



ORCA GOLD INC.

ANNUAL REPORT

For the Year Ended

December 31, 2018



Independent auditor's report

To the Shareholders of Orca Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orca Gold Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Craig McMillan.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

ORCA GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(Amounts in Canadian Dollars unless otherwise indicated)

The following management's discussion and analysis ("MD&A") of Orca Gold Inc. ("Orca" or the "Company") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The effective date of this MD&A is April 29, 2019. 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 mining company focused on the acquisition, exploration and development of mineral properties in Africa. The Company's main project is in the north of Sudan, where it holds the Block 14 exclusive prospecting license. This property is located close to the Egyptian border, 700 km north of Khartoum and 300 km west of the Red Sea. The nearest significant population centre is the town of Abu Hamad located 200 km due south of the Block 14. The Company is also advancing exploration in the Ivory Coast.

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

The license for Block 14 was originally granted to Orca's partner, Meyas Nub Multiactivities Co. Ltd. ("Meyas Nub") under a Concession Agreement dated May 19, 2010. The license is currently held by Meyas Sand Minerals Company Ltd ("MSMCL"). Sand Metals Company Ltd. ("SMCL"), a 100% owned subsidiary of Orca, and Meyas Nub own 70% and 30% of MSMCL respectively. Under the Concession Agreement, the MoM has a right to a 20% free-carried interest in any mining operation developed on Block 14. Under an agreement between SMCL and Meyas Nub, the MoM's 20% interest will come from Meyas Nub's current 30% ownership interest in MSMCL. As provided under the Concession Agreement, in March 2018, the Company successfully extended the final term of the Block 14 exploration license, to November 2018. The Company is currently in discussions with the government on permitting the development of Block 14 and extending the term of an exploration permit over an area of 1,000 km².

In addition, in January 2018, the Company was granted a water extraction permit covering an aquifer system discovered by the Company in 2017, which is located 85 km from the Company's Galat Sufar South ("GSS") deposit, in an area known as Area 5.

The Company's Mineral Reserves are associated with the GSS and Wadi Doum deposits located on Block 14. The Company announced probable reserves of 79.94Mt @ 1.11g/t for 2.85 Moz at its Block 14 project in its Feasibility Study on the Block 14 Gold Project during Q4 (news release November 8, 2018).

In Côte d'Ivoire, the Company completed its acquisition of Kinross Gold Corporation's wholly owned exploration subsidiaries, which owned the rights to the Morondo, Korokaha North, Bassawa and four exploration licence applications on October 3, 2018. The Company has advanced its exploration programme, focussed on Morondo and Korokaha North. On October 3, 2018 the Company reported an initial Inferred Resource at Morondo comprising 34.1Mt grading at 1.1 g/t for 1.206Moz of gold at 0.70g/t cut-off grade. Results from 2018 are currently being evaluated towards the planning of a new programme in 2019 for Côte d'Ivoire.

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

2018 OPERATING HIGHLIGHTS

Sudan

The Company successfully completed the Feasibility Study on its Block 14 Gold Project in Sudan (see press release November 7, 2018). The Feasibility Study reports a strong economic and production profile, summarized as follows:

- Probable reserves: 79.94Mt @ 1.11g/t for 2.86Moz
- Mine life 13.6 years
- Annual production: 228,000oz/year first 7 years; 167,000 oz/year LOM
- All in Sustaining Costs: US\$783/oz
- Pre-production capital: US\$328 million
- Sustaining capital: US\$181 million
- After tax NPV (discount rate 5%, gold price \$1,250/oz): US\$403 million

Following completion of the Feasibility Study the Company continued exploration at its Block 14 Gold Project. In January 31, 2019 the Company announced further positive drill results at GSS and Liseiwi. The geological results at GSS showed that there is a higher-grade core to the Block 14 deposit. Work at Liseiwi has also returned high grade results which may indicate the potential for a second satellite resource to complement the high grade Wadi Doum deposit. The GSS and Liseiwi results are summarized as follows:

GSS Highlights:

- GSRC830: 41m grading 7.85g/t Au
- GSRC831: 28m grading 3.68g/t Au
- GSBH056: 26m grading 3.84g/t Au (from surface)

Liseiwi Highlights:

- GSRC825: 7m at 13.03g/t Au
- GSRC818: 9m at 8.54g/t Au
- GSRC826: 24m at 1.97g/t Au

In addition to the completion of the Feasibility Study, the Company has made the following progress to advance its project in Sudan:

- The feasibility study which was submitted to the Government in November 2018 has been accepted and approved by the Ministry of Petroleum and Minerals
- The application for a formal Mining Lease covering 38km² of Block 14 has been made
- An exploration licence extension has been approved over an area of 1000km² surrounding the Mining Leases, covering the most of the prospective parts of Block 14
- Funding discussions for the development of the Block 14 Project are advancing

Côte d'Ivoire

The Company completed its acquisition from Kinross Gold Corporation ("Kinross"), of all the issued and outstanding common shares of the two wholly-owned Kinross subsidiaries located and operating in Côte d'Ivoire on October 2, 2018. The acquisition is pursuant to a share purchase agreement among Orca, a wholly-owned subsidiary of Orca and two wholly-owned subsidiaries of Kinross (see Company news release on February 1, 2017), which collectively owned and had rights to the Morondo, Korokaha North and Bassawa exploration licences, and four exploration licence applications (collectively, the "Côte d'Ivoire Exploration Assets").

Under the terms of the agreement Orca has:

- issued 10,633,169 common shares to Kinross, which were subject to a statutory hold period of four months, representing approximately 5.2% of the post-acquisition share capital of Orca;
- granted to Kinross a right to maintain a 5% equity interest in the Company through participation in Orca's future equity financings, provided that at the applicable time Kinross holds a minimum equity interest in Orca of 5%;
- granted to Kinross a two-year right of first refusal on any subsequent disposal of the Côte d'Ivoire Exploration Assets, in whole or in part, by Orca;
- granted to Kinross a right of first offer on the Côte d'Ivoire Exploration Assets to take effect upon the expiry of the two-year right of first refusal; and
- granted to Kinross a 2% net smelter return royalty on products mined and sold from the Exploration Assets.

Exploration in Côte d'Ivoire has been initially focussed on the delineation of a Mineral Resource at the Koné Prospect in the Morondo Permit. The programme has been successful in defining an initial Inferred Resource comprising 34.1Mt grading at 1.1 g/t for 1.206Moz of gold at 0.70g/t cut-off grade. A Preliminary Economic Assessment of the Resource is expected to be completed during Q2, 2019

On completion of the Koné Prospect resource drilling the exploration team moved to Korokaha North which is immediately adjacent to the east of Randgold's Nielle Mining lease. The programme has identified a broad soil anomaly in the southern part of the permit (the "Badenou Anomaly"). This anomaly complements earlier sampling on the northern part of the permit in 2009, where Red Back Mining Inc outlined several anomalous areas. Ongoing exploration at Korokaha North will focus on further defining the Badenou Anomaly and following up on Red Back's work at Kadona, where a short trenching programme by Red Back intercepted 7m at 5.17g/t Au and 28m at 0.56g/t Au.

Corporate

On May 31, 2018, the Company closed the first of two tranches of a private placement to Resolute Mining Limited ("Resolute"). The Company issued 16,182,480 common shares to a subsidiary of Resolute at a price of C\$0.675 per share for proceeds of \$10.9 million. The second tranche was closed on July 13, 2018 with Resolute subscribing for an additional 16,182,480 shares in exchange for 8,953,421 ordinary shares of Resolute. Orca paid a 5% commission on the cash proceeds received and a 5% commission in ordinary shares of Resolute on the shares the Company received to an arm's length finder in connection with the private placement.

The Company also issued a warrant (the "Special Warrant") whereby Resolute may acquire an additional 1,876,442 shares of the Company at a price of C\$0.675 per share following the issuance of 10,633,169 shares to Kinross Gold Corporation ("Kinross") on the closing of the acquisition of two wholly-owned exploration companies from Kinross (the "Kinross Deal") located and operating in Côte d'Ivoire (news release on February 1, 2017). Following the closing of the Kinross Deal on October 2, 2018 and the second tranche closing on July 13, 2018, Resolute may exercise the Special Warrant of 1,876,422 shares. The Special Warrant expired unexercised on December 3, 2018. All of the securities of the Company issued under the private placement were subject to a hold period which expired on October 1, 2018 in accordance with applicable Canadian securities laws.

Total first tranche proceeds of the private placement were allocated between the Company's share capital and warrants in accordance with the residual value method, based upon the Company's share price at the time of the closing of the private placement. Accordingly, \$10.5 million of the total \$10.9 million gross proceeds were allocated to share capital with the residual balance of \$0.4 million allocated to warrants. Share issuance costs of \$0.6 million were deducted from share capital. The warrants expired unexercised in Q4 and the residual balance of \$0.4 million was reversed to share capital.

The second tranche payment of Resolute shares was recorded as short-term investments measured at fair value as of the second closing date on July 13, 2018. There were two share sales during the year ending December 31, 2018. The remaining Resolute shares held by the Company were re-measured based on the share price and Canadian/Australian exchange rate on December 31, 2018. This resulted in an unrealized loss of \$1.2 million which was recognized in other comprehensive income.

On October 2, 2018 The Company completed its acquisition from Kinross Gold Corporation ("Kinross"), of all of the issued and outstanding common shares of the two wholly-owned Kinross subsidiaries located and operating in Côte d'Ivoire. Under the terms of the agreement The Company issued 10,633,169 common shares to Kinross, which were subject to a statutory hold period of four months, representing approximately 5.2% of the post-acquisition share capital of Orca. Based on a share price of \$0.51/share on October 2, 2018 the issued share capital was valued at \$5.4 million. The Company has treated the Kinross transaction as an asset acquisition as it purchased two Kinross companies with rights to the Morondo, Korokaha and Bassawa exploration licences, and four licence application exploration licence applications and not a business with its own employees, processes and outputs.

Warrants

During Q1, 2018 the Company's major shareholders exercised approximately 7.9 million warrants from the July 2017 private placement at a price of \$0.55 per share, for proceeds to the Company of \$4.4 million.

Share Options

On July 17, 2018 the Company granted an aggregate 6,000,000 incentive stock options to certain officers, directors and other eligible officers of the Company. The options are exercisable, subject to vesting provisions over a period of three years at a price of \$0.51 per share.

RESULTS FROM OPERATIONS

Year Ended	Dec-18	Dec-17	Dec-16
Net loss (\$000's)	17,619	20,468	12,396
Loss per share, basic and diluted (\$)	0.08	0.12	0.09
Total assets (\$000's)	24,299	11,464	15,196

As a junior mining company, Orca has no expectation of generating operating profits until it develops a commercially viable mineral deposit. During the year ended December 31, 2018, Orca incurred a net loss of \$17.6 million (2017: \$20.5 million). Exploration and project investigation costs account for approximately 74% (2017: 82%) of the net loss incurred during the period, respectively while administration expenses account for approximately 26% (2017: 18%). These costs were partially offset by interest income and a dividend received on the Company's Resolute shares during the period as well as other income. Interest income of \$138,555 (2017: \$131,048) for the year ended December 31, 2018, respectively reflects interest earned on cash held on deposit and invested in short-term money market instruments. The Company received a dividend from Resolute for \$113,623 during the year (2017: Nil).

Exploration costs are the most significant expenditure of the Company and have been expensed in accordance with its accounting policy. Detailed breakdowns of exploration costs for the year ended December 31, 2018 and 2017, are provided in the notes to the audited consolidated financial statements. Technical costs, most notably engineering and evaluation costs related to the ongoing feasibility program and exploration drilling, were the largest combined cost category and accounted for 61% of exploration costs for the year ended December 31, 2018 (2017: 71%). This cost

represents the work undertaken during the period in support of completing the Feasibility Study and the exploration campaigns undertaken at both Block 14 and Morondo, as discussed above. Exploration staff compensation costs were the second largest component of exploration costs and accounted for 25% of exploration costs for the year ended December 31, 2018 (2017: 15%) respectively. In addition, consistent with prior years, costs related to logistics and infrastructure remain high due to the remoteness of Block 14.

Excluding stock-based compensation of \$1.2 million (2017: \$0.8 million) for the year ended December 31, 2018, respectively administration costs were \$3.4 million (2017: \$2.9 million), respectively. Stock-based compensation, a non-cash cost, reflects the amortization of the estimated fair value of options over their vesting period. The calculation of the fair value of options is based to a large degree on the Company's share price and its volatility. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of Orca's shares if and when the options are exercised. On July 17, 2018 the Company granted an aggregate 6,000,000 incentive stock options to certain officers, directors and other eligible officers of the Company. 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.

No tax recovery is recognized as a result of the nature of the Company's current business activities and the lack of reasonable expectation that taxable profit will be generated by the Company in the near term.

In other comprehensive income, the Company also reported a foreign exchange translation gain of \$82,000 (2017: loss of \$71,000) for the year ended December 31, 2018, on the translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. This is principally the result of fluctuations of the Canadian dollar relative to the Euro during the respective periods. At the end of December 2018, the Resolute shares held by the Company were re-measured based on the share price and Canadian/Australian exchange rate on December 31, 2018. This resulted in an unrealized loss of \$1.2m for the year which was recognized in other comprehensive income.

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

Three Months Ended	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
Exploration costs (\$000's)	2,899	3,536	3,705	3,060	5,853	5,873	3,172	1,957
Total net loss (\$000's)	4,143	4,923	4,508	4,044	6,803	6,960	3,890	2,815
Net loss attributed to the Company's shareholders (\$000's)	3,457	4,370	3,691	3,287	5,158	5,254	2,978	2,275
Net loss per share attributed to the Company's shareholders, basic and diluted (\$)	0.02	0.02	0.02	0.02	0.03	0.04	0.03	0.02

The nature and extent of exploration activities carried out under specific work programs affect the costs incurred and loss reported in any given quarter. Over the last eight quarters, Orca has been focused on exploration in Sudan as it advanced the evaluation of Block 14 and achieved various milestones, including the substantial completion of Block 14's first preliminary economic assessment during the second quarter of 2016, the successful completion of additional hydrological studies and engineering work in support of the Revised PEA from the latter half of 2016 into the first half of 2017, a significant water drilling programme at the Area 5 aquifer, along with the commencement of the Feasibility Study and a 25,000 metre drill programme in support thereof in the third quarter of 2017. Exploration work continued during all quarters during the year with work focused at GSS for the completion of the Feasibility Study in November 2018 (see news release November 9, 2018). Drilling work was also advanced in Côte d'Ivoire at the Koné Prospect in the Morondo Exploration Permit.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2018, the Company had cash and cash equivalents of \$6.2 million, short term investments of \$6.8 million with a net working capital of \$11 million, compared to cash and cash equivalents of \$5.8 million and net working capital of \$2.6 million at December 31, 2017. On May 31, 2018 the Company closed the first of two tranches of a private placement to Resolute Mining Limited. The Company issued 16,182,480 common shares to a subsidiary

of Resolute Mining Limited at a price of C\$0.675 per share for net proceeds of \$10.3 million. The Company completed the second close of the Resolute private placement on July 13, 2018 and received 8,505,750 million Resolute shares (net of finders fees), which is expected to improve the Company's liquidity. During the year, the Company sold 2.3 million Resolute shares for cash proceeds of \$2.9 million. The Company also received a Resolute dividend of \$0.1 million during the quarter based on 6.2 million Resolute shares at a declared dividend of A\$0.02/share. The net proceeds of the private placement has been used to complete the Company's Feasibility Study on its Block 14 Gold Project in Sudan and advancing drilling work in Côte d'Ivoire.

The Company's interest in the Block 14 license was acquired on March 1, 2012 when SMCL acquired the right and option to a 70% interest in MSMCL from Meyas Nub, which was fully paid and crystalized in September 2014. Under the terms of the purchase agreement, the Company must fund all exploration, development and construction costs to commercial production.

RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 30, 2018, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Geodex Consultants Ltd. ("Geodex") and Meyas Nub Multiactivities Company Limited ("Meyas Nub"). HSEC and Geodex are related by virtue of their proprietor being a director and officer of the Company. Meyas Nub is identified as a related party as a result of its ability to exert significant influence on MSMCL through its non-controlling equity interest. Related party transactions occur and are recorded at the amounts agreed between the parties.

Services received from related parties

		Year ended December 31, 2018	Year ended December 31, 2017
	Related party		
Drilling and exploration support	Meyas Nub	93,792	382,046
Camp and field equipment	Meyas Nub	-	26,160
Geological consulting	HSEC/Geodex	239,267	223,009
Total services received from related parties		333,059	631,215

Related party balances

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

	Related party	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	Meyas Nub	-	(25,622)
Accounts payable and accrued liabilities	HSEC/Geodex	(72,576)	(181,881)

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's directors and executive officers.

The remuneration of key management personnel were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and management fees	1,148,426	716,562
Short term benefits	34,660	29,004
Directors fees	238,750	200,125
Stock-based compensation	882,440	617,365
Total key management compensation	2,304,276	1,563,056

CRITICAL ACCOUNTING ESTIMATES

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

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

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes reviews of the carrying values of mineral properties at each reporting period 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. Mineral and oil reserve and resource estimates are based on various assumptions relating to operating matters as set forth in National Instrument 43-101. Assumptions used include production costs, mining and processing recoveries, cut-off grades, marketing and sales, long-term commodity prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on pre-feasibility or feasibility study estimates or operating history. Estimates are prepared by or under the supervision of appropriately qualified persons but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs, and recoveries, among other factors

The Company has determined that no impairment of its mineral properties is required as at December 31, 2018. The Company's Mineral Resources in Sudan are associated with the GSS and Wadi Doum deposits located on Block 14.

The Company announced probable reserves of 79.94Mt @ 1.11g/t for 2.85 Moz at its Block 14 project in its Feasibility Study on the Block 14 Gold Project during Q4 supporting the carrying value of its mineral properties. The Company is currently in discussions with the government on permitting the development of Block 14 and extending the term of an exploration permit over an area of 1000 sq km.

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

Decommissioning and site restoration – The future obligations for site closure activities are estimated by the Company based on the laws and regulations of the countries in which it operates, with due consideration to the fact that the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the site closure activities are to be carried out. In light of the early stage of its exploration activities, the Company has determined that there are no closure cost obligations as at December 31, 2018.

SIGNIFICANT ACCOUNTING POLICIES

Orca follows the accounting policies described in Note 3 of the Company’s December 31, 2018 audited consolidated financial statements that were filed on Sedar on April 29, 2019.

Adoption of new accounting policy

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

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

Classification and measurement

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the new classification of the Company’s financial instruments under IFRS 9 for December 31, 2018:

	Measurement category 2017 (IAS 39)	Carrying Amount 2018 (IAS 9)
Cash	Loans and receivables	Amortized Cost
Receivables	Loans and receivables	Amortized Cost
Trade payables and accrued liabilities	Amortized Cost	Amortized Cost

De-recognition

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets

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

Impairment

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

Short term Investments

Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are designated as fair value through profit and loss unless they are irrevocably designated on an individual basis, as fair value through other comprehensive income ("FVOCI"). These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains or losses related to the investments designated as FVOCI are excluded from net earnings and are included in other comprehensive income. Upon disposal any accumulated gains or losses remain in equity.

New IFRS Pronouncements

New IFRS Pronouncements that have been issued but are not yet effective at the date of these financial statements includes IFRS 16 Leases. The Company applies new standards or interpretations in the annual period for which they are required.

Leases

In 2016 the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. The new Leases standard requires lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company has completed its assessment of the adoption of the standard and has adopted the standard effective January 1, 2019. The Company has several office leases previously treated as operating leases that will be recorded to the balance sheet by recording an asset for the use of the leased premises and corresponding obligation. The effect of the change in lease treatment is not material.

FINANCIAL INSTRUMENTS

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

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

Currency risk

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

(i) Sudanese operations

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

ii) Ivorian operations

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

iii) Canadian head office operations

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

	In thousands of dollars		
	Foreign currency cash held (in source currency)	Net financial asset (liability) position	Change in net financial position from a 10% variation in exchange rates
US dollar	7	10	1
Australian dollar	(12)	(11)	1

Credit risk

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

Liquidity risk

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

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

	In thousands of dollars			
	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	2,644	2,644	-	-
Total	2,644	2,644	-	-

Following the close of the Resolute transaction the Company has replenished its treasury with cash proceeds received of \$10.9 million during the quarter and the receipt of 8,953,421 Resolute shares as part of the second close in the third quarter. Orca paid a 5% commission on the cash proceeds received and a 5% commission in ordinary shares of Resolute on the shares the Company received to an arm's length finder in connection with the private placement.

On July 13, 2018 the Company closed the second of two tranches of a private placement to Resolute subscribing for an additional 16,182,480 shares paid by the issuance of 8,953,421 ordinary shares of Resolute. The Company paid a 5% commission in ordinary shares of Resolute on the shares the Company received to an arm's length finder in connection with the private placement. These shares are reported as short-term investments of \$6.8 million as at December 31, 2018.

Following the completion of the Company's Feasibility Study, the Company is advancing financing alternatives for the development of its Block 14 project. The company is also advancing work in Côte d'Ivoire and is expected to complete a pre-feasibility study on the Koné Prospect on its 100%-owned Morondo Gold Project in early 2019.

While the Company believes that it will be able to settle its commitments and liabilities in the normal course of business, as they fall due during the next 12 months, as an exploration and development stage company with no current sources of revenues, the Company is dependent on its ability to raise funds to support the ongoing advancement of its mineral properties and corporate activities

OUTSTANDING SHARE DATA

As at April 29 2019, the Company had 210,960,569 common shares outstanding, 10,725,000 share options outstanding under its stock-based incentive plan and 10,714,000 share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. The material risks and uncertainties, should be taken into account in assessing the Companies activities are described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF"). Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

OUTLOOK

The Company continues its exploration and development in Sudan and Côte d'Ivoire. In Sudan the Company has started early works at Block 14 including:

- Airstrip design and permitting
- Lycopodium has commenced detailed engineering works on long lead items; mills, crusher and generation plant
- Project financing options are advancing

The Company achieved successful results at Morondo and the discovery of a broad soil anomaly in the highly prospective Korokaha North Permit, which is located close to Randgold's Tongon Mine (15kms). The Company's plan is to systematically work through the extensive property portfolio in Côte d'Ivoire to continue to add value for Orca shareholders.

Subsequent Event

On February 5, 2019, 5.7 million incentive stock options at \$0.27 per share and 300,000 incentive stock options at \$0.32 per share held by certain officers, directors and other eligible persons were exercised. This resulted in proceeds of \$1.6 million to the Company. Of the total 6.0 million options exercised, 4.6 million shares were purchased from the optionees by a main shareholder for a price of \$0.46 per share.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and contained herein are forward-looking information or forward-looking statements within the meaning of applicable Canadian securities laws, including statements regarding Orca's (the "Company", the "Corporation", "we" or "our") plans and expectations relating to the Block 14 Gold Project ("Block 14") in northern Sudan, the Feasibility Study on the Block 14 Gold Project ("FS") as reported by the Corporation on November 9, 2018 (with an effective date of November 7, 2018) and its exploration assets in Côte d'Ivoire. Such forward-looking information or forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralisation that will be encountered if the property is developed. The assumptions, risks and uncertainties outlined below are non-exhaustive. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Corporation or its properties and projects may vary materially from those described herein.

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

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

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, known and unknown risks, uncertainties and other factors relating to the Forward-Looking Factors above, and those factors disclosed under the heading "Risk Factors" in the Corporation's most recent Annual Information Form available at <http://www.sedar.com> and the Corporation's other continuous disclosure documents filed from time to time with the securities regulators in the provinces of Canada.

In addition, a number of other factors could cause the actual results, performance or achievements of the Corporation to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information, and there is no assurance that the actual results, performance or achievements of the Corporation will be consistent with them. Although the Corporation has attempted to identify important factors that could cause actual actions, events, results, performance or achievements to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events, results, performance or achievements not to be as anticipated, estimated or intended.

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

Orca Gold Inc.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,166,640	\$ 5,792,695
Short-term investments (Note 5)	6,830,144	-
Receivables and other assets (Note 6)	610,190	460,520
	<u>13,606,974</u>	<u>6,253,215</u>
Equipment (Note 7)	851,685	953,686
Mineral properties (Note 8)	9,840,101	4,257,433
	<u>\$ 24,298,760</u>	<u>\$ 11,464,334</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,644,149	\$ 3,632,432
EQUITY		
Equity attributed to common shareholders		
Share capital (Note 9)	131,083,057	99,532,458
Warrants (Note 9)	513,035	959,816
Contributed surplus	7,529,578	6,116,654
Accumulated other comprehensive income	755,757	1,097,683
Deficit	<u>(95,564,195)</u>	<u>(80,760,026)</u>
	44,317,232	26,946,584
Non-controlling interest (Note 16)	<u>(22,662,621)</u>	<u>(19,114,682)</u>
	<u>21,654,611</u>	<u>7,831,902</u>
	<u>\$ 24,298,760</u>	<u>\$ 11,464,334</u>
Subsequent event (Note 20)		

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 Loss and Comprehensive Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated)

	Year ended December 31, 2018	Year ended December 31, 2017
Administration costs (Note 11)	\$ 4,638,338	\$ 3,632,889
Exploration and project investigation costs (Note 12)	13,199,958	16,854,589
Foreign exchange loss	49,003	111,768
Interest income	(138,555)	(131,048)
Other Income	(129,901)	-
Net loss for the year	<u>\$ 17,618,843</u>	<u>\$ 20,468,198</u>
Net loss for the year attributed to:		
Common shareholders of the Company	\$ 14,804,170	\$ 15,664,946
Non-controlling interest (Note 16)	2,814,673	4,803,252
	<u>\$ 17,618,843</u>	<u>\$ 20,468,198</u>
Net loss for the year	\$ 17,618,843	\$ 20,468,198
Items that may be subsequently reclassified to net loss:		
Gain (loss) on translation to presentation currency	(81,801)	71,459
Loss on Investment	1,156,992	-
Comprehensive loss for the year	<u>\$ 18,694,034</u>	<u>\$ 20,539,657</u>
Comprehensive loss for the year attributed to:		
Common shareholders of the Company	\$ 15,146,095	\$ 14,854,046
Non-controlling interest (Note 16)	3,547,939	5,685,611
	<u>\$ 18,694,034</u>	<u>\$ 20,539,657</u>
Basic and diluted loss per common share	<u>\$ 0.08</u>	<u>\$ 0.12</u>
Basic and diluted weighted average number of shares outstanding	<u>179,840,684</u>	<u>131,977,750</u>

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

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

	Year ended December 31, 2018	Year ended December 31, 2017
Cash flows from (for) operating activities		
Net loss for the year	\$ (17,618,843)	\$ (20,468,198)
Add non-cash items		
Depreciation of equipment (Note 7)	342,374	330,434
Stock-based compensation expense (Note 10a)	1,435,869	883,518
Interest income on short-term investments	-	(35,565)
	<u>(15,840,600)</u>	<u>(19,289,811)</u>
Changes in non-cash working capital items		
Receivables and other assets	(140,126)	(207,015)
Accounts payable and accrued liabilities	(1,092,057)	328,865
	<u>(17,072,783)</u>	<u>(19,167,961)</u>
Cash flows from (for) investing activities		
Purchase of equipment	(207,335)	(719,361)
Redemption of short-term investments, net	2,960,124	5,177,190
	<u>2,752,789</u>	<u>4,457,829</u>
Cash flows from financing activities		
Net proceeds from private placement (Note 9)	10,250,397	14,367,785
Net proceeds from exercise of stock options	40,500	1,032,000
Net proceeds from warrant exercises (Note 9)	4,419,800	-
	<u>14,710,697</u>	<u>15,399,785</u>
Foreign exchange on cash and cash equivalents	<u>(16,758)</u>	<u>(182,053)</u>
Increase (decrease) in cash and cash equivalents	373,945	507,600
Cash and cash equivalents, beginning of year	5,792,695	5,285,095
Cash and cash equivalents, end of year	<u>\$ 6,166,640</u>	<u>\$ 5,792,695</u>
Supplemental information		
Interest received	<u>\$ 138,555</u>	<u>\$ 95,483</u>

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

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

	Number of Shares Issued and Outstanding	Equity Attributed to Common Shareholders						Non-controlling Interest	Total
		Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total		
Balance January 1, 2018	153,476,440	\$ 99,532,458	\$ 959,816	\$ 6,116,654	\$ 1,097,682	\$ (80,760,026)	\$ 26,946,584	\$ (19,114,682)	\$ 7,831,902
Stock-based compensation expense (Note 10a)	-	-	-	1,435,869	-	-	1,435,869	-	1,435,869
Proceeds from private placement (Note 8)	32,364,960	\$ 20,802,192	-	-	-	-	\$ 20,802,192	-	20,802,192
Share issuance to Kinross Gold Corporation (Note 9)	10,633,169	\$ 5,413,818	-	-	-	-	\$ 5,413,818	-	5,413,818
Exercise of stock Options	150,000	63,445	-	(22,945)	-	-	40,500	-	40,500
Exercise of warrants	8,036,000	4,866,581	(446,781)	-	-	-	4,419,800	-	4,419,800
Expiration of warrants	-	404,563	-	-	-	-	404,563	-	404,563
Net loss for the year	-	-	-	-	-	(14,804,169)	(14,804,169)	(2,814,673)	(17,618,842)
Gain (loss) on translation to presentation currency	-	-	-	-	815,067	-	815,067	(733,266)	81,801
Loss on Investment	-	-	-	-	(1,156,992)	-	(1,156,992)	-	(1,156,992)
Balance December 31, 2018	204,660,569	\$ 131,083,057	\$ 513,035	\$ 7,529,578	\$ 755,757	\$ (95,564,195)	\$ 44,317,232	\$ (22,662,621)	\$ 21,654,611
Balance January 1, 2017	113,288,143	\$ 84,570,738	\$ -	\$ 5,754,887	\$ 286,782	\$ (65,095,080)	\$ 25,517,327	\$ (13,429,071)	\$ 12,088,256
Stock-based compensation expense (Note 10a)	-	-	-	883,518	-	-	883,518	-	883,518
Proceeds from private placement (Note 8)	37,500,000	13,997,950	1,002,050	-	-	-	15,000,000	-	15,000,000
Share issuance costs (Note 8)	-	(589,981)	(42,234)	-	-	-	(632,215)	-	(632,215)
Exercise of stock Options	2,688,297	1,553,751	-	(521,751)	-	-	1,032,000	-	1,032,000
Net loss for the year	-	-	-	-	-	(15,664,946)	(15,664,946)	(4,803,252)	(20,468,198)
Gain (loss) on translation to presentation currency	-	-	-	-	810,900	-	810,900	(882,359)	(71,459)
Balance December 31, 2017	153,476,440	\$ 99,532,458	\$ 959,816	\$ 6,116,654	\$ 1,097,682	\$ (80,760,026)	\$ 26,946,584	\$ (19,114,682)	\$ 7,831,902

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

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

1. NATURE OF OPERATIONS

Orca Gold Inc. ("Orca" or the "Company") is a resource company engaged in the acquisition, exploration and development of mineral properties in Africa. As an exploration-stage company with no current sources of revenues, it is dependent on its ability to raise funds through the equity markets, other external corporate investments or debt to support its future activities. Orca is a public company listed on the TSX-V and trades under the symbol "ORG.V".

Orca was incorporated under the Business Corporations Act (British Columbia) on January 13, 1987 and its registered office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3. The Company's significant subsidiaries are Sand Metals Company Limited ("SMCL") and Meyas Sand Minerals Company Limited ("MSMCL"), which are located and operate in the Republic of the Sudan, and Orca Gold CDI S.A.R.L ("OGCDI"), Shark Minerals CDI S.a.r.l and Hammerhead Resources CDI, which are located and operate in the Ivory Coast.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis.

These financial statements were approved for issue by Orca's board of directors on April 29, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Consolidation

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

(i) Subsidiaries

Subsidiaries are entities controlled by Orca. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power, directly or indirectly, to govern the financial and operating policies of that investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company. As at December 31, 2018, the only material subsidiaries were SMCL, MSMCL, and OGCDI, Shark Minerals CDI S.a.r.l and Hammerhead Resources CDI.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

(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 SMCL and MSMCL is the Euro, OGCDI is the West African Franc and that of Shark Minerals CDI S.a.r.l and Hammerhead Resources CDI is the Canadian dollar. 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

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

such transactions and from changes in the translation rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss within the consolidated statement of comprehensive loss.

c) Equipment

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

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

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

Computer equipment	straight line basis over 2 to 4 years
Office furniture and equipment	straight line basis over 4 to 10 years
Vehicles and mobile equipment	straight line basis over 6 to 7 years
Field and camp equipment	straight line basis over 4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3e).

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

d) Exploration and evaluation expenditure and mineral properties

Exploration and evaluation expenditures comprise of 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 expenditures 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 the technical feasibility and commercial viability of extracting a mineral resource deposit are demonstrable. Once a mineral property's technical and economic potential is demonstrable, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets they relate to. These costs include further exploration, costs of maintaining the site until commercial production, mine planning costs, and other development and infrastructure costs. Once a mineral property's technical and economic potential is demonstrable an impairment test on the asset is completed. The impairment test is performed under the Company's impairment of non-financial assets policy.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

e) Impairment of non-financial assets

At each reporting period, the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of earnings during the period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

Reversals of impairment are assessed at each reporting period where there is an indication that an impairment loss recognized previously may no longer exist or has decreased. If an impairment reversal indicator exists, the recoverable amount is calculated. If the recoverable amount exceeds the carrying amount, the carrying value of the asset is increased to the recoverable amount net of depreciation. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the consolidated statement of earnings in the period it is determined.

f) Financial instruments

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Non-derivative financial instruments

Non-derivative financial instruments are recognized initially at fair value plus attributable transaction costs, where applicable for financial instruments not classified as fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below.

Amortized cost

Trade and other receivables and fixed rate investments are classified as and measured at amortized cost using the effective interest rate method, less impairment losses, if any. Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. Cash is classified as a financial asset that is subsequently measured at amortized cost

Financial assets at fair value through other comprehensive income

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

The Company's investments in equity marketable securities are designated as financial assets at fair value through other comprehensive income and are recorded at fair value on the trade date with directly attributable transaction costs included in the recorded amount. Subsequent changes in fair value are recognized in other comprehensive income.

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss.

Non-derivative financial liabilities

Accounts payable, accrued liabilities, senior notes, and borrowings under the credit facility are accounted for at amortized cost, using the effective interest rate method.

g) Impairment of financial assets

Financial assets measured at amortized cost are reviewed for impairment at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence, that can be estimated reliably, indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment charge in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

A prior period impairment charge is reviewed for possible reversal of impairment whenever an event or change in circumstance indicates the impairment may have reversed. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying amount that would have been determined had no impairment charge been recognized in prior periods. Impairment charge reversals are recognized in the Consolidated statements of earnings.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks, including monetary instruments that may be cashed or redeemed within three months of purchase.

i) 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.

j) 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.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

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.

k) 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 the shares and stock options is recognized as an expense over their vesting period with a corresponding increase in equity.

l) 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.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

ADOPTION OF NEW ACCOUNTING POLICIES

Financial Instruments – IFRS 9

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 became effective for annual periods beginning on or after January 1, 2018, and replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard provides a new model for the classification and measurement of financial instruments, a single forward-looking “expected loss” impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company’s accounting policy with respect to financial liabilities is unchanged. The Company has determined that the adoption of this standard has had no impact to the recognition or measurement of financial instruments in its consolidated financial statements.

Classification and measurement

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the new classification of the Company’s financial instruments under IFRS 9 for December 31, 2017:

	Measurement category 2017 (IAS 39)	Carrying Amount 2018 (IAS 9)
Cash	Loans and receivables	Amortized Cost
Receivables	Loans and receivables	Amortized Cost
Trade payables and accrued liabilities	Amortized Cost	Amortized Cost

Short term Investments

The Company adopted the policy for equity investments during Q3, 2018. Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are recorded as fair value through profit and loss unless they are irrevocably designated on an individual basis, as fair value through other comprehensive income (“FVOCI”). These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains or losses related to the investments designated as FVOCI are excluded from net earnings and are included in other comprehensive income. Upon disposal any accumulated gains or losses remain in equity.

New IFRS Pronouncements

New IFRS Pronouncements that have been issued but are not yet effective at the date of these financial statements includes IFRS 16 Leases. The Company applies new standards or interpretations in the annual period for which they are required.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

Leases

In 2016 the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. The new Leases standard requires lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. IFRS 16 will be effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company has completed its assessment of the adoption of the standard and has adopted the standard effective January 1, 2019. The Company has several office leases previously treated as operating leases that will be recorded to the balance sheet by recording an asset for the use of the leased premises and corresponding obligation. The change in lease treatment is not material.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes reviews of the carrying values of mineral properties at each reporting period 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. Mineral and oil reserve and resource estimates are based on various assumptions relating to operating matters as set forth in National Instrument 43-101. Assumptions used include production costs, mining and processing recoveries, cut-off grades, marketing and sales, long-term commodity prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on pre-feasibility or feasibility study estimates or operating history. Estimates are prepared by or under the supervision of appropriately qualified persons but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs, and recoveries, among other factors

The Company has determined that no impairment of its mineral properties is required as at December 31, 2018. The Company's Mineral Resources in Sudan are associated with the GSS and Wadi Doum deposits located on Block 14. The Company announced probable reserves of 79.94Mt @ 1.11g/t for 2.85 Moz at its Block 14 project in its Feasibility Study on the Block 14 Gold Project during Q4 supporting the carrying value of its mineral properties. The Company is currently in discussions with the government on permitting the development of Block 14 and extending the term of an exploration permit over an area of 1000 sq km.

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

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

light of the early stage of its exploration activities, the Company has determined that there are no closure cost obligations as at December 31, 2018.

5. SHORT-TERM INVESTMENTS

The second tranche payment of Resolute shares was recorded as short-term investments measured at fair value as of the second closing date on July 13, 2018. At the end of December 31, 2018, the Company held 6.2 million Resolute shares which were re-measured based on the share price and Canadian/Australian exchange rate on December 31, 2018 resulting in short term investments of \$6.8 million. The Company sold 2.3 million shares for \$3.0 million proceeds during the year.

6. RECEIVABLES AND OTHER ASSETS

	December 31, 2018	December 31, 2017
Prepaid expenses	132,562	153,283
Fuel inventory	240,798	100,056
Other receivables	236,830	207,181
Total receivables and other assets	610,190	460,520

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

7. EQUIPMENT

Cost	Computer Equipment	Office Furniture and Equipment	Vehicles and Mobile Equipment	Field and Camp Equipment	Total
As at January 1, 2017	181,907	69,053	1,055,176	1,115,346	2,421,482
Additions	43,159	2,866	384,320	300,628	730,973
Disposals	(4,260)	-	-	-	(4,260)
Effects of foreign exchange on translation to presentation currency	11,665	4,291	74,588	76,045	166,589
As at December 31, 2017	232,471	76,210	1,514,084	1,492,019	3,314,784
Additions	24,245	12,113	82,362	88,615	207,335
Disposals	(1,868)	-	-	-	(1,868)
Effects of foreign exchange on translation to presentation currency	8,928	3,099	58,444	57,741	128,212
As at December 31, 2018	263,776	91,422	1,654,890	1,638,375	3,648,463
Accumulated depreciation					
As at January 1, 2017	(174,832)	(38,589)	(710,464)	(986,110)	(1,909,995)
Depreciation	(12,956)	(7,424)	(181,205)	(128,849)	(330,434)
Disposals	4,260	-	-	-	4,260
Effects of foreign exchange on translation to presentation currency	(10,600)	(2,552)	(48,169)	(63,608)	(124,929)
As at December 31, 2017	(194,128)	(48,565)	(939,838)	(1,178,567)	(2,361,098)
Depreciation	(25,372)	(8,755)	(191,100)	(117,147)	(342,374)
Disposals	1,868	-	-	-	1,868
Effects of foreign exchange on translation to presentation currency	(7,587)	(1,996)	(39,049)	(46,542)	(95,174)
As at December 31, 2018	(225,219)	(59,316)	(1,169,987)	(1,342,256)	(2,796,778)
Net book amount					
As at December 31, 2017	38,343	27,645	574,246	313,452	953,686
As at December 31, 2018	38,557	32,106	484,903	296,119	851,685

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

8. MINERAL PROPERTIES

Cost	Block 14	Côte d'Ivoire	Total
As at January 1, 2017	4,012,503	-	4,012,503
Effects of foreign exchange on translation to presentation currency	244,930	-	244,930
As at December 31, 2017	4,257,433	-	4,257,433
Purchase of Kinross properties	-	5,422,916	5,422,916
Effects of foreign exchange on translation to presentation currency	159,752	-	159,752
As at December 31, 2018	4,417,185	5,422,916	9,840,101

The Company's mineral project in Sudan as at December 31, 2018 is Block 14, located in the northern part of the Republic of Sudan. The Block 14 mineral project consists of mineral exploration lands and an additional water exploration area.

On October 2, 2018, the Company completed its acquisition from Kinross Gold Corporation ("Kinross"), of all of the issued and outstanding common shares of two wholly-owned Kinross subsidiaries located in Côte d'Ivoire. Under the terms of the agreement the Company issued 10,633,169 common shares to Kinross, which are subject to a statutory hold period of four months, representing approximately 5.2% of the post-acquisition share capital of Orca. Based on a share price of \$0.51/share on October 2, 2018 the acquisition cost was \$5.4 million. The Company has treated the Kinross transaction as an asset acquisition as it purchased two Kinross companies with rights to the Morondo, Korokaha North and Bassawa exploration licences and four application exploration licences and not a business with its own employees, processes and outputs.

9. SHARE CAPITAL

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

The Company's issued and outstanding stock options were not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended December 31, 2018.

On May 31, 2018 the Company closed the first of two tranches of a private placement to Resolute Mining Limited ("Resolute"). The Company issued 16,182,480 common shares to a subsidiary of Resolute at a price of C\$0.675 per share for cash proceeds of \$10.9 million. The Company paid a 5% commission on the cash proceeds received.

On July 13, 2018 the Company closed the second of two tranches of a private placement to Resolute subscribing for an additional 16,182,480 shares which were issued in exchange for 8,953,421 ordinary shares of Resolute. The Company paid a 5% commission in ordinary shares of Resolute on the shares the Company received to an arm's length finder in connection with the private placement.

The Company also issued a warrant (the "Special Warrant") whereby Resolute may acquire an additional 1,876,442 shares of the Company at a price of C\$0.675 per share following the issuance of 10,633,169 shares to Kinross on the closing of the acquisition of two exploration companies from Kinross (the "Kinross Deal") located in Côte d'Ivoire. Following the closing of the Kinross Deal on October 2, 2018 and the Resolute second tranche private placement closing on July 13, 2018, Resolute may exercise the Special Warrant. The Special Warrant expired unexercised on December 3, 2018. All of the securities of the Company issued under the

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

private placement were subject to a hold period which expired on October 1, 2018 in accordance with applicable Canadian securities laws.

On October 2, 2018 the Company completed the Kinross Deal. Under the terms of the agreement The Company issued 10,633,169 common shares to Kinross, which were subject to a statutory hold period of four months, representing approximately 5.2% of the post-acquisition share capital of Orca. Based on a share price of \$0.51/share on October 2, 2018 the issued share capital was valued at \$5.4 million.

WARRANTS

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

	Number of shares (In thousands)	Weighted average exercise price CDN\$
Outstanding at January 1, 2017	-	-
Granted	18,750	\$0.55
Outstanding at December 31, 2017	18,750	\$0.55
Resolute Special Warrant Granted	1,876	\$0.675
Resolute Special Warrant Expired	(1,876)	\$0.675
Exercised	(8,036)	\$0.55
Outstanding at December 31, 2018	10,714	\$0.55
Exercisable at December 31, 2018	10,714	\$0.55

As at December 30, 2018, the exercisable warrants had a weighted average remaining contractual life of 0.51 years.

10. STOCK OPTIONS

a) Stock option plan

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

The total stock-based compensation for the year ended December 31, 2018 was \$1.4 million (2017: \$0.9 million). For the year ended December 31, 2018, stock-based compensation of \$1.2 million (2017: \$0.8 million) has been allocated to administration costs, and \$0.2 million (2017: \$0.1 million) to exploration and project investigation costs for employees directly involved in exploration activities.

The unrecognized compensation cost for non-vested share options at December 31, 2018 was \$0.8 million (December 31, 2017: \$0.6 million).

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

b) Stock options outstanding

On July 17, 2018 the Company granted an aggregate 6.0 million incentive stock options to certain officers, directors and other eligible officers of the Company. The options are exercisable, subject to vesting provisions, over a period of three years at a price of \$0.51 per share. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of shares (In thousands)	Weighted average exercise price CDN\$
Outstanding at January 1, 2017	10,302	\$0.34
Granted	4,525	\$0.45
Exercised	(2,688)	\$0.38
Expired	(964)	\$0.64
Outstanding at December 31, 2017	11,175	\$0.35
Granted	6,000	\$0.51
Exercised	(150)	\$0.27
Outstanding at December 31, 2018	17,025	\$0.41
Exercisable at December 31, 2018	11,517	\$0.36

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

Exercise prices (CDN\$)	Outstanding options			Exercisable options		
	Number of options outstanding (In thousands)	Weighted average remaining contractual life (Years)	Weighted average exercise price (CDN\$)	Number of options exercisable (In thousands)	Weighted average remaining contractual life (Years)	Weighted average exercise price (CDN\$)
\$0.27	6,000	0.30	\$0.27	6,000	0.30	\$0.27
\$0.32	500	0.66	\$0.32	500	0.66	\$0.32
\$0.36	625	1.18	\$0.36	417	1.18	\$0.36
\$0.47	3,900	1.71	\$0.47	2,600	1.71	\$0.47
\$0.51	6,000	2.55	\$0.51	2,000	2.55	\$0.51
	17,025	1.46	\$0.41	11,517	1.05	\$0.36

The fair value method of accounting was applied to options granted to employees, directors and non-employees on the date of the grant using the Black Scholes option pricing model with the following weighted average assumptions:

- | | |
|---|---------|
| (i) Average risk-free interest rate: | 1.77% |
| (ii) Expected life: | 3 years |
| (iii) Expected volatility: | 82.67% |
| (iv) Expected dividends: | nil |
| (v) Weighted average fair value per option: | \$0.27 |

The weighted average share price on the exercise date for the share options exercised during the year ended December 31, 2018 was CDN \$0.60.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

11. ADMINISTRATION COSTS

	Year ended December 31, 2018	Year ended December 31, 2017
Depreciation	2,299	2,680
Management and consulting fees	1,233,239	730,647
Office and administration	357,746	353,438
Professional fees	221,333	208,643
Salaries and benefits	679,397	816,367
Stock based compensation expense (Note 10a)	1,221,164	775,424
Travel and promotion	923,160	745,690
Total administration costs	4,638,338	3,632,889

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

12. EXPLORATION AND PROJECT INVESTIGATION COSTS

Year ended December 31,		Sudan (Block 14)	Côte d'Ivoire	Other	Total
2018	Depreciation	334,859	5,214	-	340,073
	Drilling	3,026,653	1,840,717	-	4,867,370
	Exploration support and administration	349,883	160,450	-	510,333
	Field operation and consumables	849,612	198,985	-	1,048,597
	Geological consulting	213,288	37,151	-	250,439
	Permitting and licensing fees	80,999	5,939	-	86,938
	Salaries and benefits	2,367,064	693,174	-	3,060,238
	Sampling, geological and other evaluation costs	2,343,058	299,681	-	2,642,739
	Stock-based compensation expense (Note 10a)	214,705	-	-	214,705
	Travel and accommodation	127,923	50,603	-	178,526
	Total exploration and project investigation costs	9,908,044	3,291,914	-	13,199,958
2017	Depreciation	300,026	-	27,728	327,754
	Drilling	7,491,330	199,956	-	7,691,286
	Exploration support and administration	513,779	60,896	76	574,751
	Field operation and consumables	1,504,753	19,618	-	1,524,371
	Geological consulting	236,415	2,061	-	238,476
	Permitting and licensing fees	86,572	13,710	-	100,282
	Salaries and benefits	2,427,310	15,722	-	2,443,032
	Sampling, geological and other evaluation costs	3,458,317	38,037	-	3,496,354
	Stock-based compensation expense	108,094	-	-	108,094
	Travel and accommodation	321,390	28,799	-	350,189
	Total exploration and project investigation costs	16,447,986	378,799	27,804	16,854,589

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

13. RELATED PARTY TRANSACTIONS

The related parties with which the Company has transacted during the year ended December 30, 2018, were Hugh Stuart Exploration Consulting Ltd. ("HSEC"), Geodex Consultants Ltd. ("Geodex") and Meyas Nub Multiactivities Company Limited ("Meyas Nub"). HSEC and Geodex are related by virtue of their proprietor being a director and officer of the Company. Meyas Nub is identified as a related party as a result of its ability to exert significant influence on MSMCL through its non-controlling equity interest (Note 16). Related party transactions occur and are recorded at the amounts agreed between the parties.

a) Services received from related parties

	Related party	Year ended December 31, 2018	Year ended December 31, 2017
Drilling and exploration support	Meyas Nub	93,792	382,046
Camp and field equipment	Meyas Nub	-	26,160
Geological consulting	HSEC/Geodex	239,267	223,009
Total services received from related parties		333,059	631,215

b) Related party balances

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

	Related party	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	Meyas Nub	-	(25,622)
Accounts payable and accrued liabilities	HSEC/Geodex	(72,576)	(181,881)

c) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's directors and executive officers.

The remuneration of key management personnel is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and management fees	1,148,426	716,562
Short term benefits	34,660	29,004
Directors fees	238,750	200,125
Stock-based compensation	882,440	617,365
Total key management compensation	2,304,276	1,563,056

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

14. INCOME TAX

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

	Year ended December 31, 2018	Year ended December 31, 2017
Loss before taxes	17,618,843	20,468,198
Combined Canadian federal and provincial statutory income tax rates	<u>27.00%</u>	<u>26.00%</u>
Income tax recovery based on the above rate	4,757,088	5,321,731
Losses and temporary differences for which an income tax benefit has not been recognized	(3,624,010)	(4,771,412)
Differences between Canadian and foreign tax rates	(1,129,975)	(1,650,981)
Non-deductible expenses	(407,336)	(244,061)
Impacts of changes in enacted tax rates	-	734,454
Impacts of changes in foreign exchange rates	404,233	610,269
Total income tax recovery	-	-

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following:

	December 31, 2018	December 31, 2017
Non-capital losses carried forward – Canada	10,667,745	9,806,155
Capital losses carried forward – Canada	9,129,268	9,124,531
Non Capital losses carried forward – United Kingdom	46,635	-
Share issue costs – Canada	390,368	163,835
Other asset/resource pools – Canada	1,624,946	1,625,403
Cumulative exploration losses – Sudan	11,335,401	9,515,262
Cumulative operating losses – Sudan	766,156	1,213,134
Cumulative operating losses – Ivory Coast	883,875	46,475
	34,844,394	31,494,795

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

The Company's Canadian capital loss carry-forwards have no expiration and the respective years of expiration of the Canadian non-capital loss carry-forwards are as follows:

Year of expiration	
2026	946,533
2027	821,178
2028	971,806
2029	964,651
2030	1,762,183
2031	4,940,525
2032	4,476,464
2033	7,558,852
2034	3,583,583
2035	5,288,437
2036	2,187,592
2037	2,812,578
2038	3,195,786
Total non-capital loss carry-forwards	39,510,168

Operating losses in Sudan may be carried forward for five years, and no benefit has been recognized for tax purposes.

The respective years of expiration of the cumulative operating losses in Sudan are as follows:

Year of expiration	
2019	836,909
2020	524,780
2021	286,508
2022	189,982
2023	350,839
Cumulative operating losses in Sudan	2,189,018

In addition, should the Company reach a development decision with respect to a mineral property, cumulative exploration losses incurred may be capitalized and subsequently depleted against the related mineral property as operating costs for tax purposes in Sudan. As at December 31, 2018, the Company's exploration losses are \$75.6 million (2017: \$63.4 million) and relate to Block 14, its sole mineral property as of that date.

Operating losses totalling \$3.6 million have accumulated in the Ivory Coast and may be carried forward for five years. These operating losses will expire by 2023, and no deferred tax asset has been recognized.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

15. SEGMENT INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in Africa. The information regarding mineral properties and exploration and project investigation costs presented in Notes 8 and 12, respectively, represent the manner in which management reviews its business performance. The Company's mineral properties and exploration and project investigation costs relate to the Block 14, located in the northern region of the Republic of Sudan and the Kinross acquired properties in Côte d'Ivoire. Materially all of the Company's administrative costs are incurred by the Canadian parent, where materially all of the Company's cash is held in the normal course of business until it is required to be deployed to the Company's operating subsidiaries in support of ongoing and planned work programs.

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

As at December 31,		Sudan (Block 14)	Côte d'Ivoire	Corporate & Other	Total
2018	Current assets	452,978	262,539	12,891,457	13,606,974
	Equipment	787,055	63,631	999	851,685
	Mineral properties	4,417,185	5,422,916	-	9,840,101
	Total Assets	5,657,218	5,749,086	12,892,456	24,298,760
	Current liabilities	2,291,882	73,434	278,835	2,644,151
2017	Current assets	217,904	39,603	5,995,708	6,253,215
	Equipment	950,389	-	3,297	953,686
	Mineral properties	4,257,433	-	-	4,257,433
	Total Assets	5,425,726	39,603	5,999,005	11,464,334
	Current liabilities	3,107,145	211,067	314,220	3,632,432

Year ended December 31,		Sudan (Block 14)	Côte d'Ivoire	Corporate & Other	Total
2018	Exploration and project investigation	9,908,044	3,291,914	-	13,199,958
	General administration and other items	38,261	(3,326)	4,383,950	4,418,885
	Net loss	9,946,305	3,288,588	4,383,950	17,618,843
2017	Exploration and project investigation	16,447,986	378,799	27,804	16,854,589
	General administration and other items	84,630	1,351	3,527,628	3,613,609
	Net loss	16,532,616	380,150	3,555,432	20,468,198

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

16. NON-CONTROLLING INTEREST

On March 1, 2012, an indirect wholly owned subsidiary of Orca, SMCL, closed a transaction whereby it acquired the right and option to a 70% interest in MSMCL, a Sudanese company incorporated to hold the Block 14 exploration license in the Republic of the Sudan. Under the purchase agreement, SMCL paid the holder of the license a total of USD \$9.5 million in three installments, in exchange for an increasing ownership interest in MSMCL, as follows:

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

Under the agreement, the Company must fund all exploration, development and construction costs to commercial production in accordance with the purchase agreement.

The changes to the non-controlling interest for the year ended December 31, 2018 are as follows:

Balance, January 1, 2017	13,429,071
Non-controlling interest's 30% share of MSMCL's net loss for the year	4,803,252
Non-controlling interest's 30% share of MSMCL's other comprehensive gain for the year on translation to presentation currency	882,359
Balance, December 31, 2017	19,114,682
Non-controlling interest's 30% share of MSMCL's net loss for the year	2,814,673
Non-controlling interest's 30% share of MSMCL's other comprehensive loss for the year on translation to presentation currency	733,266
Balance, December 31, 2018	22,662,621

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

The following is summarized financial information of MSMCL:

	December 31, 2018	December 31, 2017
Current assets	299,799	190,358
Equipment, net	688,528	730,105
Mineral properties	4,417,185	4,257,433
Current liabilities	(2,216,871)	(3,048,112)
Advances from SMCL	(74,791,527)	(61,921,111)
Advances from another wholly owned subsidiary of Orca	(412,155)	(397,248)
	Year ended December 31, 2018	Year ended December 31, 2017
Net loss	9,382,243	16,010,840
Comprehensive loss (income)	11,826,464	18,952,037
Cash flows for operating activities	(10,198,985)	(15,881,696)
Cash flows from financing activities	10,342,181	16,603,186
Cash flows for investing activities	(139,726)	(727,279)

17. CAPITAL DISCLOSURES

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

In the management of capital, the Company considers its capital resources to be the shareholders' equity, existing cash resources and short-term investments, if any.

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.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The Company's cash equivalents, if any, are considered to be Level 2 of the fair value hierarchy.

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2018 and 2017:

	2018				2017			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets								
Cash and cash equivalents	-	6,292	-	6,292	-	5,793	-	5,793
Other receivables	-	125	-	125	-	207	-	207
Short term investments	6,830	-	-	6,830	-	-	-	-
Financial liabilities								
Accounts payable and accrued liabilities	-	2,644	-	2,644	-	3,632	-	3,932

19. MANAGEMENT OF FINANCIAL RISK

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

a) Currency risk

Foreign currency risk can arise when the Company or its subsidiaries transact in currencies other than their functional currencies (Note 3b(i)).

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

(i) Sudanese operations

As at December 31, 2018, the Company's Sudanese operating subsidiaries' largest foreign currency risk exposure was a net financial liability denominated in British pounds of an amount equivalent to approximately 0.3 million Canadian dollars. A 10% change in the foreign exchange rate between the British pound and the European Euro would give rise to increases/decreases of approximately 30,000 Canadian dollars in financial position/comprehensive loss.

(i) Ivorian operations

As at December 31, 2018, the Company's Ivorian operating subsidiary's largest foreign currency risk exposure was a net financial liability denominated in US dollars of an amount equivalent to approximately 0.2 million Canadian dollars. A 10% change in the foreign exchange rate between the US dollar and the European Euro would give rise to increases/decreases of approximately 20,000 Canadian dollars in financial position/comprehensive loss.

ii) Canadian head office operations

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

			In thousands of dollars
Foreign currency cash held (in source currency)	Net financial asset (liability) position	Change in net financial position from a 10% variation in exchange rates	
US dollar	7	10	1
Australian dollars	(12)	(11)	1

b) Credit risk

At December 31, 2018, the majority of the Company's cash was held through Canadian institutions with investment grade ratings.

Orca Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(All amounts expressed in Canadian Dollars, unless otherwise indicated)
(Unaudited)

c) Liquidity risk

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

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

	In thousands of dollars			
	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	2,644	2,644	-	-
Total	2,644	2,644	-	-

While the Company believes that it will be able to settle its commitments and liabilities in the normal course of business, as they fall due, during the next 12 months, as an exploration-stage company with no current sources of revenues, the Company is dependent on its ability to raise funds to support the ongoing advancement of its mineral properties and corporate activities. Accordingly, the Company anticipates the need for further funding to support a planned exploration program at its operations in Sudan and Côte d'Ivoire. The Company continuously evaluates potential additional sources of financing for its exploration program and operations. Historically, capital requirements have been primarily funded through equity financing, and proceeds received through the exercise of stock options and share purchase warrants (Note 20). Factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global gold markets. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

20. SUBSEQUENT EVENT

On February 5, 2019, 5.7 million incentive stock options at \$0.27 per share and 300,000 incentive stock options at \$0.32 per share held by certain officers, directors and other eligible persons were exercised. This resulted in proceeds of \$1.6 million to the Company. Of the total 6.0 million options exercised, 4.6 million shares were purchased from the optionees by a main shareholder for a price of \$0.46 per share.



CORPORATE DIRECTORY

OFFICERS

Alexander Davidson
Chairman of the Board
Richard P. Clark
Chief Executive Officer
Hugh Stuart
President
Glenn Kondo
Chief Financial Officer
Kevin Ross
Chief Operating Officer
Dr. Karamo NM Sonko
Chief Strategist, African Affairs
Kathy Love
Corporate Secretary

DIRECTORS

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

AUDITORS

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada

LEGAL COUNSEL

Blake Cassels & Graydon LLP
Vancouver, British Columbia, Canada

CORPORATE OFFICE

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

REGISTERED OFFICE

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

RECORDS OFFICE

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

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, British Columbia
Canada

SHARE LISTING

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