate between the US dollar and the European Euro would give rise to increases/decreases of approximately \$78,000 in financial position/comprehensive loss.

#### *ii) Canadian head office operations*

At September 30, 2016, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets and liabilities, denominated in US dollars and British Pounds, respectively. 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	55	70	7
British pounds	-	(38)	4

### ***Credit risk***

At September 30, 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 September 30, 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	2,337	2,337	-	-
<b>Total</b>	<b>2,337</b>	<b>2,337</b>	-	-

### **OUTSTANDING SHARE DATA**

As at November 24, 2016, the Company had 113,288,106 common shares outstanding, which include 5,882,353 common shares issued in connection with the Private Placement, and 10,701,667 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 \$12.7 million and net working capital of \$10.6 million at September 30, 2016. In addition, on November 4, 2016, the Company received net proceeds of \$1.8 million upon closing of the Private Placement (see News Release dated November 4, 2016). Management and the 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 challenging, albeit showing signs of recovery, and the importance of properly managing the treasury.

Following the completion of a PEA on its 70% owned Block 14 Project in July 2016, which demonstrated strong preliminary project economics (see News Release dated July 26, 2016), the Company has commenced a PFS on the Block 14 Project in Q3 2016, which is targeted for completion during Q1 2017.

As part of the PFS, the Company will be exploring various opportunities to further enhance the value of the Block 14 Project, including:

### Metallurgy

Test work during the PEA indicated that gold deportment is very closely related to sulphides (more than 90% of which are pyrite). Preliminary testing has shown positive results from the use of flash flotation within the grinding circuit with subsequent regrinding of the concentrate, and this processing option will be explored further as part of the PFS and has the potential to increase overall LOM recoveries by 2-3%.

### Confirmation of Water Supply and Throughput

As part of the PFS, five large diameter production boreholes will be drilled at the HA8 aquifer, located 50 km north of Block 14, in order to fully test and confirm water production rates. The PFS will look at the potential and economic impacts of increasing throughput and reducing the mine life from 16 years to 12-15 years.

### Tailings

With respect to potential reductions in process water consumption, the PFS will look at the economics of using a tailings filter press for dry stack tailings disposal, which may enable the recovery of a larger proportion of process water, thus reducing the volume of water pumped from the HA8 aquifer.

### Geotechnical

Overall pit slopes used in the PEA are 35° in oxide and transition and 47° in fresh rock. The development of the pits is very sensitive to the slope angles, particularly in fresh rock. The PFS will include a geotechnical drilling programme to determine whether, and to what extent, pit slopes can be steepened to further improve strip ratios.

### Reserve Definition

10% of the in-pit resources are currently in the inferred category, a small, reverse circulation drill programme will be carried out to upgrade these into indicated resources and to provide coverage in several areas where the pits show the potential to go deeper. The Company intends to declare project reserves for the first time, as part of the completion of the PFS.

## Exploration

Given its large area of approximately 3,750 km<sup>2</sup>, 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 during the PFS evaluation, aimed at enhancing project economics through further identification of new satellite deposits, and extension to GSS and Wadi Doum.

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 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 and nine months ended September 30, 2016 and 2015

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

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 7,541,555	\$ 10,029,880
Short-term investments (Note 3)	5,119,812	7,721,959
Receivables and other assets (Note 4)	318,383	194,822
	<u>12,979,750</u>	<u>17,946,661</u>
Equipment (Note 5)	608,308	938,314
Mineral properties (Note 6)	4,174,487	4,256,045
	<u>\$ 17,762,545</u>	<u>\$ 23,141,020</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,336,603	\$ 1,225,930
	<u>2,336,603</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	5,634,533	4,895,389
Accumulated other comprehensive income	827,603	1,093,726
Deficit	<u>(61,084,577)</u>	<u>(55,337,229)</u>
	28,116,827	33,391,154
Non-controlling interest (Note 13)	<u>(12,690,885)</u>	<u>(11,476,064)</u>
	<u>15,425,942</u>	<u>21,915,090</u>
	<u>\$ 17,762,545</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</b>		<b>Nine months ended</b>	
	<b>2016</b>	<b>September 30, 2015</b>	<b>2016</b>	<b>September 30, 2015</b>
Administration costs (Note 9)	\$ 708,196	\$ 706,842	\$ 2,134,038	\$ 2,223,976
Exploration and project investigation costs (Note 10)	2,119,143	2,057,350	5,156,507	5,517,629
Foreign exchange loss	12,270	45,523	37,250	70,384
Interest income	(38,312)	(84,169)	(164,970)	(323,616)
Other income	-	-	-	(85,161)
Net loss for the period	<u>\$ 2,801,297</u>	<u>\$ 2,725,546</u>	<u>\$ 7,162,825</u>	<u>\$ 7,403,212</u>
Net loss for the period attributed to:				
Common shareholders of the Company	2,200,933	2,154,110	5,747,348	5,893,345
Non-controlling interest (Note 13)	600,364	571,436	1,415,477	1,509,867
	<u>\$ 2,801,297</u>	<u>\$ 2,725,546</u>	<u>\$ 7,162,825</u>	<u>\$ 7,403,212</u>
Net loss for the period	\$ 2,801,297	\$ 2,725,546	\$ 7,162,825	\$ 7,403,212
Items that may be subsequently reclassified to net loss:				
Loss (gain) on translation to presentation currency	(98,247)	(327,979)	65,467	(271,833)
Comprehensive loss for the period	<u>\$ 2,703,050</u>	<u>\$ 2,397,567</u>	<u>\$ 7,228,292</u>	<u>\$ 7,131,379</u>
Comprehensive loss for the period attributed to:				
Common shareholders of the Company	\$ 1,807,940	\$ 1,164,316	\$ 6,013,471	\$ 5,020,486
Non-controlling interest (Note 13)	895,110	1,233,251	1,214,821	2,110,893
	<u>\$ 2,703,050</u>	<u>\$ 2,397,567</u>	<u>\$ 7,228,292</u>	<u>\$ 7,131,379</u>
Basic and diluted loss per common share	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>
Basic and diluted weighted average number of shares outstanding	<u>107,405,790</u>	<u>107,405,790</u>	<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 Cash Flows**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>
Cash flows from (for) operating activities		
Net loss for the period	\$ (7,162,825)	\$ (7,403,212)
Add non-cash items		
Depreciation of equipment (Note 5)	314,153	366,120
Stock-based compensation expense (Note 8)	739,144	323,893
Interest income on short-term investments	(88,704)	(58,465)
	<u>(6,198,232)</u>	<u>(6,771,664)</u>
Changes in non-cash working capital items		
Receivables and other assets	(125,340)	(67,047)
Accounts payable and accrued liabilities	1,132,319	(370,641)
	<u>(5,191,253)</u>	<u>(7,209,352)</u>
Cash flows from (for) investing activities		
Redemption (purchase) of short-term investments, net	2,690,851	(4,632,823)
Purchase of equipment (Note 5)	(1,868)	(15,795)
Acquisition of water exploration license	-	(24,810)
	<u>2,688,983</u>	<u>(4,673,428)</u>
Foreign exchange on cash and cash equivalents	<u>13,945</u>	<u>31,336</u>
Decrease in cash and cash equivalents	(2,488,325)	(11,851,444)
Cash and cash equivalents, beginning of period	10,029,880	24,701,443
Cash and cash equivalents, end of period	<u>\$ 7,541,555</u>	<u>\$ 12,849,999</u>
Supplemental information		
Interest received	<u>\$ 213,320</u>	<u>\$ 295,414</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)	<b>\$ 21,915,090</b>
Stock-based compensation expense (Note 8)	-	-	739,144	-	-	739,144	-	<b>739,144</b>
Net loss for the period	-	-	-	-	(5,747,348)	(5,747,348)	(1,415,477)	<b>(7,162,825)</b>
Gain (loss) on translation to presentation currency	-	-	-	(266,123)	-	(266,123)	200,656	<b>(65,467)</b>
<b>Balance September 30, 2016</b>	<b>107,405,790</b>	<b>\$ 82,739,268</b>	<b>\$ 5,634,533</b>	<b>\$ 827,603</b>	<b>\$ (61,084,577)</b>	<b>\$ 28,116,827</b>	<b>\$ (12,690,885)</b>	<b>\$ 15,425,942</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)	<b>\$ 31,154,782</b>
Stock-based compensation expense	-	-	323,893	-	-	323,893	-	<b>323,893</b>
Net loss for the period	-	-	-	-	(5,893,345)	(5,893,345)	(1,509,867)	<b>(7,403,212)</b>
Gain (loss) on translation to presentation currency	-	-	-	872,859	-	872,859	(601,026)	<b>271,833</b>
<b>Balance September 30, 2015</b>	<b>107,405,790</b>	<b>\$ 82,739,268</b>	<b>\$ 4,853,911</b>	<b>\$ 1,005,209</b>	<b>\$ (53,361,344)</b>	<b>\$ 35,237,044</b>	<b>\$ (10,889,748)</b>	<b>\$ 24,347,296</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 and nine months ended September 30, 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. As such, certain disclosures included in the annual financial statements prepared in accordance with IFRS 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 November 24, 2016.

**3. SHORT-TERM INVESTMENTS**

At September 30, 2016, the Company held short-term, fixed-income monetary instruments, and related accrued interest, totalling \$5,120,000 (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.

**4. RECEIVABLES AND OTHER ASSETS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Prepaid expenses	260,134	129,390
Other receivables	58,249	65,432
<b>Total receivables and other assets</b>	<b>318,383</b>	<b>194,822</b>

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**5. EQUIPMENT**

<b>Cost</b>	<b>Computer Equipment</b>	<b>Office Furniture and Equipment</b>	<b>Vehicles and Mobile Equipment</b>	<b>Field and Camp Equipment</b>	<b>Total</b>
<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	(3,536)	(1,403)	(21,448)	(22,539)	(48,926)
<b>As at September 30, 2016</b>	<b>187,133</b>	<b>71,841</b>	<b>1,097,773</b>	<b>1,153,590</b>	<b>2,510,337</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	(20,265)	(5,392)	(130,275)	(158,221)	(314,153)
Effects of foreign exchange on translation to presentation currency	3,048	648	11,144	16,365	31,205
<b>As at September 30, 2016</b>	<b>(178,037)</b>	<b>(38,351)</b>	<b>(695,751)</b>	<b>(989,890)</b>	<b>(1,902,029)</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 September 30, 2016</b>	<b>9,096</b>	<b>33,490</b>	<b>402,022</b>	<b>163,700</b>	<b>608,308</b>

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(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	(81,558)
<b>As at September 30, 2016</b>	<b>4,174,487</b>

The Company's sole mineral project as at September 30, 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.

**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 and nine months ended September 30, 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 agreements are at the discretion of the Board of Directors.

The total stock-based compensation for the three and nine months ended September 30, 2016 was \$201,000 and \$739,000, respectively (2015: \$72,000 and \$324,000). For the three and nine months ended September 30, 2016, stock-based compensation of \$171,000 and \$610,000 (2015: \$55,000 and \$263,000) has been allocated to administration costs, respectively, and \$30,000 and \$129,000 (2015: \$17,000 and \$85,000) to exploration and project investigation costs, respectively, for employees directly involved in exploration activities.

The unrecognized compensation cost for non-vested share options at September 30, 2016 was \$515,000 (December 31, 2015: \$85,000).

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**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
Outstanding at September 30, 2016	10,702	\$0.33
Exercisable at September 30, 2016	4,757	\$0.38

During the nine months ended September 30, 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 nine months ended September 30, 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

The following summarizes information about the stock options outstanding and exercisable at September 30, 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	7,100	2.53	\$0.27	2,417	2.53	\$0.27
\$0.32	500	2.91	\$0.32	167	2.91	\$0.40
\$0.40	2,785	1.16	\$0.40	1,856	1.16	\$0.40
\$1.20	317	0.84	\$1.20	317	0.84	\$1.20
	10,702	2.14	\$0.33	4,757	1.89	\$0.38

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**9. ADMINISTRATION COSTS**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Depreciation	682	532	2,136	1,597
Management and consulting fees	183,628	215,075	564,426	681,147
Office and administration	51,117	77,966	220,300	240,629
Professional fees	13,093	63,972	31,585	176,279
Salaries and benefits	182,209	224,405	509,699	573,730
Stock based compensation expense	171,504	55,329	610,446	263,058
Travel and promotion	105,963	69,563	195,446	287,536
<b>Total administration costs</b>	<b>708,196</b>	<b>706,842</b>	<b>2,134,038</b>	<b>2,223,976</b>

Orca Gold Inc.  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**10. EXPLORATION AND PROJECT INVESTIGATION COSTS**

Three months ended September 30,		Sudan		Total
		Northern Blocks	Other	
<b>2016</b>	Depreciation	79,004	12,924	91,928
	Drilling	971,891	-	971,891
	Exploration support and administration	58,264	4,616	62,880
	Field operation and consumables	267,457	-	267,457
	Geological consulting	53,755	-	53,755
	Permitting and licensing fees	26,198	-	26,198
	Salaries and benefits	366,597	-	366,597
	Sampling, geological and other evaluation costs	210,516	-	210,516
	Stock-based compensation expense	29,620	-	29,620
	Travel and accommodation	38,301	-	38,301
<b>Total exploration and project investigation costs</b>		<b>2,101,603</b>	<b>17,540</b>	<b>2,119,143</b>
<b>2015</b>	Depreciation	71,177	46,297	117,474
	Drilling	540,150	-	540,150
	Exploration support and administration	115,678	5,197	120,875
	Field operation and consumables	259,694	-	259,694
	Geological consulting	156,723	7,475	164,198
	Permitting and licensing fees	26,619	-	26,619
	Salaries and benefits	587,408	59,511	646,919
	Sampling, geological and other evaluation costs	103,971	20,017	123,988
	Stock-based compensation expense	15,488	1,668	17,156
	Travel and accommodation	40,277	-	40,277
<b>Total exploration and project investigation costs</b>		<b>1,917,185</b>	<b>140,165</b>	<b>2,057,350</b>

Orca Gold Inc.  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

Nine months ended September 30,		Sudan		Total
		Northern Blocks	Other	
<b>2016</b>	Depreciation	272,704	39,314	312,018
	Drilling	988,232	-	988,232
	Exploration support and administration	180,508	29,993	210,501
	Field operation and consumables	530,356	-	530,356
	Geological consulting	173,737	-	173,737
	Permitting and licensing fees	75,603	-	75,603
	Salaries and benefits	1,012,935	-	1,012,935
	Sampling, geological and other evaluation costs	1,648,935	-	1,648,935
	Stock-based compensation expense	128,698	-	128,698
	Travel and accommodation	75,492	-	75,492
<b>Total exploration and project investigation costs</b>		<b>5,087,200</b>	<b>69,307</b>	<b>5,156,507</b>
<b>2015</b>	Depreciation	226,434	138,089	364,523
	Drilling	628,596	-	628,596
	Exploration support and administration	388,847	15,113	403,960
	Field operation and consumables	645,457	-	645,457
	Geological consulting	498,140	95,273	593,413
	Permitting and licensing fees	89,826	-	89,826
	Salaries and benefits	1,892,629	131,750	2,024,379
	Sampling, geological and other evaluation costs	494,107	34,206	528,313
	Stock-based compensation expense	56,876	3,959	60,835
	Travel and accommodation	178,327	-	178,327
<b>Total exploration and project investigation costs</b>		<b>5,099,239</b>	<b>418,390</b>	<b>5,517,629</b>

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**11. RELATED PARTY TRANSACTIONS**

The related parties with which the Company has transacted during the three and nine months ended September 30, 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 occur and are recorded at the amounts agreed between the parties.

**a) Services received from related parties**

	Related party	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Drilling and exploration support	Meyas Nub	218,711	56,065	277,939	104,159
Geological consulting	SinoTech	-	-	-	40,568
Geological consulting	HSEC	213,383	124,668	326,420	533,577
Support and administration	RB Energy	-	-	-	63,871
Support and administration	SinoTech	-	7,500	3,750	22,500
<b>Total related party costs</b>		<b>432,094</b>	<b>188,233</b>	<b>608,109</b>	<b>764,675</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:

	Related party	September 30, 2016	December 31, 2015
Accounts payable and accrued liabilities	Meyas Nub	(136,825)	(5,082)
Accounts payable and accrued liabilities	HSEC	(67,411)	(65,737)
Accounts payable and accrued liabilities	SinoTech	-	(7,500)

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Salaries and management fees	153,202	158,314	396,298	366,706
Short term benefits	3,073	4,929	8,390	7,557
Stock-based compensation	80,749	16,279	243,062	86,830
<b>Total key management compensation</b>	<b>237,024</b>	<b>179,522</b>	<b>647,750</b>	<b>461,093</b>

**12. 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.

**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.

**Orca Gold Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2016 and 2015**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

**14. SUBSEQUENT EVENT**

On November 4, 2016, the Company closed a non-brokered private placement of 5,882,353 common shares of the Company at a price of \$0.34 per common share, for gross proceeds of \$2,000,000 (the "Private Placement"). A portion of the subscriptions related to the Private Placement is subject to an 8.0% finder's fee, totalling approximately \$149,000, payable in cash.



## CORPORATE DIRECTORY

### OFFICERS

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

### DIRECTORS

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

### AUDITORS

PricewaterhouseCoopers LLP  
Vancouver, British Columbia, Canada

### LEGAL COUNSEL

Blake Cassels & Graydon LLP  
Vancouver, British Columbia, Canada

### CORPORATE OFFICE

Suite 2000 - 885 West Georgia Street  
Vancouver, British Columbia  
Canada V6C 3E8  
Telephone: (604) 689-7842  
Fax: (604) 689-4250

### REGISTERED OFFICE

Blake Cassels & Graydon LLP  
2600 - 595 Burrard Street  
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