ORCA GOLD INC.

Annual Report

For the Year Ended

December 31, 2013

ORCA GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013
(Amounts stated in Canadian Dollars unless otherwise indicated)

The following management's discussion and analysis ("MD&A") of Orca Gold Inc. ("Orca" or the "Company") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The effective date of this MD&A is April 29, 2013. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.orcagold.com.

Orca is a junior exploration company focused on the acquisition and exploration of mineral properties in Africa. Its current exploration focus is on the Arabian Nubian Shield in the north of Sudan, where two licenses, Block 14 and Block 68, are currently held. These properties are located 700 km north of Khartoum and 100 km west of the Red Sea, and stretch 300 km due west across the northernmost part of Sudan. The nearest significant population centre is the town of Abu Hamed located 160 kilometres due south of the Block 14 prospecting license perimeter. These two licenses total over 15,000 km^2 in area.

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 Energy and Mining. 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 the mining leases (the "Concession Agreement").

The license for Block 14 originally granted to Orca's partner, Meyas Nub Multiactivities Co. Ltd. ("Meyas Nub") under a Concession Agreement dated 19th May 2010, is in good standing and currently in its third exploration year. The license is currently held by Meyas Sand Minerals Company Ltd ("MSMCL"), a company owned by Sand Metals Company Ltd. ("SMCL"), a 100% owned subsidiary of Orca, and Meyas Nub. Details of the agreement between SMCL and Meyas Nub whereby SMCL has the right to earn a 70% interest in Block 14 are summarized in the "Liquidity and Capital Resources" section of this MD&A. The license for Block 68 was originally granted to SMCL on July 17, 2011 under a Concession Agreement and is in good standing and currently in its second exploration year.

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 Vice President Exploration 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.

OPERATING HIGHLIGHTS

Orca's most advanced mineral exploration license is Block 14. By early July 2013, Orca had completed its second drilling campaign as part of an initial exploration program at the Galat Sufar South ("GSS") prospect on Block 14. Results from this drilling campaign at GSS confirmed wide intercepts and excellent grades (see News Release dated September 12, 2013 – e.g.: holes GSDD004: 59m @ 2.43 g/t, GSRC161: 26m @ 3.78 g/t, GSDD008: 48m @ 2.26 g/t, GSRC174: 32m @ 6.63 g/t).

Based on the results of this second drilling campaign and a comprehensive analysis of the initial exploration programs at GSS, including an assessment of the future potential of GSS, Orca started a third drilling campaign aimed at delineating an initial resource at GSS. This program, completed in Q1 2014, included:

- infill drilling at GSS;
- additional drilling targeted at areas outside the contemplated initial resource area;
- metallurgical testwork on composite samples from GSS;
- baseline environmental work;
- initial hydrological studies; and
- scoping level engineering for indicative operating and capital costs

Subsequent to December 31, 2013, Orca published an NI 43-101 compliant mineral resource estimate for GSS, using a cut-off grade of 1.0 g/t (see News Release dated January 29, 2014). It comprises an indicated resource of 22.2Mt at 1.84 g/t for 1.3 million ounces gold and an inferred resource of 6.5Mt at 1.9 g/t for an additional 400,000 ounces gold. Approximately 19% of the indicated mineral resource comprises oxidized material (18% of inferred mineral resource). Greater than 90% of the mineral resource is within 100 metres of surface.

The mineral resource has been estimated using the results of 35,637 metres of drilling (4,093 metres of diamond drilling and 31,544 metres of reverse circulation drilling) completed between November 2012 and December 2013.

Mineralisation is hosted by intermediate intrusives and volcaniclastics and is associated with intense quartz-sericite-carbonate alteration and pyrite. Drilling has focused on two distinct areas:

- The Main Zone consists of N-S and N-W trending mineralized bodies with a combined strike length of 550m and has been drilled to an average depth of 150m below surface (max 250m). The Main Zone remains open on strike and at depth.

- The East Zone (400m east of Main Zone) comprises mineralisation in several sub-zones within an area of 800m by 300m with the primary trend extending over a strike length of 435m. It has been drilled to an average depth of 140m (max 330m) and remains open to the north and east.

Mineralisation in both areas is notable for the width and consistency of gold mineralisation with true width in the Main Zone exceeding 90m in some sections and in the East Zone frequently exceeding 60m.

Orca has conducted initial metallurgical testing on four drill core and three RC chip composite samples. Results from direct leach testwork suggest recoveries ranging from 85-89% in the East Zone (oxide, transition and fresh) and 79-95% in Main Zone Fresh material. Fast leach kinetics were observed and for all samples reagent consumption was relatively low. Further diagnostic leach testwork is ongoing.

The 400 metre gap area between the Main and East Zones remains substantially untested and Orca's current work will now focus on exploration of extensions to the resource through drilling and geophysics and on targets within a 5km radius of the resource. In addition, hydrological studies are continuing.

As required under the agreement with Meyas Nub, on September 11, 2013 Orca made the second option payment of US$3.0 million to Meyas Nub. This payment increased Orca's interest in MSMCL from 35.0% to 52.5% (see "Liquidity and Capital Resources" section of this MD&A for full details of the agreement with Meyas Nub).

With Orca focusing its resources on Block 14, its most prospective permit in light of the positive results at GSS, the Company formally relinquished Blocks 19 and 77 in South-eastern Sudan and Block 67 in 2013, a third license previously held in northern Sudan.

CORPORATE TRANSACTIONS

As more fully described in the Management Discussion and Analysis for the interim period ended June 30, 2013 that was filed on Sedar on August 29, 2013, the Company completed a major restructuring as a result of closing the following transactions (collectively, the "Transaction"):

- a spinout transaction by way of a plan of arrangement (the "Spinout"). The legal form of the Spinout provided that the Company
  a) transfer materially all of its assets and liabilities, including its Tanzanian exploration properties and related activities, to East Africa Metals Inc. ("EAM"), a newly formed wholly-owned subsidiary, except for cash and short-term investments of $60,000,000 and sufficient funds to pay certain liabilities outstanding as at April 4, 2013; and
  b) distribute all of the shares of EAM to its shareholders immediately prior to giving effect to the Acquisition;
- a share purchase agreement with Shark Minerals Inc. ("Shark") and the shareholders of Shark dated December 14, 2012 (the "Acquisition"). Under the Acquisition, the Company acquired all of the outstanding common shares of Shark, a tightly controlled private company with active exploration projects in Sudan, in exchange for the issuance of 118,584,735 of its common shares;
- a share consolidation on the basis of one (1) new share for three (3) existing shares (the "Consolidation") resulting in issued capital of 106,834,124 common shares. As of closing of the Acquisition and Consolidation, the Company became 63% owned by its former shareholders and 37% owned by former Shark shareholders and changed its name to Orca.

As a result of the Transaction, the Company changed its board and senior management and the focus of its exploration activities from Tanzania to Sudan.

Under applicable International Financial Reporting Standards ("IFRS"), Shark, the legal subsidiary, was determined to have acquired effective control of Orca and to be the acquirer for accounting purposes. The transaction did not constitute a business combination as Orca prior to the Acquisition did not meet the definition of a business under IFRS. Accordingly, the Acquisition was accounted for as an acquisition by Shark of Orca's remaining net assets following the Spinout.

In accordance with the principles of reverse takeover accounting, the Company now reports the operations of Shark and its related historical comparatives as its continuing business, except for the legal capital shown in the Consolidated Statements of Shareholders' Equity, which has been adjusted retroactively to reflect the legal capital of Orca.

The acquisition date fair value of the deemed equity consideration paid by Shark was determined by reference to the fair value of the net assets acquired and was allocated, net of transaction costs of $444,800 incurred by Shark, as follows:

	As at April 4, 2013 (in thousands)		
Common shares	59,763	(445)	59,318
Options	1,037	-	1,037
	60,800	(445)	60,355

RESULTS FROM OPERATIONS

As a junior exploration company, Orca has no expectation of generating operating profits until it identifies and develops a commercially viable mineral deposit. Orca incurred a loss of $23.2 million for the year ended December 31, 2013 (2012: $8.8 million). Exploration and administration expenses account for 63% and 19% of the losses for the year ended December 31, 2013 respectively (2012: 97% and 3%). Approximately 20% of the 2013 loss relates to a $3.9 million write-down of the acquisition costs of three exploration permits and a listing expense of $0.8 million reflecting the fair value of the listing acquired on April 4, 2013, for a total of $4.7 million. Both of these costs are non-cash costs.

Year Ended	Dec-13	Dec-12	Dec-11 *(Note)*
Net loss ($000's)	23,203	8,761	822
Loss per share, basic and diluted ($)	0.18	0.21	1.60
Total assets ($000's)	53,934	14,786	290

Note: from incorporation on October 21, 2011 to December 31, 2011

Exploration costs are the most significant expenditure of the Company and have been expensed in accordance its accounting policy. A detailed breakdown of 2013 and 2012 exploration costs is provided in the notes to the audited consolidated financial statements. Drilling and other technical geological costs such as assays accounted for approximately half of the exploration costs with technical staff in support of all of aspects of exploration activities being the second largest costs. In addition, costs related to logistics and infrastructure are high due to the remoteness of the properties. As fully described under the section "Operating Highlights", the focus of activities was northern Sudan and more specifically Block 14, accounting for approximately 94% of Orca's exploration costs.

Excluding stock-based compensation, administration costs were $2.0 million for the year ended December 31, 2013 (2012: $304,000). There was a step change in administrative costs starting in Q2 2013. In 2012 and Q1 2013, these costs were lower as they reflected the support costs of Shark, a privately held company in its formative stages at the time; in 2013, following completion of the Transaction on April 4, 2013, administration costs reflect the necessary complement of ongoing head office expenses of a public company.

Stock-based compensation, a non-cash cost, reflects the amortization of the estimated fair value of options over their vesting period. Options were granted in Q2 2013 and will vest over two years. The calculation of the fair value of options is based to a large degree on the Company's share price and its volatility. 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. 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.

Interest income of $0.5 million (2012: $22,000) reflects the interest earned from cash held on deposit and invested in short-term money market instruments. The Transaction on April 4, 2013 resulted in an increase of $60 million in Orca's treasury, thereby explaining the increase in interest income compared to 2012. Foreign exchange gains or losses reflect the short-term fluctuations of foreign currencies used in operations against the Canadian dollar.

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

The Company also reported foreign exchange translation gains of $0.4 million for the year ended December 31, 2013 respectively (2012: loss of $55,000) on translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. This is principally the result of the strengthening of the Euro against the Canadian dollar.

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

Three Months Ended	Dec-13	Sept-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12
Exploration costs ($000's)	4,692	2,487	4,557	2,975	3,040	2,180	1,913	1,336
Total loss ($000's)	5,474	3,501	7,230	6,998	3,146	2,308	1,956	1,350
Net loss attributed to the Company's shareholders ($000's)	3,370	2,435	4,746	5,436	2,119	1,670	1,430	1,175
Net loss per share attributed to the Company's shareholders, basic and diluted ($)	0.03	0.02	0.05	0.14	0.06	0.05	0.05	0.06

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 increasing its level of exploration in Sudan as a result of acquiring new properties directly or through option and advancing the evaluation of some of its properties to the drilling phase. Exploration costs in Q2 and Q4 2013 reflect the higher costs of active ongoing drilling campaigns on Block 14.

Under its accounting policies, Orca capitalizes the cost of acquiring mining and exploration rights. The loss in Q1 2013 reflects the write-down of the acquisition costs of two properties relative to which Orca decided to cease further exploration on the basis of its continuous assessment of technical results and reprioritization of its mineral projects ($3.9 million). The loss in Q2 2013 also includes stock-based compensation, the listing expense acquired on April 4, 2013, and increased administration costs. Higher administrative costs were incurred in the last three quarters of 2013 and reflect the additional support and costs required as the result of the Company becoming a public company trading on the TSX-V following the Transactions described at the beginning of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, the Company had cash and cash equivalents of $48.0 million and working capital of $45.0 million as compared to cash of $5.4 million and working capital of $4.4 million at December 31, 2012. The Transaction summarized in the previous section of the MD&A resulted in a $60 million increase in the Company's cash position in Q2 2013. Other than for general corporate and administrative costs, the majority of funds spent by Orca were directed towards exploration in Sudan.

Orca's interest on its most advanced property, Block 14, 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 agreed to pay 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 (paid)	35.0%
September 30, 2013	USD $3.0 million (paid)	52.5%
September 30, 2014	USD $3.0 million	70.0%

The agreement stipulates that SMCL would forfeit its then current interest if it does not make the required final payment by the due date. Under the agreement, SMCL has agreed to fund all exploration, development and construction costs to commercial production. The very encouraging results from exploration on Block 14 culminating in the estimation of a maiden resource in early 2014, support Orca's continued focus of its resources at GSS.

At the time of the acquisition of the original 35% interest in MSMCL, management determined that SMCL had the ability to affect the activities of and variable returns from MSMCL although SMCL held less than 35%. Accordingly, the financial statements of MSMCL were consolidated in the accounts of the Company, resulting in a 65% non-controlling interests in MSMCL. In Q3 2013, when SMCL acquired an additional 17.5% interest in MSMCL, in accordance with the applicable guidance under IFRS, Orca adjusted the carrying amounts of the controlling and non-controlling interests disclosed in its shareholders' equity to reflect the new relative ownership interests in MSMCL by SMCL and Meyas Nub. Orca also recognized directly in equity the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid (i.e. USD $3.0 million).

Based on the Company's financial position at December 31, 2013, the Company has a strong treasury to support its ongoing exploration expenditures in Sudan and general corporate activities.

RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 31, 2013, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Sirocco Mining Inc. ("Sirocco"), Sirocco Gold CDI SARL ("SCDI"), Meyas Nub Multiactivities Company Limited ("Meyas Nub") and SinoTech (Hong Kong) Corporate Limited ("SinoTech"). Other than Meyas Nub and SinoTech, these companies are related by way of directors, officers and shareholders in common. Meyas Nub is identified as a related party as a result of its ability to exert significant influence over 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.

Transactions with SCDI relate to expenses that are initially paid by SCDI and subsequently charged to Orca for reimbursement in the normal course of business.

a) Services received from related parties

	Related party	Year ended December 31, 2013	Year ended December 31, 2012
Drilling and exploration support	Meyas Nub	552,313	61,302
Geological consulting	SinoTech	53,346	-
Geological consulting	HSEC	458,043	400,029
Management fees	HSEC	40,352	50,247
Support and administration	Sirocco	358,300	-
Support and administration	Sinotech	14,000	-
Consulting related to the Canaco acquisition	HSEC	-	57,639
Total services received from related parties		**1,476,354**	**569,217**

b) Related party balances

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

	Related party	December 31, 2013	December 31, 2012
Accounts payable and accrued liabilities	Sirocco	-	(43,143)
Accounts payable and accrued liabilities	HSEC	(108,550)	(135,438)
Accounts payable and accrued liabilities	SinoTech	(24,000)	-
Receivables and other assets	HSEC	971	48,534

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 includes the Company's executive officers and vice-presidents.

The remuneration of key management personnel were as follows:

	Year ended December 31, 2013	**Year ended December 31, 2012**
Salaries and management fees	362,644	-
Short term benefits	8,344	-
Stock-based compensation	1,124,302	-
Total key management compensation	**1,495,290**	**-**

CRITICAL ACCOUNTING ESTIMATES

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

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

Reverse takeover accounting

The Company has accounted for the Transaction as a reverse takeover. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the Transaction. These included, among others, the determination that Shark acquired effective control of Canaco, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the listing expense.

Valuation of mineral properties

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

Stock-based compensation

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

Income taxes

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

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

Decommissioning and site restoration

The future obligations for site closure activities are estimated by the Company based on the laws and regulations of the countries in which it operates, with due consideration to the fact that the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the site closure activities are to be carried out. In light of the early stage of its exploration activities, the Company has determined that its closure costs as at December 31, 2013 would not be material.

SIGNIFICANT ACCOUNTING POLICIES

Other than the adoption of the new or revised standards as described under the caption "Corporate transactions" and as noted below, Orca continues to follow the accounting policies described in Note 5 of the December 31, 2012 audited consolidated financial statements of Shark that were filed on Sedar on April 30, 2013. The Company has determined that the adoption of the following standards has not resulted in a material impact on the Company's consolidated financial statements:

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

IFRIC 20 – Stripping in the Production Phase of a Producing Mine

IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a producing mine. Stripping activity may produce two types of benefit: inventory produced and improved access to ore. Stripping costs associated with the latter are accounted for as an addition to or enhancement of an existing asset. The former is accounted for as a current production cost in accordance with IAS 2, *Inventories*.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IFRS 7, Financial Instruments: Disclosures, IAS 1, Presentation of Financial Statements, and IAS 12, Income Taxes. IFRS 7 requires additional disclosures in relation to the transfer of financial assets, including those in with which there is continuing involvement. IAS 1 requires changes to the grouping of items in the consolidated statement of comprehensive loss. Amendments to IAS 12 provide guidelines for determining the recovery of investment properties as it relates to the accounting for deferred income taxes.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, 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

Ghazal, SMCL, and MSMCL incur costs in multiple foreign currencies and, therefore, they are exposed to foreign exchange risks arising from these transactions. A significant change in the currency exchange rates could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. Based on the approximate costs incurred in the three foreign currencies outlined below, a 10% variation in the exchange rate between these currencies and the European Euro, Ghazal, SMCL, and MSMCL's functional currency, would have resulted in the following change in costs:

		In thousands of dollars
	Percentage of total costs	**Change in costs resulting from a 10% variation in exchange rates**
Sudanese pound	36%	455
US dollar	33%	410
British pound	17%	215

As at December 31, 2013, Ghazal, SMCL, and MSMCL's only material foreign currency risk exposure is a US dollar net financial liability of an amount equivalent to approximately $1,896,000 Canadian dollars. A 10% change in the foreign exchange rate between the US dollar and the European Euro would give rise to increases/decreases of approximately $190,000 Canadian dollars in financial position/comprehensive loss.

ii) Canadian head office operations

At December 31, 2013, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets. 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 position	Change in net financial position from a 10% variation in exchange rates
US dollar	664	706	71
European euro	60	88	9
British pounds	143	252	25

Credit risk

At December 31, 2013, the majority of the Company's cash was held through Canadian and Swiss financial 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.

Payments due on contractual obligations for the next five years are outlined in the table below.

(Amounts in thousands of dollars)	**Total**	**< 1 year**	**1 – 3 years**	**3- 5 years**	**> 5 years**
Accounts payable	3,368	3,368	-	-	-
Total	3,368	3,368	-	-	-

OUTSTANDING SHARE DATA

As at April 29, 2014, the Company had 107,405,754 common shares outstanding and 6,353,334 share options outstanding under its stock-based incentive plan and no share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

Orca is a Canadian resource company focused on exploration opportunities in Africa. As a result of completing the Transaction in Q2 2013, the Company now has an experienced board of directors and management team, and a strong balance sheet which includes $48 million in cash. Management and board are mindful of the subdued equity market conditions for junior exploration companies and the importance of properly managing the treasury. Future exploration programs will continue to be guided by results and prospectivity.

Following confirmation of the initial indicated resource of 1.3 million ounces at 1.84 g/t at GSS on Block 14 (plus the additional inferred resource of 400,000 ounces at 1.9 g/t), Orca's work is now focusing on exploration of extensions to the resource through drilling and geophysics and on targets within a 5km radius of the resource. In addition, hydrological studies are continuing. This work is designed to further enhance the prospectivity of Block 14 and support the decision to make the third and last option payment to Meyas Nub (see "Liquidity and Capital Resources" section of the MD&A) in September 2014.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

Orca Gold Inc.

Consolidated Financial Statements

For the year ended December 31, 2013

INDEPENDENT AUDITORS’ REPORT

To the Shareholders of
Orca Gold Inc.

We have audited the accompanying consolidated financial statements of **Orca Gold Inc.**, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Orca Gold Inc.** as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada,
April 29, 2014.

Chartered Accountants

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

	December 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash	$ 47,958,645	$ 5,412,998
Receivables and other assets (Note 7)	366,043	208,331
Deferred transaction costs	-	273,544
	48,324,688	5,894,873
Equipment (Note 8)	1,470,595	1,287,472
Mineral properties (Note 9)	4,138,399	7,603,538
	$ 53,933,682	$ 14,785,883
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,367,821	$ 1,508,315
	3,367,821	1,508,315
EQUITY		
Equity attributed to common shareholders		
Share capital (Note 10)	82,739,268	22,869,280
Contributed surplus	3,352,497	-
Accumulated other comprehensive income (loss)	841,045	(11,339)
Deficit	(28,179,356)	(7,216,102)
	58,753,454	15,641,839
Non-controlling interest (Note 17)	(8,187,593)	(2,364,271)
	50,565,861	13,277,568
	$ 53,933,682	$ 14,785,883

Approved by the Board of Directors

(signed) "Robert F. Chase"
Director

(signed) "Alex Davidson"
Director

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

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

	Year ended December 31, 2013	Year ended December 31, 2012
Administration costs (Note 12)	4,368,755	304,407
Exploration and project investigation costs (Note 13)	14,710,640	8,469,144
Write-off of mineral properties (Note 9)	3,865,513	-
Write-off and loss on disposal of equipment	36,495	-
Listing expense (Note 2)	800,000	-
Foreign exchange loss (gain)	(67,874)	8,823
Interest income	(480,134)	(21,867)
Other income	(30,000)	-
Net loss for the period	$ 23,203,395	$ 8,760,507
Net loss for the period attributed to:		
Common shareholders of the Company	15,986,910	6,394,479
Non-controlling interest (Note 17)	7,216,485	2,366,028
	$ 23,203,395	$ 8,760,507
Net loss for the period	23,203,395	8,760,507
Loss (gain) on translation to presentation currency	(370,300)	54,796
Comprehensive loss for the period	$ 22,833,095	$ 8,815,303
Comprehensive loss for the period attributed to:		
Common shareholders of the Company	15,009,624	6,440,239
Non-controlling interest (Note 17)	7,823,471	2,375,064
	$ 22,833,095	$ 8,815,303
Basic and diluted loss per common share (Note 10)	$ 0.18	$0.21
Basic and diluted weighted average number of common shares outstanding	89,990,101	29,800,023

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

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

	Year ended December 31, 2013	**Year ended December 31, 2012**
Cash flows from (for) operating activities		
Net loss for the period	$ (23,203,395)	$ (8,760,507)
Add non-cash items		
Depreciation of equipment (Note 8)	388,919	229,648
Write-off of mineral properties (Note 9)	3,865,513	-
Write-off and loss on disposal of equipment	36,495	-
Listing expense (Note 2)	800,000	-
Stock-based compensation (Note 11)	2,698,358	100,000
	(15,414,110)	(8,430,859)
Changes in non-cash working capital items		
Receivables and other assets	83,553	(167,765)
Accounts payable and accrued liabilities	965,989	1,080,379
	(14,364,568)	(7,518,245)
Cash flows from (for) financing activities		
Common shares issued, net	-	19,019,055
Proceeds from exercise of stock options	168,927	-
Short-term advances from related party	-	612,146
Repayment of short-term advances to related party	-	(1,557,974)
	168,927	18,073,227
Cash flows for investing activities		
Cash acquired in Canaco acquisition (Note 2)	60,622,084	-
Payment to increase interest in MSMCL (Note 17)	(3,101,097)	-
Transaction costs paid on acquisition of Canaco (Note 2)	(387,160)	(57,640)
Net cash used in acquisition of Ghazal	-	(538,635)
Acquisition of option to earn interest in exploration license	-	(3,725,266)
Purchase of equipment	(456,625)	(859,456)
Proceeds from disposal of equipment	1,088	-
	56,678,290	(5,180,997)
Foreign exchange on cash	62,998	(70,672)
Increase in cash	42,545,647	5,303,313
Cash, beginning of period	5,412,998	109,685
Cash, end of period	$ 47,958,645	$ 5,412,998

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

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

	Number of Shares Issued and Outstanding (Note 10)	Equity Attributed to Common Shareholders: Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total	Non-controlling Interest	Total
Balance January 1, 2013	39,528,245	22,869,280	-	(11,339)	(7,216,102)	15,641,839	(2,364,271)	13,277,568
Existing shares of Orca (Note 2)	67,305,879	59,318,661	1,036,539	-	-	60,355,200	-	60,355,200
Exercise of stock options (Note 11)	571,666	551,327	(382,400)	-	-	168,927	-	168,927
Stock-based compensation expense	-	-	2,698,358	-	-	2,698,358	-	2,698,358
Increase in proportionate shareholding in MSMCL (Note 17)	-	-	-	(124,902)	(4,976,344)	(5,101,246)	2,000,149	(3,101,097)
Net loss for the period	-	-	-	-	(15,986,910)	(15,986,910)	(7,216,485)	(23,203,395)
Gain (loss) on translation to presentation currency	-	-	-	977,286	-	977,286	(606,986)	370,300
Balance December 31, 2013	**107,405,790**	**$ 82,739,268**	**$ 3,352,497**	**$ 841,045**	**$ (28,179,356)**	**$ 58,753,454**	**$ (8,187,593)**	**$ 50,565,861**

	Number of Shares Issued and Outstanding (Note 10)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total	Non-controlling Interest	Total
Balance January 1, 2012	2,047,694	225	-	34,421	(821,623)	(786,977)	-	(786,977)
Proceeds from private placements	30,463,540	19,019,055	-	-	-	19,019,055	-	19,019,055
Acquisition of Ghazal	6,834,750	3,750,000	-	-	-	3,750,000	-	3,750,000
Incorporation of MSMCL Company	-	-	-	-	-	-	10,793	10,793
Stock-based compensation expense	182,261	100,000				100,000		100,000
Net loss for the period	-	-	-	-	(6,394,479)	(6,394,479)	(2,366,028)	(8,760,507)
Gain (loss) on translation to presentation currency	-	-	-	(45,760)	-	(45,760)	(9,036)	(54,796)
Balance December 31, 2012	**39,528,245**	**$ 22,869,280**	**$ -**	**$ (11,339)**	**$ (7,216,102)**	**$ 15,641,839**	**$ (2,364,271)**	**$ 13,277,568**

The accompanying notes are an integral part of these 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 a junior exploration 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 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. On April 4, 2013, following completion of the transactions described in Note 2 below, the Company changed its name from Canaco Resources Inc. ("Canaco") to Orca and on April 9, 2013 it commenced trading on the TSX-V under the new ticker symbol "ORG.V".

The Company's significant subsidiaries are Ghazal Minerals Company Limited ("Ghazal"), Sand Metals Company Limited ("SMCL"), and Meyas Sand Minerals Company Limited ("MSMCL"), which are located and operate in the Republic of Sudan.

2. CORPORATE TRANSACTIONS AND NET ASSET ACQUISITION

On April 4, 2013, the Company closed the following transactions:

- a spinout transaction by way of a plan of arrangement (the "Spinout"). The legal form of the Spinout provided that the Company:

  a) transfer materially all of its assets and liabilities, including its Tanzanian exploration properties and related activities, to East Africa Metals Inc. ("EAM"), a newly formed wholly-owned subsidiary, except for cash and short-term investments of $60,000,000 and sufficient funds to pay certain liabilities outstanding as at April 4, 2013; and

  b) distribute all of the shares of EAM to its shareholders immediately prior to giving effect to the Acquisition;

- a share purchase agreement with Shark Minerals Inc. ("Shark") and the shareholders of Shark dated December 14, 2012 (the "Acquisition"). Under the Acquisition, the Company acquired all of the outstanding common shares of Shark, a tightly controlled private company with active exploration projects in Sudan, in exchange for the issuance of 118,584,735 of its common shares; and

- a share consolidation on the basis of one (1) new share for three (3) existing shares (the "Consolidation") resulting in issued capital of 106,834,124 common shares. As of closing of the Acquisition and Consolidation, the Company became 63% owned by its former shareholders and 37% owned by former Shark shareholders and changed its name to Orca.

As part of these transactions, the Company changed its board and senior management and the focus of its exploration activities.

Under applicable International Financial Reporting Standards ("IFRS"), the substance of the Acquisition is a reverse takeover of a non-operating company whereby Shark, the legal subsidiary, has been determined to have acquired effective control of Orca on acquisition date and to be the acquirer for accounting purposes. The transaction does not constitute a business combination as Orca prior to the Acquisition did not meet the definition of a business under IFRS. Accordingly, the Acquisition has been accounted for as an acquisition by Shark of Orca's remaining net assets following the Spinout.

In accordance with the principles of reverse takeover accounting, the Company will report the operations of Shark and its related historical comparatives as its continuing business, except for the legal capital shown in the Consolidated Statements of Shareholders' Equity and in Notes 10 and 11 below, which have been adjusted retroactively to reflect the legal capital of Orca.

The acquisition consideration deemed to have been transferred by Shark, the legal subsidiary, is in the form of equity instruments issued by Orca, the legal parent company. The acquisition date fair value of the deemed consideration was determined by reference to the fair value of the net assets acquired which are listed in the table below.

(in thousands of dollars)	As at April 4, 2013
Cash and short-term deposits	60,622
Accounts receivable	222
Listing expense *(Note)*	800
Accounts payable and accruals	(844)
Total net assets acquired	60,800

Note: Under IFRS, the Company was required to estimate the fair value of the listing expense obtained as part of the Acquisition and then expense it in the same period.

The fair value of the consideration was allocated to the deemed equity instruments, net of transaction costs of $444,800 incurred by Shark, as follows:

As at April 4, 2013 (in thousands of dollars)			
Common shares	59,763	(445)	59,318
Options (see Note 11(b))	1,037	-	1,037
	60,800	(445)	60,355

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on IFRS in effect as at December 31, 2013, including those adopted during the year ended December 31, 2013 as noted in Note 4 below. The consolidated financial statements have been prepared on a historical cost basis.

These financial statements were approved for issue by the Company's board of directors on April 29, 2014.

4. ADOPTION OF NEW ACCOUNTING POLICIES

The Company has adopted the following standards, each of which are effective for annual periods beginning on or after January 1, 2013: IFRS 13, *Fair Value Measurement;* IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine;* and amended IFRS 7, *Financial Instruments: Disclosure;* IAS 1, *Presentation of Financial Statements;* and IAS 12, *Income Taxes.*

The Company has determined that the adoption of these standards has not resulted in a material impact on its consolidated financial statements. The following is a brief summary of these new standards:

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

IFRIC 20 - Stripping in the Production Phase of a Producing Mine

IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a producing mine. Stripping activity may produce two types of benefit: inventory produced and improved access to ore. Stripping costs associated with the latter are accounted for as an addition to or enhancement of an existing asset. The former is accounted for as a current production cost in accordance with IAS 2, *Inventories*.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IFRS 7, Financial Instruments: Disclosures, IAS 1, Presentation of Financial Statements, and IAS 12, Income Taxes. IFRS 7 requires additional disclosures in relation to the transfer of financial assets, including those in with which there is continuing involvement. IAS 1 requires changes to the grouping of items in the consolidated statement of comprehensive loss. Amendments to IAS 12 provide guidelines for determining the recovery of investment properties as it relates to the accounting for deferred income taxes.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Consolidation

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

(i) Subsidiaries

Subsidiaries are entities controlled by Orca. The Company exercises control when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is often evidenced by a shareholding representing more than one half of an entity's voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated on the date that control ceases. As at December 31, 2013, the only material subsidiaries were Ghazal, SMCL, and MSMCL.

(ii) Acquisitions

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

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

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

b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

(ii) Transactions and balances

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

c) Equipment

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

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

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

Computer equipment	straight line basis over 3 to 4 years
Office furniture and equipment	straight line basis over 4 to 10 years
Vehicles and mobile equipment	straight line basis over 6 to 7 years
Field and camp equipment	straight line basis over 4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 5e).

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

d) Exploration and evaluation expenditure and mineral properties

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

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

e) Impairment of non-financial assets

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

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

f) Financial assets

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

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Available-for-sale financial assets

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

Available-for-sale financial assets are initially recognized at fair value plus transaction costs and subsequently carried at fair value. Changes in the fair value of assets classified as available-for-sale are recognized in other comprehensive income other than translation differences on monetary securities denominated in a foreign currency, which are recognized in net loss.

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

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

g) Impairment of financial assets

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

(i) Assets carried at amortized cost

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

(ii) Assets classified as available for sale

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

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

h) Cash

Cash includes cash on hand and deposits held with banks.

i) Receivables and other assets

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

j) Share capital

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

k) Payables

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

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

l) Income tax

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

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

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

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

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

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

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

m) Stock-based compensation

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

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

n) Provisions

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

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

o) New accounting pronouncements

The IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial Instruments* and IFRC 21*, Levies*.

The new standards are effective for annual periods beginning on or after January 1, 2015 and 2014, respectively, however early adoption is permitted. The Company is currently evaluating the impact that the new standards will have on its consolidated financial statements.

The following is a brief summary of these new standards:

IFRS 9, Financial Instruments

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value.

A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

IFRIC 21, Levies

IFRIC 21 addresses when an entity recognizes a liability to pay a government levy, other than income taxes, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* In the case of government levies, IFRIC 21 provides clarity that the obligating event that gives rise to the liability is the activity described in the applicable legislation which triggers the payment of the levy.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Reverse takeover accounting – The Company has accounted for the Transaction as a reverse takeover. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the Transaction. These included, among others, the determination that Shark acquired effective control of Canaco, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the listing expense.

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

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

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

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

Decommissioning and site restoration – The future obligations for site closure activities are estimated by the Company based on the laws and regulations of the countries in which it operates, with due consideration to the fact that the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the site closure activities are to be carried out. In light of the early stage of its exploration activities, the Company has determined that its closure costs as at December 31, 2013 would not be material.

7. RECEIVABLES AND OTHER ASSETS

	December 31, 2013	December 31, 2012
Deposits for capital expenditures	-	16,938
Prepaid expenses	245,173	44,453
Other	120,870	146,940
Total receivables and other assets	**366,043**	**208,331**

8. EQUIPMENT

Cost	Computer Equipment	Office Furniture and Equipment	Vehicles and Mobile Equipment	Field and Camp Equipment	Total
As at January 1, 2012	**2,369**	**10,385**	**-**	**8,757**	**21,511**
Additions	131,165	18,411	460,953	349,507	960,036
Assets acquired from Ghazal	20,487	16,234	256,665	225,626	519,012
Reclassifications	(926)	-	-	926	-
Effects of foreign exchange on translation to presentation currency	5,566	394	10,817	8,287	25,064
As at December 31, 2012	**158,661**	**45,424**	**728,435**	**593,103**	**1,525,623**
Additions	55,685	15,224	86,389	299,327	456,625
Reclassifications	13,409	-	(13,409)	-	-
Write-off and disposal of equipment	-	(4,766)	-	(77,912)	(82,678)
Effects of foreign exchange on translation to presentation currency	21,069	6,070	89,953	85,325	202,417
As at December 31, 2013	**248,824**	**61,952**	**891,368**	**899,843**	**2,101,987**
Accumulated depreciation					
As at January 1, 2012	**(178)**	**(260)**	**-**	**(547)**	**(985)**
Depreciation for the year	(30,060)	(4,388)	(84,154)	(111,046)	(229,648)
Effects of foreign exchange on translation to presentation currency	(3,375)	(89)	(1,750)	(2,304)	(7,518)
As at December 31, 2012	**(33,613)**	**(4,737)**	**(85,904)**	**(113,897)**	**(238,151)**
Depreciation for the period	(67,515)	(8,614)	(120,090)	(192,700)	(388,919)
Write-off and disposal of equipment	-	871	-	44,222	45,093
Effects of foreign exchange on translation to presentation currency	(5,692)	(1,110)	(18,652)	(23,961)	(49,415)
As at December 31, 2013	**(106,820)**	**(13,590)**	**(224,646)**	**(286,336)**	**(631,392)**
Net book amount					
As at December 31, 2012	**125,048**	**40,687**	**642,531**	**479,206**	**1,287,472**
As at December 31, 2013	**142,004**	**48,362**	**666,722**	**613,507**	**1,470,595**

9. MINERAL PROPERTIES

	Sudan		
Cost	**Northern Blocks**	**South-eastern Blocks**	**Total**
As at January 1, 2012	**26,406**	**-**	**26,406**
Mineral properties acquired in the acquisition of Ghazal	-	3,852,037	3,852,037
Acquisition of option to earn interest in exploration license (Note 17)	3,725,266	-	3,725,266
Effects of foreign exchange on translation to presentation currency	(171)	-	(171)
As at December 31, 2012	**3,751,501**	**3,852,037**	**7,603,538**
Write-off of mineral properties	(13,476)	(3,852,037)	(3,865,513)
Effects of foreign exchange on translation to presentation currency	400,374	-	400,374
As at December 31, 2013	**4,138,399**	**-**	**4,138,399**

On the basis of the Company's continuous assessment of technical results and reprioritization of its mineral projects, the Company ceased further exploration activities on its two South-eastern Blocks and one of its three Northern Blocks, and relinquished the related exploration licenses. The South-eastern mineral properties were acquired in the acquisition of Ghazal in February, 2012.

As a result, the carrying values of the South-eastern Blocks and one of its three Northern Blocks were written off to $nil in the statements of loss and comprehensive loss at March 31, 2013, and September 30, 2013, respectively.

10. SHARE CAPITAL

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

As a result of the Acquisition on April 4, 2013 (see Note 2), the number of issued and outstanding shares in the Consolidated Statements of Shareholders' Equity reflects the legal capital of Orca. This change has been applied retroactively by restating Shark's issued and outstanding shares using the share exchange ratio of 2.7339 established in the Acquisition.

In addition, all share and stock option information presented in these financial statements has been adjusted retroactively to reflect the three for one reverse share split that resulted from the Consolidation on April 4, 2013 (see Note 2).

All comparative period information has been adjusted to reflect the Acquisition, and basic and diluted loss per common share has also been adjusted for the Consolidation.

The Company's issued and outstanding stock options were not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended December 31, 2013 and 2012.

11. STOCK OPTIONS

a) Stock option plan

The Company has a stock option plan (the "Plan") in which common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. Under the Plan, the total number of options outstanding at any given point in time cannot exceed 10% of the issued and outstanding common shares of the Company. Vesting and terms of the option agreement are at the discretion of the Board of Directors. Options granted after the Acquisition on April 4, 2013 have a three year life and vest in three even tranches. The first third vests immediately on the date of the grant, and the second and third tranches vest on the first and second anniversary dates of the grant, respectively.

The total stock-based compensation for the period ended December 31, 2013 was $2,698,000 (2012: $100,000). Stock-based compensation of $2,368,000 (2012 - $nil) has been allocated to Administration Expenses and $330,000 (2012 - $100,000) to Exploration Expenses for employees directly involved in exploration activities.

The unrecognized compensation cost for non-vested share options at December 31, 2013 was $1,106,000 (December 31, 2012: $nil).

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$
Options recognized on Acquisition, post Consolidation	4,815	$7.08
Granted	5,850	$0.90
Exercised	(572)	$0.30
Expired	(3,523)	$7.79
Forfeited	(150)	$0.90
Outstanding at December 31, 2013	6,420	$1.81
Exercisable at December 31, 2013	2,670	$3.08

During the year ended December 31, 2013, 5,850,000 options were granted at an exercise price of CDN $0.90 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 options granted during the year ended December 31, 2013 are as follows:

(i) Average risk-free interest rate: 1.01%
(ii) Expected life: 3 years
(iii) Expected volatility: 134.77%
(iv) Expected dividends: nil
(v) Weighted average fair value per option: $0.67

As a result of the Acquisition and the treatment of Shark as the accounting acquirer (see note 2 above), the fair value of Orca's issued and outstanding options at April 4, 2013 was also recalculated based on the following assumptions:

(i) Average risk-free interest rate: 1.01%
(ii) Expected life: 0.7 years
(iii) Expected volatility: 142.91%
(iv) Expected dividends: nil
(v) Weighted average fair value per option: $0.22

The weighted average share price at the time of stock option exercises during the year ended December 31, 2013 was CDN $0.60.

The following summarizes information about the stock options outstanding and exercisable at December 31, 2013:

	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$)
$0.90	5,666	2.30	$0.90	1,916	2.30	$0.90
$1.20 – $1.50	337	3.45	$1.22	337	3.45	$1.22
$14.52 – $14.64	417	1.92	$14.64	417	1.92	$14.64
	6,420	2.34	$1.81	2,670	2.39	$3.08

12. ADMINISTRATION COSTS

	Year ended December 31, 2013	**Year ended December 31, 2012**
Office and administration	300,025	78,676
Management and consulting fees	728,414	137,649
Salaries and benefits	473,364	-
Stock based compensation expense	2,368,227	-
Travel and promotion	330,252	37,053
Professional fees	168,473	51,029
Total administration costs	**4,368,755**	**304,407**

13. EXPLORATION AND PROJECT INVESTIGATION COSTS

Year ended December 31,		Sudan			
		Northern Blocks	South-eastern Blocks	Other	Total
2013	Drilling	6,413,967	124	-	6,414,091
	Salaries and benefits	2,771,903	162,178	210,520	3,144,601
	Stock based compensation	289,409	-	40,722	330,131
	Sampling, satellite and geological costs	1,049,529	34,677	46,334	1,130,540
	Field operation and consumables	1,315,432	28,123	30,186	1,373,741
	Exploration support and administration	630,354	25,787	58,181	714,322
	Travel and accommodation	436,076	15,238	18,152	469,466
	Geological consulting	395,046	16,157	76,863	488,066
	Permitting and licensing fees	217,291	21,019	18,453	256,763
	Depreciation	261,266	40,793	86,860	388,919
	Total exploration and project investigation costs	**13,780,273**	**344,096**	**586,271**	**14,710,640**
2012	Drilling	455,387	1,030,243	-	1,485,630
	Salaries and benefits	992,302	907,180	-	1,899,482
	Stock-based compensation expense	52,500	47,500	-	100,000
	Sampling, satellite and geological costs	1,004,996	1,182,175	-	2,187,171
	Field operation and consumables	371,088	322,521	-	693,609
	Exploration support and administration	631,442	119,125	-	750,567
	Travel and accommodation	348,769	139,186	-	487,955
	Geological consulting	302,725	128,824	-	431,549
	Permitting and licensing fees	160,055	43,478	-	203,533
	Depreciation	84,914	144,734	-	229,648
	Total exploration and project investigation costs	**4,404,178**	**4,064,966**	**-**	**8,469,144**

14. RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 31, 2013, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Sirocco Mining Inc. ("Sirocco"), Sirocco Gold CDI SARL ("SCDI"), Meyas Nub Multiactivities Company Limited ("Meyas Nub") and SinoTech (Hong Kong) Corporate Limited ("SinoTech"). Other than Meyas Nub and SinoTech, these companies are related by way of directors, officers and shareholders in common. Meyas Nub is identified as a related party as a result of its ability to exert significant influence over MSMCL through its non-controlling equity interest (Note 17). SinoTech is related by virtue of its greater than 10% shareholding in the Company. Related party transactions are recorded at the exchange amounts.

Transactions with SCDI relate to expenses that are initially paid by SCDI and subsequently charged to Orca for reimbursement in the normal course of business. The amount shown in Note 14b below represents the accounts payable balance outstanding as at December 31, 2013.

a) Services received from related parties

	Related party	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Drilling and exploration support	Meyas Nub	552,313	61,302
Geological consulting	SinoTech	53,346	-
Geological consulting	HSEC	458,043	400,029
Management fees	HSEC	40,352	50,247
Support and administration	Sirocco	358,300	-
Support and administration	Sinotech	14,000	-
Consulting related to the Canaco acquisition	HSEC	-	57,639
Total services received from related parties		**1,476,354**	**569,217**

b) Related party balances

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

	Related party	**December 31, 2013**	**December 31, 2012**
Accounts payable and accrued liabilities	Sirocco	-	(43,143)
Accounts payable and accrued liabilities	HSEC	(108,550)	(135,438)
Accounts payable and accrued liabilities	SinoTech	(24,000)	-
Receivables and other assets	HSEC	971	48,534

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 includes the Company's executive officers and vice-presidents.

The remuneration of key management personnel were as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries and management fees	362,644	-
Short term benefits	8,344	-
Stock-based compensation	1,124,302	-
Total key management compensation	**1,495,290**	**-**

15. INCOME TAX

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

	Year ended December 31, 2013	Period ended December 31, 2012
Loss before taxes	23,203,395	8,760,507
Combined Canadian federal and provincial statutory income tax rates	25.75%	25.0%
Income tax recovery based on the above rate	5,974,874	2,190,127
Losses and temporary differences for which an income tax benefit has not been recognized	(4,028,300)	(2,203,370)
Differences between Canadian and foreign tax rates	(1,244,021)	(39,007)
Non-deductible expenses	(702,553)	(29,084)
Other	-	81,334
Total income tax recovery	**-**	**-**

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

	December 31, 2013	December 31, 2012
Non-capital losses carried forward – Canada	24,911,903	290,690
Capital losses carried forward – Canada	67,589,120	-
Share issue costs – Canada	2,946,036	10,966
Other asset/resource pools – Canada	6,016,432	1,480
Cumulative exploration losses – Sudan	27,661,258	11,759,082
	129,124,749	**12,062,218**

The Canadian capital and non-capital loss carry-forwards were primarily assumed by the Company as a result of the Acquisition (Note 2). The capital loss carry-forwards have no expiration and the respective years of expiration of the non-capital loss carry-forwards are as follows:

Year of expiration	December 31, 2013
2014	238,320
2015	588,915
2026	946,533
2027	821,178
2028	971,806
2029	964,651
2030	1,762,183
2031	4,940,525
2032	4,476,464
2033	9,201,328
Total non-capital loss carry-forwards	**24,911,903**

For tax purposes, cumulative exploration losses incurred in Sudan, for which a benefit has not been recognized for tax purposes, will be capitalized upon reaching a development decision and subsequently depleted as operating costs.

16. SEGMENT INFORMATION

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

17. NON-CONTROLLING INTEREST

On March 1, 2012, Sand Metals Company Limited ("SMCL"), an indirect wholly owned subsidiary of Shark, closed a transaction whereby it acquired the right and option to a 70% interest in Meyas Sand Minerals Company Ltd. ("MSMCL"), a Sudanese company incorporated to hold an exploration license in the Republic of Sudan. Under the purchase agreement, SMCL agreed to pay the holder of the license 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 (paid)	35.0%
September 30, 2013	USD $3.0 million (paid)	52.5%
September 30, 2014	USD $3.0 million	70.0%

The agreement stipulates that SMCL would forfeit its then current interest if it does not make the required final payment on or prior to September 30, 2014. Under the agreement, SMCL has agreed to fund all exploration, development and construction costs to commercial production.

The first installment payment of USD $3.5 million, and other related transaction costs, have been attributed to the acquisition of the exploration license.

At the time of the acquisition of the original 35% interest in MSMCL, management determined that SMCL had the ability to affect the activities of and variable returns from MSMCL although SMCL held less than 50%. Accordingly, the financial statements of MSMCL were consolidated in the accounts of the Company, resulting in a 65% non-controlling interest in MSMCL.

On September 11, 2013, the non-controlling interest in MSMCL decreased from 65% to 47.5% as a result of SMCL paying the second installment of USD $3.0 million. Accordingly, the Company adjusted the carrying amounts of the controlling and non-controlling interests disclosed in its shareholders' equity to reflect the new relative ownership interests in MSMCL. The changes to the non-controlling interest for the year ended December 31, 2013, including this adjustment, are as follows:

Balance, January 1, 2013	**2,364,271**
Non-controlling interest's 65% share of MSMCL's comprehensive loss, from January 1, 2013 to September 11, 2013	5,064,856
Balance, before change in non-controlling interest in MSMCL	7,429,127
Change in the non-controlling interest in MSMCL from 65% to 47.5%	(2,000,149)
Non-controlling interest's 47.5% share of MSMCL's comprehensive loss, from September 12, 2013 to December 31, 2013	2,758,615
Balance, December 31, 2013	**8,187,593**

The impact of the change in the non-controlling interest in MSMCL includes:

- $1,878,153 for the additional portion of the non-controlling interest's cumulative net losses allocated to SMCL;
- $124,902 representing the additional portion of the non-controlling interest's accumulated other comprehensive losses allocated to SMCL; net of,
- the decrease in the non-controlling interest's amount of the share capital of MSMCL.

The Company also recognized directly in deficit the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid (i.e. USD $3.0 million).

The following is summarized financial information of MSMCL:

	December 31, 2013	December 31, 2012
Current assets	188,398	80,043
Equipment, net	685,387	296,849
Mineral properties	222,382	198,240
Current liabilities	(3,082,390)	(756,921)
Advances from SMCL	(15,245,943)	(3,455,551)
Advances from Ghazal	(379,206)	-

	Year ended December 31, 2013	Period ended December 31, 2012
Net loss for the period	12,579,661	3,640,043
Comprehensive loss for the period	13,599,697	3,653,945
Cash flows for operating activities	(10,163,677)	(2,956,446)
Cash flows from financing activities	10,560,771	3,461,363
Cash flows for investing activities	(350,175)	(476,311)

18. CAPITAL DISCLOSURES

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

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

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

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

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 1- Quoted price (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company's cash is considered to be Level 2 of the fair value hierarchy.

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2013 and 2012:

In thousands of dollars

December 31, 2013	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash	47,959	-	-	-	47,959	47,959
Deposits and other receivables	95	-	-	-	95	95
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	3,368	3,368	3,368

In thousands of dollars

December 31, 2012	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash	5,413	-	-	-	5,413	5,413
Deposits and other receivables	164	-	-	-	164	164
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	1,508	1,508	1,508

20. MANAGEMENT OF FINANCIAL RISK

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

a) Currency risk

Foreign currency risk can arise when the Company or its subsidiaries transact in currencies other than their functional currencies (Note 5b(i)).

(i) Sudanese operations

Ghazal, SMCL, and MSMCL incur costs in multiple foreign currencies and, therefore, they are exposed to foreign exchange risks arising from these transactions. A significant change in the currency exchange rates could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. Based on the approximate costs incurred in the three foreign currencies outlined below, a 10% variation in the exchange rate between these currencies and the European Euro, Ghazal, SMCL, and MSMCL's functional currency, would have resulted in the following change in costs:

		In thousands of dollars
	Percentage of total costs	**Change in costs resulting from a 10% variation in exchange rates**
Sudanese pound	36%	455
US dollar	33%	410
British pound	17%	215

As at December 31, 2013, Ghazal, SMCL, and MSMCL's only material foreign currency risk exposure is a US dollar net financial liability of an amount equivalent to approximately 1,896,000 Canadian dollars. A 10% change in the foreign exchange rate between the US dollar and the European Euro would give rise to increases/decreases of approximately 190,000 Canadian dollars in financial position/comprehensive loss.

ii) Canadian head office operations

At December 31, 2013, the Company's Canadian head office also held cash in foreign currencies and had net foreign currency financial assets. 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 position	Change in net financial position from a 10% variation in exchange rates
US dollar	664	706	71
European euro	60	88	9
British pounds	143	252	25

b) Credit risk

At December 31, 2013, the majority of the Company's cash was held through Canadian and Swiss financial institutions with high investment grade ratings.

c) Liquidity risk

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

The maturities of the Company's financial liabilities are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	3,367,820	3,367,820	-	-
Total	**3,367,820**	**3,367,820**	**-**	**-**

CORPORATE DIRECTORY

OFFICERS
Richard Clark
Chairman of the Board
L. Simon Jackson
President/Chief Executive Officer
Alessandro Bitelli
Chief Financial Officer
Hugh Stuart
Vice President - Exploration
Kathy Love
Corporate Secretary

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