# ORCA GOLD INC.

# FIRST QUARTER REPORT

## For the Three Months Ended

## March 31, 2018

**ORCA GOLD INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**THREE MONTHS ENDED MARCH 31, 2018**
**(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, 2018, and the December 31, 2017 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 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 May 24, 2018. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.orcagold.com.

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

All exploration and mining projects in Sudan are subject to *The Mineral Resources Development and Mining Act, 2007*, which sets forth the legal and fiscal framework for the administration of the country's mineral industry by the Ministry of Minerals (the "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, the 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, the MoM's 20% interest will come from Meyas Nub's current 30% ownership interest in MSMCL. As provided under the Concession Agreement, in March 2018, the Company successfully extended the final term of the Block 14 exploration license, which measures approximately 2,176 $km^2$, to November 2018. In addition, in January 2018, the Company was granted a water extraction permit covering an aquifer system discovered by the Company in 2017, which is located 85 km from the Company's Galat Sufar South ("GSS") deposit, in an area known as Area 5.

The Company's Mineral Resources are associated with the GSS and Wadi Doum deposits located on Block 14. Effective January 20, 2018 and using a cut-off grade of 0.6 Au g/t, the Mineral Resource was updated to an Indicated Resource of 72.7 Mt grading 1.3 Au g/t for 3.05 Moz of gold and an Inferred Resource of 19.8 Mt grading 1.2 Au g/t for an additional 0.756 Moz.

In May 2017, the Company completed a revised preliminary economic assessment (the "Revised PEA"), using a gold price of US$ 1,100/oz for mine design and US$ 1,200/oz for economic analysis, which showed strong economics with an estimated after-tax net present value at a 7% discount rate ("$NPV_{7\%}$") of US$ 227.7 million and an estimated internal rate of return ("IRR") of 23.1% for the Block 14 Project on a 100% basis.

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 Director 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 2018 OPERATING HIGHLIGHTS

### *Receipt of Water Permit*

In January 2018, the Company was granted an exclusive water extraction permit covering the Area 5 aquifer system (the "Water Permit"), which the Company first discovered in 2017. The Water Permit provides the Company with the right to extract water from the Area 5 aquifer, which is located 85 km from GSS and contains an estimated 100 million cubic metres of fresh water within an area of 135 $km^2$.

The receipt of the Water Permit marks the successfully achievement of a key strategic initiative for the Company, as the Water Permit significantly de-risks any future development of a gold mine at Block 14. In addition, having now secured the Area 5 acquirer as Block 14's industrial water source, the Company is able to more freely pursue the development of Block 14 to its full potential, without the availability of water as a constraint.

### *Update to Mineral Resource Estimate for Block 14*

Based on the results of drilling completed in the latter portion of 2017, the Company completed an update to the Mineral Resource Estimate for Block 14 in January 2018. The updated Mineral Resource Estimate, using a cut-off grade of 0.60 Au g/t, comprises an Indicated Resource of 72.7 Mt grading 1.30 Au g/t for 3.05 Moz of gold and an Inferred Resource of 19.8 Mt grading 1.2 Au g/t for an additional 0.75 Moz. In addition, for the first time at Block 14, a silver grade has been reported comprising an Indicated Resource of 72.7 Mt grading 1.71 Ag g/t for 3.99 Moz of silver and an Inferred Resource of 19.8 Mt grading 1.6 Ag g/t for 1.05 Moz of silver.

The Company believes that this increase in the Mineral Resource Estimate will consequently have a positive impact on the economic results of the Feasibility Study ("FS") currently underway on Block 14.

### *Continuation of Exploration at Block 14 and Confirmation of New Geological Interpretation*

Exploration drilling resumed at Block 14 in February 2018, with initial focus of the program being on testing of a new geological interpretation at GSS, which was developed by the Company in late 2017. The new model emerged from reinterpretation of previous drilling, a directed diamond drill programme and a detailed examination of structural controls influencing the mineralisation. A new drilling azimuth was then applied resulting in a more accurate and comprehensive delineation of the mineralization and drilling on the new azimuth has successfully proven the new geological interpretation at GSS, with 25 of the first 27 drill holes intercepting mineralization. Significant intercepts of these 27 holes include:

- GSRC727: 123.0 m at 1.96 Au g/t;
- GSRC728: 50.0 m at 3.05 Au g/t;
- GSRC731: 12.0 m at 8.36 Au g/t; and
- GSDD045: 162.0 m at 2.01 Au g/t;
- GSDD048: 82.0 m at 2.21 Au g/t;

In addition, drilling on the new azimuth has also resulted in the discovery of a new, higher grade "Hanging Wall" zone, which was followed up with additional drilling in the second quarter of 2018, and resulted in assays highlighted by GSRC740 with 39m at 2.52 Au g/t and GSRC741 intercepting 20m at 2.71 Au g/t.

### ***Discovery at Morondo, Côte d'Ivoire***

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

In November 2017, the Company received Ministerial Approval with respect to the transfer of the Kinross entity which holds Morondo and Korokaha North, and the Company and Kinross mutually waived the requirement to obtain the second Ministerial Approval as a condition to closing the Acquisition. Accordingly, the Company and Kinross have been working towards closing the Acquisition, although there is currently no expected closing date and there is no assurance that the transaction will be completed.

In December 2017, with permission from Kinross, the Company completed a small 2,500 metre reverse circulation drill programme on Morondo, a mineralized target over 600 metres in strike length. Assay results from this programme were received in January 2018 and were highlighted by intercepts of 48 metres at 1.62 g/t Au and 94 metres at 1.12 g/t Au, which confirm and expand a previous discovery at Morondo.

Following positive reinforcement of the resource potential at Morondo, the Company proceeded immediately with a metallurgical testwork program. Accordingly, two diamond drill holes were completed in March 2018, from which the core will be used to confirm previous metallurgical testwork (average gold recovery of 96% from fresh rock), and investigate the heap leach and cyanide leach amenability ahead of a decision to drill out a maiden resource at Morondo. The results of the Morondo metallurgical testwork are expected to be available by the end of the second quarter of 2018.

## 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. During the three months ended March 31, 2018, Orca incurred a net loss of $4.0 million (2017: $2.8 million). Exploration and project investigation costs account for approximately 76% (2017: 70%) of the net loss incurred during the period, while administration expenses account for approximately 24% (2017: 32%), respectively. The reported net loss for the three months ended March 31, 2018 are net of $23,000 of interest income (2017: $52,000).

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, 2018 and 2017, are provided in the notes to the condensed interim consolidated financial statements. Technical costs, most notably engineering and evaluation costs related to the ongoing feasibility program and exploration drilling, were the largest combined cost category for the three months ended March 31, 2018 and accounted for 63% of exploration costs (2017: 57%), increasing as compared to the 2017 period as a result of the work undertaken during the period in support of the ongoing FS and the exploration campaigns undertaken at both Block 14 and Morondo, as discussed above. Exploration staff compensation costs were the second largest component of exploration costs during the three months March 31, 2018 and accounted for 22% (2017: 19%). 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 2018 Operating Highlights", the focus of activities during the three months ended March 31, 2018 continued to be Block 14, accounting for approximately 85% (2017: 97%) of Orca's exploration costs for the period.

Excluding stock-based compensation of $161,000 (2017: $157,000) for the three months ended March 31, 2018, administration costs were $0.8 million (2017: $0.8 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 $23,000 (2017: $52,000) for the three months ended March 31, 2018, reflects interest earned on cash held on deposit and invested in short-term money market instruments. The decrease in interest income is primarily due to Orca's smaller average treasury balance in the current period. 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 Orca's current business activities and the lack of reasonable expectation that taxable profit will be generated by the Company in the near term.

In other comprehensive income, the Company also reported a foreign exchange translation gain of $128,000 (2017: $12,000) for the three months ended March 31, 2018, on translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. This is principally the result of fluctuations of the Canadian dollar relative to the Euro during the respective periods.

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

| **Three Months Ended** | **Mar-18** | **Dec-17** | **Sep-17** | **Jun-17** | **Mar-17** | **Dec-16** | **Sep-16** | **Jun-16** |
|---|---|---|---|---|---|---|---|---|
| Exploration costs ($000's) | 3,060 | 5,853 | 5,873 | 3,172 | 1,957 | 4,330 | 2,119 | 1,764 |
| Total net loss ($000's) | 4,044 | 6,803 | 6,960 | 3,890 | 2,815 | 5,234 | 2,801 | 2,591 |
| Net loss attributed to the Company's shareholders ($000's) | 3,287 | 5,158 | 5,254 | 2,978 | 2,275 | 4,010 | 2,201 | 2,129 |
| Net loss per share attributed to the Company's shareholders, basic and diluted ($) | 0.02 | 0.03 | 0.04 | 0.03 | 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 and achieved various milestones, including the substantial completion of Block 14's first preliminary economic assessment during the second quarter of 2016, the successful completion of additional hydrological studies and engineering work in support of the Revised PEA from the latter half of 2016 into the first half of 2017, a significant water drilling programme at the Area 5 aquifer, along with the commencement of the FS and a 25,000 metre drill programme in support thereof in the third quarter of 2017, and into the first quarter of 2018 (see "First Quarter 2018 Operating Highlights" section above).

## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2018, the Company had cash and cash equivalents of $6.0 million and net working capital of $3.0 million, compared to cash and cash equivalents of $5.8 million and net working capital of $2.6 million at December 31, 2017.

During the three months ended March 31, 2018, the Company generated proceeds of $4.4 million through the exercise of 7,911,000 share purchase warrants, which were originally issued pursuant to a July 2017 private placement of equity units (the "Private Placement"). The cash receipt by the Company was largely offset by funds used during the period to support exploration activities, with a focus on advancing Orca's Block 14 Project in Sudan, and, to a lesser extent general corporate purposes.

Orca's interest in the 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, which was fully paid and crystalized in September 2014. Under the terms of the purchase agreement, the Company must fund all exploration, development and construction costs to commercial production.

## RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the three months ended March 31, 2018, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Geodex Consultants Ltd. ("Geodex") and Meyas Nub Multiactivities Company Limited ("Meyas Nub"). HSEC and Geodex are related by virtue of their proprietor being a director and officer of the Company. 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. Related party transactions occur and are recorded at the amounts agreed between the parties.

### *Services received from related parties*

| | Related party | Three months ended March 31, 2018 | Three months ended March 31, 2017 |
|---|---|---|---|
| Drilling and exploration support | Meyas Nub | 13,695 | 8,816 |
| Geological consulting | HSEC/Geodex | 60,512 | 48,734 |
| **Total services received from related parties** | | **74,207** | **57,550** |

### *Related party balances*

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

| | Related party | March 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Accounts payable and accrued liabilities | Meyas Nub | - | (25,622) |
| Accounts payable and accrued liabilities | HSEC/Geodex | (198,753) | (181,881) |

### *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 directors and executive officers.

The remuneration of key management personnel were as follows:

| | Three months ended March 31, 2018 | Three months ended March 31, 2017 |
|---|---|---|
| Salaries and management fees | 209,403 | 169,467 |
| Short term benefits | 9,924 | 6,900 |
| Directors fees | 53,750 | 38,708 |
| Stock-based compensation | 126,651 | 135,433 |
| **Total key management compensation** | **399,728** | **350,508** |

## CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain 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 16, 2018.

## SIGNIFICANT ACCOUNTING POLICIES

Orca follows the accounting policies described in Note 3 of the Company's December 31, 2017 audited consolidated financial statements that were filed on Sedar on April 16, 2018, except for the adoption of IFRS 9, *Financial Instruments,* as discussed below.

### *Adoption of new accounting policy*

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 became effective for annual periods beginning on or after January 1, 2018, and replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged.

The Company has determined that the adoption of this standard has resulted in no material impact to its consolidated financial statements.

*Classification and measurement*

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the new classification of the Company's financial instruments under IFRS 9:

| | Measurement basis | Classification under IFRS 9 |
|---|---|---|
| Cash and cash equivalents | Note 1 | Amortized cost |
| Receivables and others | Note 1 | Amortized cost |
| Trade payables and accrued liabilities | Note 1 | Amortized cost |

Note 1 – Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*De-recognition*

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on de-recognition of financial assets and liabilities are generally recognized in the consolidated statements of net losses.

*Impairment*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

## FINANCIAL INSTRUMENTS

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

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

### ***Currency risk***

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

*(i) Sudanese operations*

As at March 31, 2018, the Company's Sudanese operating subsidiaries' largest foreign currency risk exposure was a net financial liability denominated in British pounds of an amount equivalent to approximately 0.7 million Canadian dollars. A 10% change in the foreign exchange rate between the British pound and the European Euro would give rise to increases/decreases of approximately 73,000 Canadian dollars in financial position/comprehensive loss.

*ii) Ivorian operations*

As at March 31, 2018, the Company's Ivorian operating subsidiary did not have any material foreign currency risk exposure.

*iii) Canadian head office operations*

At March 31, 2018, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets and liabilities. The estimated impacts of relative currency rate fluctuations between the foreign currencies and the Canadian dollar, the Company's functional currency, based on these total foreign currency exposures are as follows:

| | | | In thousands of dollars |
|---|---|---|---|
| | **Foreign currency cash held (in source currency)** | **Net financial asset (liability) position** | **Change in net financial position from a 10% variation in exchange rates** |
| US dollar | 20 | 26 | 3 |
| British pounds | - | (78) | 8 |

***Credit risk***

At March 31, 2018, the majority of the Company's cash and cash equivalents were held through Canadian institutions with investment grade ratings.

***Liquidity risk***

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

The maturities of the Company's financial liabilities as at March 31, 2018 are as follows:

| | | In thousands of dollars | | |
|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1-5 years** | **More than 5 years** |
| Accounts payable and accrued liabilities | 3,475 | 3,475 | - | - |
| **Total** | **3,475** | **3,475** | **-** | **-** |

While the Company believes that it will be able to settle its commitments and liabilities in the normal course of business, as they fall due during the next 12 months, as an exploration-stage company with no current sources of revenues, the Company is dependent on its ability to raise funds to support the ongoing advancement of its mineral properties and corporate activities. Accordingly, the Company anticipates the need for further funding to support a planned exploration program at its operations in Sudan and Côte d'Ivoire. The Company continuously evaluates potential additional sources of financing for its exploration program and operations. Historically, capital requirements have been primarily funded through equity financing, and proceeds received through the exercise of stock options and share purchase warrants. Factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global gold markets. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

## OUTSTANDING SHARE DATA

As at May 24, 2018, the Company had 161,662,440 common shares outstanding, 11,025,000 share options outstanding under its stock-based incentive plan and 10,714,000 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 2017 MD&A that was filed on Sedar on April 16, 2018.

## OUTLOOK

Orca is a Canadian resource company focused on exploration opportunities in Africa with an experienced board of directors and management team. Management and the Board of Directors continue to be mindful of the challenging conditions in the equity markets, particularly for junior gold exploration companies, and the importance of properly managing the treasury. As at March 31, 2018, the Company's balance sheet included $6.0 million in cash and net working capital of $3.0 million.

### *Block 14 FS in Progress*

A FS on Orca's flagship Block 14 Gold Project is currently underway. The FS is focused on optimizing the Project towards a development decision in late 2018 and will follow up on material project enhancement opportunities, including:

Further Water Expansion and Potential to Increase Throughput for FS

In 2017, the Company successfully discovered the water resource area at the Area 5 aquifer to 135 $km^2$ and estimated the capacity of the aquifer to be 100 million cubic meters.

This important development has effectively removed availability of water as a development constraint for Block 14, allowing the Company to expand the proposed processing capacity for the Project to up to 6.0Mtpa and therefore to develop Block 14 to its full potential. The potential to increase the throughput as a result of the water resource expansion will also reduce unit process operating costs and lead to an increase in Mineral Resources within the scope of the FS. These potential areas for further value creation will be optimized and incorporated into the FS on the Block 14 Project.

Exploration

Following confirmation of the Company's new geological interpretation at Block 14 (see "First Quarter 2017 Operating Highlights") and given the large exploration permit area (2,176 $km^2$), prospective geological setting, and clear gold endowment, as indicated by the large numbers of artisanal miners, exploration has been ramped up at Block 14 during the remainder of the FS evaluation.

The last drilling campaign identified high grade plunging structures at both GSS and Wadi Doum, and exploration is now underway to target these structures to evaluate pit extensions. In addition, resource definition drilling will also evaluate the Liseiwi high grade prospect, located 15 km to the north of Wadi Doum (see News Release dated February 2, 2017).

Metallurgy

Additional metallurgical testing has been carried out to provide the basis for the FS, in particular evaluating the metallurgical variability throughout the Resource. The following test work has been carried out in support of flowsheet development:

- Comminution to support design of crushing and grinding circuits
- Leach dissolution variability to support gold and silver recovery
- Carbon modelling to aid design of leach kinetics
- Pulp rheology in support of thickener design and tailings storage

The FS was originally planned to be completed by the end of the second quarter of 2018, however, the Company is currently evaluating the option to postpone completion to the fourth quarter of 2018 in order to incorporate further increases in the Mineral Resource Estimate that may result from the current drill program.

### *Continuing Progress in Côte d'Ivoire*

Following positive reinforcement of the resource potential at Morondo during the first quarter of 2018, the Company proceeded immediately with a metallurgical testwork program and completed two diamond drill holes in March 2018 for metallurgical testwork. This metallurgical testwork program will look to confirm previous metallurgical testwork results, which yielded an average gold recovery of 96% from fresh rock, and investigate the deposit's heap leach and cyanide leach amenability ahead of a decision to drill out a maiden resource at Morondo. The results of the Morondo metallurgical testwork are expected to be available by the end of the second quarter of 2018.

As at the date of this MD&A, Morondo continues to be owned by Kinross, which has granted the Company permission to execute exploration programs thereon, in order to maintain the property in good standing. While the Company and Kinross are jointly working to close the transaction, the Company does not currently have an expected closing date for the aforementioned acquisition and there is no assurance that the transaction will be completed.

***General***

With a new successful geological interpretation at Block 14 and an FS underway, Orca is well positioned to continue advancement at its flagship Block 14 project, while remaining flexible and responsive to changes in the resource sector market conditions. Nonetheless, careful consideration has resulted in operating budgets that will advance Block 14 under strict financial oversight and future exploration programs will continue to be guided by results and prospectivity.

The Company remains open to partnership opportunities while actively pursuing future growth opportunities by evaluating other exploration, development or production assets on an on-going basis with a view to building a diversified, African focused exploration company. While at any given time discussions and activities may be in progress on a number of initiatives, Orca currently does not have any binding agreements or binding commitments to enter into any such transactions. There is no assurance that these corporate activities will ever progress to the stage where a potential transaction might be successfully completed.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and contained herein in the MD&A and elsewhere may contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws, including statements regarding Orca's (the "Company", the "Corporation", "we" or "our") plans and expectations relating, but not limited to, the Block 14 project ("Block 14") in northern Sudan and the timing and completion of the Feasibility Study ("FS") currently being conducted by the Company, the timing and receipt of the written Ministerial Approval for the transfer of the second Kinross subsidiary as contemplated by the SPA, exploration plans at the properties covered by the SPA, and closing of the transaction contemplated by the SPA. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. The assumptions, risk and uncertainties outlined below are non-exhaustive. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Corporation, or industry results, may vary materially from those described in this presentation.

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

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

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

In addition, a number of other factors could cause the actual results, performance or achievements of the Corporation to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information, and there is no assurance that the actual results, performance or achievements of the Corporation will be consistent with them. For further details, reference is made to the risk factors discussed or referred to in the Corporation's annual and interim management's discussion and analyses on file with the Canadian securities regulatory authorities and available electronically on the SEDAR website at www.sedar.com. Although the Corporation has attempted to identify important factors that could cause actual actions, events, results, performance or achievements to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events, results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements or information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Such forward-looking statements and information are made or given as at the date of this presentation and the Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities law. The reader is cautioned not to place undue reliance on forward-looking statements or forward-looking information.

# Orca Gold Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

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

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 6,037,637 | $ 5,792,695 |
| Receivables and other assets (Note 4) | 424,941 | 460,520 |
| | 6,462,578 | 6,253,215 |
| Equipment (Note 5) | 965,149 | 953,686 |
| Mineral properties (Note 6) | 4,498,234 | 4,257,433 |
| | $ 11,925,961 | $ 11,464,334 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 3,474,963 | $ 3,632,432 |
| **EQUITY** | | |
| Equity attributed to common shareholders | | |
| Share capital (Note 7) | 104,323,105 | 99,532,458 |
| Warrants (Note 8) | 520,219 | 959,816 |
| Contributed surplus | 6,300,735 | 6,116,654 |
| Accumulated other comprehensive income | 2,263,793 | 1,097,682 |
| Deficit | (84,046,617) | (80,760,026) |
| | 29,361,235 | 26,946,584 |
| Non-controlling interest (Note 14) | (20,910,237) | (19,114,682) |
| | 8,450,998 | 7,831,902 |
| | $ 11,925,961 | $ 11,464,334 |

Approved by the Board of Directors

(signed) "Robert F. Chase"
Director

(signed) "Richard P. Clark"
Director

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

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

| | **Three months ended March 31, 2018** | **Three months ended March 31, 2017** |
|---|---|---|
| Administration costs (Note 10) | $ 982,834 | $ 911,282 |
| Exploration and project investigation costs (Note 11) | 3,059,910 | 1,956,914 |
| Foreign exchange loss (gain) | 23,758 | (1,065) |
| Interest income | (22,566) | (52,110) |
| Net loss for the period | $ 4,043,936 | $ 2,815,021 |
| Net loss for the period attributed to: | | |
| Common shareholders of the Company | $ 3,286,591 | $ 2,275,328 |
| Non-controlling interest (Note 14) | 757,345 | 539,693 |
| | $ 4,043,936 | $ 2,815,021 |
| Net loss for the period | $ 4,043,936 | $ 2,815,021 |
| Items that may be subsequently reclassified to net loss: | | |
| Gain on translation to presentation currency | (127,901) | (12,043) |
| Comprehensive loss for the period | $ 3,916,035 | $ 2,802,978 |
| Comprehensive loss for the period attributed to: | | |
| Common shareholders of the Company | $ 2,120,480 | $ 2,212,681 |
| Non-controlling interest (Note 14) | 1,795,555 | 590,297 |
| | $ 3,916,035 | $ 2,802,978 |
| Basic and diluted loss per common share | $ 0.02 | $ 0.02 |
| Basic and diluted weighted average number of shares outstanding | 155,209,984 | 113,288,143 |

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)**

| | **Three months ended March 31, 2018** | **Three months ended March 31, 2017** |
|---|---|---|
| Cash flows from (for) operating activities | | |
| Net loss for the period | $ (4,043,936) | $ (2,815,021) |
| Add non-cash items | | |
| Depreciation of equipment (Note 5) | 71,860 | 81,711 |
| Stock-based compensation expense (Note 9) | 184,081 | 182,714 |
| Interest income on short-term investments | - | (21,339) |
| | (3,787,995) | (2,571,935) |
| Changes in non-cash working capital items | | |
| Receivables and other assets | 45,677 | (175,870) |
| Accounts payable and accrued liabilities | (334,696) | (762,419) |
| | (4,077,014) | (3,510,224) |
| Cash flows for investing activities | | |
| Purchase of equipment | (30,476) | (5,463) |
| | (30,476) | (5,463) |
| Cash flows from financing activities | | |
| Net proceeds from exercise of warrants (Note 8) | 4,351,050 | - |
| | 4,351,050 | - |
| Foreign exchange on cash and cash equivalents | 1,382 | (1,907) |
| Increase (decrease) in cash and cash equivalents | 244,942 | (3,517,594) |
| Cash and cash equivalents, beginning of period | 5,792,695 | 5,285,095 |
| Cash and cash equivalents, end of period | $ 6,037,637 | $ 1,767,501 |
| Supplemental information | | |
| Interest received | $ 22,566 | $ 30,771 |

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)**

| | | Equity Attributed to Common Shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Number of Shares Issued and Outstanding** | **Share Capital** | **Warrants** | **Contributed Surplus** | **Accumulated Other Comprehensive Income** | **Deficit** | **Total** | **Non-controlling Interest** | **Total** |
| **Balance January 1, 2018** | 153,476,440 | $ 99,532,458 | $ 959,816 | $ 6,116,654 | $ 1,097,682 | $ (80,760,026) | $ 26,946,584 | $ (19,114,682) | **$ 7,831,902** |
| Stock-based compensation expense (Note 9) | - | - | - | 184,081 | - | - | 184,081 | - | **184,081** |
| Exercise of warrants (Note 8) | 7,911,000 | 4,790,647 | (439,597) | - | - | - | 4,351,050 | - | **4,351,050** |
| Net loss for the period | - | - | - | - | - | (3,286,591) | (3,286,591) | (757,345) | **(4,043,936)** |
| Gain (loss) on translation to presentation currency | - | - | - | - | 1,166,111 | - | 1,166,111 | (1,038,210) | **127,901** |
| **Balance March 31, 2018** | **161,387,440** | **$ 104,323,105** | **$ 520,219** | **$ 6,300,735** | **$ 2,263,793** | **$ (84,046,617)** | **$ 29,361,235** | **$ (20,910,237)** | **$ 8,450,998** |
| | | | | | | | | | |
| **Balance January 1, 2017** | 113,288,143 | $ 84,570,738 | $ - | $ 5,754,887 | $ 286,782 | $ (65,095,080) | $ 25,517,327 | $ (13,429,071) | **$ 12,088,256** |
| Stock-based compensation expense | - | - | - | 182,714 | - | - | 182,714 | - | **182,714** |
| Net loss for the period | - | - | - | - | - | (2,275,328) | (2,275,328) | (539,693) | **(2,815,021)** |
| Gain (loss) on translation to presentation currency | - | - | - | - | 62,647 | - | 62,647 | (50,604) | **12,043** |
| **Balance March 31, 2017** | **113,288,143** | **$ 84,570,738** | **$ -** | **$ 5,937,601** | **$ 349,429** | **$ (67,370,408)** | **$ 23,487,360** | **$ (14,019,368)** | **$ 9,467,992** |

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

## 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 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, and Orca Gold CDI S.A.R.L ("OGCDI"), which is located and operates in the Ivory Coast.

## 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, 2017. 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, 2017, except for newly accounting policies as noted in Note 3 below.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 24, 2018.

## 3. ADOPTION OF NEW ACCOUNTING POLICIES

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 became effective for annual periods beginning on or after January 1, 2018, and replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged.

The Company has determined that the adoption of this standard has resulted in no material impact to its consolidated financial statements.

### a) Classification and measurement

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the new classification of the Company's financial instruments under IFRS 9:

**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**

| | Measurement basis | Classification under IFRS 9 |
|---|---|---|
| Cash and cash equivalents | Note 1 | Amortized cost |
| Receivables | Note 1 | Amortized cost |
| Trade payables and accrued liabilities | Note 1 | Amortized cost |

Note 1 – Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

### b) De-recognition

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on de-recognition of financial assets and liabilities are generally recognized in the consolidated statements of net losses.

### c) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

## 4. RECEIVABLES AND OTHER ASSETS

| | **March 31, 2018** | **December 31, 2017** |
|---|---|---|
| Prepaid expenses | 164,893 | 153,283 |
| Fuel inventory | 107,268 | 100,056 |
| Other receivables | 152,780 | 207,181 |
| **Total receivables and other assets** | **424,941** | **460,520** |

**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**

## 5. EQUIPMENT

| Cost | Computer Equipment | Office Furniture and Equipment | Vehicles and Mobile Equipment | Field and Camp Equipment | Total |
|---|---|---|---|---|---|
| **As at January 1, 2017** | **181,907** | **69,053** | **1,055,176** | **1,115,346** | **2,421,482** |
| Additions | 43,159 | 2,866 | 384,320 | 300,628 | 730,973 |
| Disposals | (4,260) | - | - | - | (4,260) |
| Effects of foreign exchange on translation to presentation currency | 11,665 | 4,291 | 74,588 | 76,045 | 166,589 |
| **As at December 31, 2017** | **232,471** | **76,210** | **1,514,084** | **1,492,019** | **3,314,784** |
| Additions | 6,704 | 10,728 | - | 13,044 | 30,476 |
| Effects of foreign exchange on translation to presentation currency | 12,883 | 4,550 | 85,637 | 84,680 | 187,750 |
| **As at March 31, 2018** | **252,058** | **91,488** | **1,599,721** | **1,589,743** | **3,533,010** |
| **Accumulated depreciation** | | | | | |
| **As at January 1, 2017** | **(174,832)** | **(38,589)** | **(710,464)** | **(986,110)** | **(1,909,995)** |
| Depreciation | (12,956) | (7,424) | (181,205) | (128,849) | (330,434) |
| Disposals | 4,260 | - | - | - | 4,260 |
| Effects of foreign exchange on translation to presentation currency | (10,600) | (2,552) | (48,169) | (63,608) | (124,929) |
| **As at December 31, 2017** | **(194,128)** | **(48,565)** | **(939,838)** | **(1,178,567)** | **(2,361,098)** |
| Depreciation | (5,171) | (2,176) | (31,935) | (32,578) | (71,860) |
| Effects of foreign exchange on translation to presentation currency | (10,849) | (2,796) | (53,871) | (67,387) | (134,903) |
| **As at March 31, 2018** | **(210,148)** | **(53,537)** | **(1,025,644)** | **(1,278,532)** | **(2,567,861)** |
| **Net book amount** | | | | | |
| **As at December 31, 2017** | **38,343** | **27,645** | **574,246** | **313,452** | **953,686** |
| **As at March 31, 2018** | **41,910** | **37,951** | **574,077** | **311,211** | **965,149** |

## 6. MINERAL PROPERTIES

| **Cost** | **Block 14** |
|---|---|
| **As at January 1, 2017** | **4,012,503** |
| Effects of foreign exchange on translation to presentation currency | 244,930 |
| **As at December 31, 2017** | **4,257,433** |
| Effects of foreign exchange on translation to presentation currency | 240,801 |
| **As at March 31, 2018** | **4,498,234** |

The Company's sole mineral project as at March 31, 2018 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 share purchase warrants and stock options were not included in the calculation of diluted earnings per share as they are anti-dilutive for the three months ended March 31, 2018.

## 8. WARRANTS

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

| | Number of shares (In thousands) | Weighted average exercise price CDN$ |
|---|---|---|
| Outstanding at January 1, 2017 | - | - |
| Granted | 18,750 | $0.55 |
| Outstanding at December 31, 2017 | 18,750 | $0.55 |
| Exercised | (7,911) | $0.55 |
| Outstanding at March 31, 2018 | 10,839 | $0.55 |
| Exercisable at March 31, 2018 | 10,839 | $0.55 |

As at March 31, 2018, the outstanding and exercisable warrants had a weighted average remaining contractual life of 1.27 years.

## 9. 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 months ended March 31, 2018 was $184,000 (2017: $183,000). For the three months ended March 31, 2018, stock-based compensation of $161,000 (2017: $157,000) has been allocated to administration costs, and $23,000 (2017: $26,000) 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, 2018 was $407,000 (December 31, 2017: $591,000).

### b) Stock options outstanding

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

| | Number of shares (In thousands) | Weighted average exercise price CDN$ |
|---|---|---|
| Outstanding at January 1, 2017 | 10,302 | $0.34 |
| Granted | 4,525 | $0.45 |
| Exercised | (2,688) | $0.38 |
| Expired | (964) | $0.64 |
| Outstanding at December 31, 2017 | 11,175 | $0.35 |
| | | |
| Outstanding at March 31, 2018 | 11,175 | $0.35 |
| Exercisable at March 31, 2018 | 6,100 | $0.32 |

The following summarizes information about the stock options outstanding and exercisable at March 31, 2018:

| | Outstanding options | | | Exercisable options | | |
|---|---|---|---|---|---|---|
| Exercise prices (CDN$) | Number of options outstanding (In thousands) | Weighted average remaining contractual life (Years) | Weighted average exercise price (CDN$) | Number of options exercisable (In thousands) | Weighted average remaining contractual life (Years) | Weighted average exercise price (CDN$) |
| $0.27 | 6,150 | 1.05 | $0.27 | 4,050 | 1.05 | $0.27 |
| $0.32 | 500 | 1.41 | $0.32 | 334 | 1.41 | $0.32 |
| $0.36 | 625 | 1.93 | $0.36 | 416 | 1.93 | $0.36 |
| $0.47 | 3,900 | 2.46 | $0.47 | 1,300 | 2.46 | $0.47 |
| | 11,175 | 1.61 | $0.35 | 6,100 | 1.43 | $0.32 |

## 10. ADMINISTRATION COSTS

| | **Three months ended March 31, 2018** | **Three months ended March 31, 2017** |
|---|---|---|
| Depreciation | 764 | 458 |
| Management and consulting fees | 181,082 | 189,417 |
| Office and administration | 88,680 | 117,015 |
| Professional fees | 27,169 | 34,937 |
| Salaries and benefits | 212,554 | 193,322 |
| Stock based compensation expense (Note 9) | 161,257 | 156,927 |
| Travel and promotion | 311,328 | 219,206 |
| **Total administration costs** | **982,834** | **911,282** |

**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**

## 11. EXPLORATION AND PROJECT INVESTIGATION COSTS

| Three months ended March 31, | | Sudan (Block 14) | Ivory Coast | Other | Total |
|---|---|---|---|---|---|
| **2018** | Depreciation | 71,096 | - | - | 71,096 |
| | Drilling | 656,138 | 207,820 | - | 863,958 |
| | Exploration support and administration | 88,577 | 27,625 | - | 116,202 |
| | Field operation and consumables | 185,556 | 34,212 | - | 219,768 |
| | Geological consulting | 57,760 | 4,398 | - | 62,158 |
| | Permitting and licensing fees | 21,390 | 5,678 | - | 27,068 |
| | Salaries and benefits | 492,626 | 164,857 | - | 657,483 |
| | Sampling, geological and other evaluation costs | 975,362 | 11,995 | - | 987,357 |
| | Stock-based compensation expense (Note 9) | 22,824 | - | - | 22,824 |
| | Travel and accommodation | 20,593 | 11,403 | - | 31,996 |
| | **Total exploration and project investigation costs** | **2,591,922** | **467,988** | **-** | **3,059,910** |
| **2017** | Depreciation | 68,718 | - | 12,534 | 81,252 |
| | Drilling | 27,004 | - | - | 27,004 |
| | Exploration support and administration | 81,685 | 29,196 | 26 | 110,907 |
| | Field operation and consumables | 208,899 | 2,889 | - | 211,788 |
| | Geological consulting | 58,237 | - | - | 58,237 |
| | Permitting and licensing fees | 21,152 | 5,703 | - | 26,855 |
| | Salaries and benefits | 353,525 | 176 | - | 353,701 |
| | Sampling, geological and other evaluation costs | 1,021,538 | 1,922 | - | 1,023,460 |
| | Stock-based compensation expense | 25,787 | - | - | 25,787 |
| | Travel and accommodation | 29,278 | 8,645 | - | 37,923 |
| | **Total exploration and project investigation costs** | **1,895,823** | **48,531** | **12,560** | **1,956,914** |

**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**

## 12. RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the three months ended March 31, 2018, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Geodex Consultants Ltd. ("Geodex") and Meyas Nub Multiactivities Company Limited ("Meyas Nub"). HSEC and Geodex are related by virtue of their proprietor being a director and officer of the Company. 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 14). 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 March 31, 2018** | **Three months ended March 31, 2017** |
|---|---|---|---|
| Drilling and exploration support | Meyas Nub | 13,695 | 8,816 |
| Geological consulting | HSEC/Geodex | 60,512 | 48,734 |
| **Total services received from related parties** | | **74,207** | **57,550** |

### b) Related party balances

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

| | **Related party** | **March 31, 2018** | **December 31, 2017** |
|---|---|---|---|
| Accounts payable and accrued liabilities | Meyas Nub | - | (25,622) |
| Accounts payable and accrued liabilities | HSEC/Geodex | (198,753) | (181,881) |

### 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 directors and executive officers.

The remuneration of key management personnel is as follows:

| | **Three months ended March 31, 2018** | **Three months ended March 31, 2017** |
|---|---|---|
| Salaries and management fees | 209,403 | 169,467 |
| Short term benefits | 9,924 | 6,900 |
| Directors fees | 53,750 | 38,708 |
| Stock-based compensation | 126,651 | 135,433 |
| **Total key management compensation** | **399,728** | **350,508** |

**(All amounts expressed in Canadian Dollars, unless otherwise indicated)**

## 13. SEGMENT INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in Africa. The information regarding mineral properties and exploration and project investigation costs presented in Notes 6 and 11, respectively, represent the manner in which management reviews its business performance. Materially all of the Company's mineral properties and exploration and project investigation costs relate to the Block 14, located in the northern region of the Republic of Sudan. Materially all of the Company's administrative costs are incurred by the Canadian parent, where materially all of the Company's cash is held in the normal course of business until it is required to be deployed to the Company's operating subsidiaries in support of ongoing and planned work programs.

The following are summaries of the Company's current and non-current assets, current liabilities, and net losses by segment:

| | | Sudan (Block 14) | Ivory Coast | Corporate & Other | Total |
|---|---|---|---|---|---|
| **March 31, 2018** | Current assets | 415,017 | 150,764 | 5,896,797 | 6,462,578 |
| | Equipment | 956,804 | 5,812 | 2,533 | 965,149 |
| | Mineral properties | 4,498,234 | - | - | 4,498,234 |
| | Total Assets | 5,870,055 | 156,576 | 5,899,330 | 11,925,961 |
| | Current liabilities | 2,832,735 | 194,957 | 447,271 | 3,474,963 |
| **December 31, 2017** | Current assets | 217,904 | 39,603 | 5,995,708 | 6,253,215 |
| | Equipment | 950,389 | - | 3,297 | 953,686 |
| | Mineral properties | 4,257,433 | - | - | 4,257,433 |
| | Total Assets | 5,425,726 | 39,603 | 5,999,005 | 11,464,334 |
| | Current liabilities | 3,107,145 | 211,067 | 314,220 | 3,632,432 |

| **Three months ended March 31,** | | **Sudan (Block 14)** | **Ivory Coast** | **Corporate & Other** | **Total** |
|---|---|---|---|---|---|
| **2018** | Exploration and project investigation | 2,591,922 | 467,988 | - | 3,059,910 |
| | General administration and other items | 14,229 | 1,490 | 968,307 | 984,026 |
| | Net loss | 2,606,151 | 469,478 | 968,307 | 4,043,936 |
| **2017** | Exploration and project investigation | 1,895,823 | 48,532 | 12,559 | 1,956,914 |
| | General administration and other items | 6,581 | - | 851,526 | 858,107 |
| | Net loss | 1,902,404 | 48,532 | 864,085 | 2,815,021 |

## 14. NON-CONTROLLING INTEREST

Pursuant to a purchase agreement, an indirect wholly owned subsidiary of the Company, SMCL, acquired a 70% interest in MSMCL, a Sudanese company incorporated to hold the Block 14 exploration licenses in the Republic of the Sudan, in exchange for cash payments totalling USD $9.5 million. Under the terms of the agreement, the Company must fund all exploration, development and construction costs to commercial production.

## 15. MANAGEMENT OF FINANCIAL RISK

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

### a) Currency risk

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

*(i) Sudanese operations*

As at March 31, 2018, the Company's Sudanese operating subsidiaries' largest foreign currency risk exposure was a net financial liability denominated in British pounds of an amount equivalent to approximately 0.7 million Canadian dollars. A 10% change in the foreign exchange rate between the British pound and the European Euro would give rise to increases/decreases of approximately 73,000 Canadian dollars in financial position/comprehensive loss.

*(ii) Ivorian operations*

As at March 31, 2018, the Company's Ivorian operating subsidiary did not have any material foreign currency risk exposure.

*(iii) Canadian head office operations*

At March 31, 2018, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets and liabilities. The estimated impacts of relative currency rate fluctuations between the foreign currencies and the Canadian dollar, the Company's functional currency, based on these total foreign currency exposures are as follows:

In thousands of dollars

| | **Foreign currency cash held (in source currency)** | **Net financial asset (liability) position** | **Change in net financial position from a 10% variation in exchange rates** |
|---|---|---|---|
| US dollar | 20 | 26 | 3 |
| British pounds | - | (78) | 8 |

## b) Credit risk

At March 31, 2018, the majority of the Company's cash and cash equivalents were held through Canadian institutions with investment grade ratings.

## c) Liquidity risk

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

The maturities of the Company's financial liabilities as at March 31, 2018 are as follows:

In thousands of dollars

| | **Total** | **Less than 1 year** | **1-5 years** | **More than 5 years** |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | 3,475 | 3,475 | - | - |
| **Total** | **3,475** | **3,475** | **-** | **-** |

While the Company believes that it will be able to settle its commitments and liabilities in the normal course of business, as they fall due, during the next 12 months, as an exploration-stage company with no current sources of revenues, the Company is dependent on its ability to raise funds to support the ongoing advancement of its mineral properties and corporate activities. Accordingly, the Company anticipates the need for further funding to support a planned exploration program at its operations in Sudan and Côte d'Ivoire. The Company continuously evaluates potential additional sources of financing for its exploration program and operations. Historically, capital requirements have been primarily funded through equity financing, and proceeds received through the exercise of stock options and share purchase warrants. Factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global gold markets. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

## CORPORATE DIRECTORY

**OFFICERS**
L. Simon Jackson
Chairman of the Board
Richard P. Clark
Chief Executive Officer
Hugh Stuart
President
Jeffrey Yip
Chief Financial Officer
Kevin Ross
Chief Operating Officer
Dr. Karamo NM Sonko
Chief Strategist, African Affairs
Kathy Love
Corporate Secretary

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

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Vancouver, British Columbia
Canada

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