INCA ONE GOLD CORP.

Consolidated Financial Statements
For the Years Ended April 30, 2018 and 2017
(Expressed in Canadian Dollars)

Independent Auditor's Report

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To the Shareholders of
Inca One Gold Corp.

We have audited the accompanying consolidated financial statements of Inca One Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2018 and 2017, the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Inca One Gold Corp. as at April 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $4,049,362 and negative cash flows from operations of $3,039,379 for the year ended April 30, 2018. As at April 30, 2018, the Company had an accumulated deficit of $29,545,750. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Vancouver, Canada
July 31, 2018

Chartered Professional Accountants

INCA ONE GOLD CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	**April 30, 2018**	April 30, 2017
		$	$
Assets			
Current:			
Cash		**342,510**	51,893
Receivables	5	**1,173,647**	1,000,186
Prepaid expenses and deposits	6	**779,123**	867,556
Inventory	7	**3,175,245**	784,550
		5,470,525	2,704,185
Property, plant and equipment	8	**6,665,741**	6,903,269
Total assets		**12,136,266**	9,607,454
Liabilities			
Current:			
Accounts payable and accrued liabilities	9	**2,722,579**	2,239,564
Promissory notes payable	10	**-**	163,800
Secured debentures	11	**385,080**	-
Derivative financial liability	16	**-**	1,011,291
Deferred revenue	16	**1,366,500**	
		4,474,159	3,414,655
Secured debentures	11	**1,519,640**	2,772,000
Mineral notes	12	**62,415**	66,234
Derivative financial liability	16	**1,250,733**	-
Asset retirement provision	13	**746,228**	605,968
		8,053,175	6,858,857
Shareholders' Equity			
Share capital	14	**26,114,352**	22,432,969
Equity reserves	14	**7,704,732**	5,523,225
Accumulated other comprehensive income		**(190,243)**	288,791
Deficit		**(29,545,750)**	(25,496,388)
		4,083,091	2,748,597
Total liabilities and shareholders' equity		**12,136,266**	9,607,454

Nature of operations and going concern (note 1)
Commitments (note 16)
Subsequent events (note 4, 23)

Approved on behalf of the Board of Directors on July 31, 2018

"Bruce Bragagnolo"	*"Edward Kelly"*
Director	Director

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

INCA ONE GOLD CORP.

Consolidated Statements of Operations and Comprehensive Income
(Expressed in Canadian Dollars)

		Years ended April 30	
	Note	2018	2017
		$	$
Revenue		**16,900,358**	13,817,927
Cost of goods sold			
Cost of operations		**(16,382,693)**	(13,341,082)
Depreciation		**(929,053)**	(658,865)
Loss from operations		**(411,388)**	(182,020)
Corporate and administrative expenses	20	**(3,007,420)**	(2,498,282)
Operating loss		**(3,418,808)**	(2,680,302)
Reversal of prior year impairments		**347,864**	**-**
Finance and other expense	20	**(766,833)**	(916,025)
Restructuring gain, net	4, 20	**(211,585)**	608,828
Loss before income taxes for the year		**(4,049,362)**	(2,987,499)
Deferred income tax (expense) recovery		**-**	(10,223)
Net loss for the year		**(4,049,362)**	(2,997,722)
Other comprehensive income (loss):			
Foreign currency translation adjustment		**(479,034)**	(309,035)
Comprehensive loss for the year		**(4,528,396)**	(3,306,757)
Weighted average number of common shares outstanding			
Basic		90,038,250	41,487,786
Diluted		90,038,250	41,487,786
Earnings (loss) per share for the year			
Basic		**(0.04)**	(0.07)
Diluted		**(0.04)**	(0.07)

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

INCA ONE GOLD CORP.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Equity reserves						
	Common shares (note 14(b))	Amount	Stock options	Warrants	Total	Convertible debenture – equity component	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity (deficiency)
	#	$	$	$	$	$	$	$	$
Balance, April 30, 2016	**11,561,496**	**13,636,263**	**955,272**	**780,535**	**1,735,807**	**39,286**	**597,826**	**(22,498,666)**	**(6,489,484)**
Comprehensive loss for the year	-	-	-	-	-	-	(309,035)	(2,997,722)	(3,306,757)
Convertible debentures – equity portion	-	-	-	-	-	(39,286)	-	-	(39,286)
Issuance of shares on private placement, net of share issue costs	25,724,195	3,555,821	-	2,612,628	2,612,628	-	-	-	6,168,449
Shares issued for debt settlement	20,322,340	4,582,875	-	-	-	-	-	-	4,582,875
Issuance of shares on exercise of options (note 14(d))	1,629,500	575,296	(155,420)	-	(155,420)	-	-	-	419,876
Warrants issued for debt settlement	-	-	-	874,655	874,655	-	-	-	874,655
Shares issued for services (note 14(c))	78,870	82,714	-	-	-	-	-	-	82,714
Share-based payments (note 14(d))	-	-	455,555	-	455,555	-	-	-	455,555
Balance, April 30, 2017	**59,316,401**	**22,432,969**	**1,255,407**	**4,267,818**	**5,523,225**	**-**	**288,791**	**(25,496,388)**	**2,748,597**
Comprehensive loss for the year	-	-	-	-	-	-	(479,034)	(4,049,362)	(4,528,396)
Shares issued for debt settlement (note 4)	19,087,151	1,336,101	-	-	-	-	-	-	1,336,101
Warrants issued for debt settlement (note 4)	-	-	-	30,793	30,793	-	-	-	30,793
Issuance of shares on private placement, net of share issue costs (note 14(c))	68,023,000	2,345,282	-	2,034,762	2,034,762	-	-	-	4,380,044
Share-based payments (note 14(d))	-	-	115,952	-	115,952	-	-	-	115,952
Balance, April 30, 2018	**146,426,552**	**26,114,352**	**1,371,359**	**6,333,373**	**7,704,732**	**-**	**(190,243)**	**(29,545,750)**	**4,083,091**

INCA ONE GOLD CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended April 30,	
	2018	2017
Cash flows provided by (used in):	**$**	$
Operating activities:		
Net loss for the year	**(4,049,362)**	(2,997,722)
Items not involving cash:		
Depreciation	**946,656**	637,426
Share-based payments	**115,952**	455,555
Loss on sale of marketable securities	**-**	11,648
Accretion expense	**701**	92,050
Accretion of asset retirement and reclamation obligations	**41,843**	27,872
Accrued interest	**50,891**	102,592
Interest expense	**229,251**	257,457
Shares issued for services	**-**	82,714
Unrealized foreign exchange	**(141,717)**	(266,967)
Deferred income taxes	**-**	10,223
Restructuring impairments (reversals)	**(346,340)**	460,366
Loss (gain) on restructuring, net	**211,584**	(3,626,887)
Changes in non-cash operating working capital:		
Receivables	**101,444**	803,961
Prepaid expenses and deposits	**99,937**	318,092
Inventory	**(2,390,695)**	104,126
Accounts payable and accrued liabilities	**484,534**	(598,819)
Deferred revenue	**1,605,942**	652,113
	(3,039,379)	(3,474,200)
Financing activities:		
Repayments of convertible debentures	-	(652,752)
Repayments of debt on restructuring	-	(1,690,680)
Repayments of promissory notes	**(147,516)**	-
Proceeds on issuance of common shares through private placement, net of issuance costs	**4,380,044**	6,168,450
Proceeds on issuance of common shares on exercise of share options	**-**	419,875
Interest paid	**90,720**	(62,266)
	4,323,248	4,182,627
Investing activities:		
Proceeds from sale of marketable securities	**-**	75,791
Purchase of property, plant and equipment	**(979,344)**	(781,720)
	(979,344)	(705,929)
Increase in cash and cash equivalents	**304,525**	2,498
Effect of exchange rates on cash held in foreign currencies	**(13,908)**	4,260
Cash and cash equivalents, beginning of the year	**51,893**	45,135
Cash and cash equivalents, end of the year	**342,510**	51,893

Supplemental disclosure with respect to cash flows (note 22)

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Gold Corp. (formerly Inca One Resources Corp.) (the "Company") was incorporated under the laws of Canada on November 9, 2005 and was continued under the British Columbia Business Corporations Act on November 26, 2010. On September 17, 2014, the Company changed its name from Inca One Resources Corp. to Inca One Gold Corp. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol "IO", on the Frankfurt Stock Exchange under the symbol "SU9.F", and the Santiago Stock Exchange Venture under the symbol "IOCL". The head office and principal address of the Company are located at Suite 850 - 1140 West Pender Street, Vancouver, Canada, V6E 4G1 and its registered office is located at 10th Floor, 595 Howe Street, Vancouver, Canada, V6C 2T5.

Inca One is engaged in the business of developing gold-bearing mineral processing operations in Peru, to service government permitted small scale miners. In recent years the Peruvian government instituted a formalization process for informal miners as part of its efforts to regulate their activities. The Company, through its Peruvian subsidiary Chala One SAC, ("Chala One") has acquired an existing Peruvian mineral processing plant (the "Chala Plant"), which the Company successfully upgraded to 100 tonnes per day ("TPD") capacity, and began commercial production in February 2015. The Company's business plan is to source high grade gold mill feed from legally recognized Peruvian artisanal and small scale miners, purchase and process the material, and export gold concentrate or doré.

The Company continues to actively evaluate potential mineral projects, including additional mineral processing operations.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended April 30, 2018, the Company incurred a net loss of $4,049,362. As of that date the Company had a deficit of $29,545,750 and working capital of $996,366. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to fund operating and administration costs and debt and debt service costs over the year with the proceeds from gold doré sales at the Company's gold ore processing facility in Peru and where required, from debt and equity financing and proceeds from option and warrant exercises. On March 29, 2018 and on August 26, 2016, the Company restructured and settled approximately $2,700,000 and $13,500,000 (respectively) of the Company's long and short-term debt and related unpaid interest (note 4).

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian ore processing operations and its ability to raise equity capital or debt sufficient to meet current and future obligations.

These consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

(a) 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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting principles adopted are consistent with those of the previous financial year.

These consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below and were approved by the board of directors for issue on July 26, 2018.

(b) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted and include the accounts of the Company, its wholly owned subsidiaries, Inca One Metals Peru S.A. ("IO Metals"), Dynasty One S.A. ("Dynasty One") and Chala One S.A.C. ("Chala One").

Control is achieved when the Company is exposed to, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

(c) Use of Estimates and Judgments

The preparation of the Company's consolidated financial statements in accordance with IAS 1, *Presentation of Financial Statements*, requires management to make certain critical accounting estimates and to exercise judgment that affect the accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant accounting judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include but are not limited to the following:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the consolidated financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary (note 1).

(ii) Functional currency and presentation currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Inca One Gold Corp. The functional currency of Dynasty One, Chala One and IO Metals is the US dollar. Management's assessment of functional currency takes into consideration the currency that most strongly influences primary operating and capital decisions in addition to the currency in which funding requirements are met.

(iii) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(iv) Debt-holder or shareholder

Management assessed the relationship between the debt-holders and their potential shareholdings in the company, with reference to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Based on the facts of the transaction, management has concluded that the debt-holders were acting solely in their capacity as debt holders and not shareholders.

(v) Replacement debt - extinguishment versus modification

Management assessed the qualitative and quantitative factors in the debt restructuring in assessing whether the newly issued debt is an extinguishment or modification of the old debt. Based on these factors management concluded that the transaction should be treated as an extinguishment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) Contingent debenture

Management has performed an assessment of its daily production capacity against the contingent debenture criteria (note 16) in assessing whether or not a liability exists. As a result of current production levels and funding constraints to expand operations, it believes that the likelihood of reaching these milestones is low and concludes that the liability is $nil.

Significant estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

(i) Value of share-based compensation and share-purchase warrants

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, expected life and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimates and the Company's earnings and equity reserves.

Proceeds received on the sale of shares and share-purchase warrants are allocated using the residual method. Under the residual method, the Company measures first the warrant component using the Black-Scholes model (described in the previous paragraph) with the residual amount being allocated to the capital.

(ii) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(iii) Deferred Revenue

The advances related to the future sale of approximately 533 ounces of gold doré pursuant to contracts qualify as deferred revenue and represents the estimated amount (net of adjustments) that will eventually be recognized as revenue when the appropriate revenue recognition criteria are met.

(iv) Derivative financial liability

The purchase and sale contract to sell approximately 742 ounces of gold doré does not qualify for the own use exemption. As such, this is a derivative financial liability which is valued at the fair market value based on the ounce of finished gold outstanding at the spot price at the reporting date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Depreciation

Property, plant and equipment depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The expected useful lives used to compute depreciation could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, differences between estimated and actual useful lives and costs of production and differences in gold prices.

Significant judgement is involved in the estimation of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(vi) Inventory

Expenditures incurred, and depreciation of assets used in production activities are deferred and accumulated as the cost of stockpiled gold-bearing material and in process inventory and finished goods gold inventory. These deferred amounts are carried at the lower of average cost or net realizable value ("NRV") and are subject to significant measurement uncertainty.

Write-downs of stockpiled gold-bearing material and in process inventory and finished goods gold inventory resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized material grades and actual production levels.

Costs are attributed to the material in process based on current gold-bearing material purchases, including applicable depreciation and depletion relating to production operations incurred up to the point of placing the material in the leach tanks. Costs are removed from material in process based on the average cost per estimated recoverable ounce of gold in the leach tanks as the gold is recovered. Estimates of recoverable gold in the leach tanks are calculated from the quantities of material placed in the tanks, the grade of material placed in the leach tanks and an estimated percentage of recovery. Timing and ultimate recovery of gold contained in leach tanks can vary significantly from the estimates.

The quantities of recoverable gold placed in the leach tanks are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of material placed in the leach tanks to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a leach tank will not be known until the leaching process is completed.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The allocation of costs to stockpiled gold-bearing material and in process inventory and finished goods gold inventory, and the determination of NRV involve the use of estimates. There is a high degree of judgement in estimating future costs, future production level, gold prices, and the ultimate estimated recovery for material in process. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

(vii) Asset retirement and reclamation obligations

The Company assesses its asset retirement and reclamation obligation at each reporting date. Significant estimates and assumptions are made in determining the asset retirement obligation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, the area of land requiring reclamation, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates.

These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(viii)Deferred taxes

Deferred tax assets and liabilities are measured using the tax rates expected to be in effect in future periods. Management estimates these future tax rates based on information available at the period end.

(ix) Contingencies

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

(d) Foreign Currency Translation

(i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Consolidated entities

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

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at exchange rates at the dates of the transactions and where appropriate, approximated by the average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustment.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is disposed, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on disposal.

(e) Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and guaranteed investment certificates that are cashable at any time at the option of the holder.

(f) Inventory

Finished goods, work-in-process, stockpiled gold-bearing materials, and materials and supplies are measured at the lower of cost and net realizable value. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The cost of inventories is determined on a weighted average basis and includes cost of production consumables, direct labor, applicable overhead and depreciation of property, plant and equipment.

Any write-down of inventory is recognized as an expense in profit or loss in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized in profit or loss as a reduction in the amount of inventory recognized as an expense in the period in which the reversal occurs. Prior to commencement of commercial production, write-down of inventory is capitalized to property, plant and equipment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset.

The expected useful lives used to compute depreciation is as follows:

Building and facilities	20 to 30 year straight line basis
Plant equipment	10 to 20 years straight line basis
Mobile site equipment	5 to 10 years straight line basis
Furniture and office equipment	5 years declining-balance basis
Computers	3 years declining-balance basis

(h) Impairment of Non-Financial Assets

The carrying amount of the Company’s non-financial assets (which includes property, plant and equipment) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The recoverable amount of assets is the greater of an asset’s fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use (note 2(c)). Other borrowing costs are recognized as an expense in the period incurred.

(j) Convertible debentures and debenture units with warrants

Each convertible debenture or debenture unit with warrant is separated into its liability and equity components. The fair value of the liability component at the time of issue is estimated by measuring the fair value of similar liability that does not have a conversion feature. The amount allocated to the equity component (conversion or warrant feature) is determined at the time of issue as the difference between the face value of the debenture and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

(k) Assets Retirement Obligations, Contingent Liabilities and Contingent Assets

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred with a corresponding increase in the carrying value of the related assets. Discount rates using a pre‑tax, risk‑free rate that reflect the time value of money are used to calculate the net present value. The liability is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the consolidated statement of operations and comprehensive income (loss). Changes in estimates or circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates, changes to the discount rate and changes to the risk‑free interest rates.

Asset retirement obligations are determined on the basis of the best estimates of future costs, based on information available on the reporting date. Best estimates of future costs are the amount the Company would reasonably pay to settle its obligation on the closing date to transfer it to a third party on the same date. Future costs are discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability. A corresponding asset is recognized in property, plant and equipment when establishing the provision.

The provision is reviewed at each reporting date to reflect changes in the estimated outflow of resources as a result of changes in obligations or legislation, changes in the current market-based discount rate or an increase that reflects the passage of time. The accretion expense is recognized in comprehensive income as a financial expense as incurred. The cost of the related asset is adjusted to reflect changes in the reporting period. Costs of asset retirement are deducted from the provision when incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability.

The Company's common shares and share purchase warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(m) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of debts or shares or the purchase of assets. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in stock option reserves is credited to share capital, adjusted for any consideration paid. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable. Revenue includes sales of precious metal derived from the mineral processing operation. Sales of precious metals, based on spot metal prices, are recorded on delivery when rights and obligations related to the ownership are transferred to the purchaser and reasonable assurance regarding collectability of the consideration exists. Proceeds from the sale of finished goods produced prior to the date of commercial production are credited to property, plant and equipment.

(o) Loss per Share

The Company calculates basic loss per share by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants. All potential dilutive common shares are anti-dilutive for the years presented.

(p) Comprehensive Loss

Comprehensive loss consists of loss for the year and other comprehensive loss. Unrealized gains and losses on financial assets classified as available-for-sale are recorded in other comprehensive loss until the criteria for recognition in profit or loss are met.

(q) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets

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

Financial assets and liabilities at fair value through profit or loss are either held for trading for purposes of short-term profit taking or classified at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period. The Company's derivative financial liability is recorded at fair value through profit or loss.

(ii)Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company has designated its cash and receivables.

Non-derivative financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at fair value through profit or loss "FVTPL" or classified as other financial liabilities. Except for FVTPL financial liabilities where transaction costs are expensed as incurred, all financial liabilities are recognized initially at fair value less any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, promissory notes payable, secured debentures and mineral notes; which are designated as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

An impairment loss 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 assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected as an allowance against accounts receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(r) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

a) IFRS 15 - Revenue from Contracts with Customers - Establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Management does not expect any material impact as result of the application of this new standard. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

b) IFRS 9 - Financial Instruments - This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management does not expect any material impact as result of the application of this new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

c) IFRS 16 - Leases - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases that is currently required by IAS 17 Leases and, instead, introduces a single lessee accounting model. From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17.

   Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. Management does not expect any material impact as result of the application of this new standard. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

NOTE 4 – RESTRUCTURING

Debt restructuring for the year ended April 30, 2018

On March 29, 2018 the Company reached an agreement with certain debt holders to restructure a total of $2,683,887 of its debt for a combination of shares, warrants (note 14(c)) and a new debt. Under the terms of the agreements $1,083,887 was converted into 18,020,484 shares of the Company (note 14 (c)), and for the remaining balance of $1,600,000, the Company issued a new Secured Debenture (note 11). As consideration for this restructuring, the Company issued 1,066,667 shares and 1,066,667 warrants with an exercise price of $0.10 (note 14 (e)).

Subsequent to year end, the Company received final approval from TSX for this Debt Restructuring.

(Expressed in Canadian Dollars)

NOTE 4 – RESTRUCTURING (continued)

Debt restructuring for the year ended April 30, 2017

In September 2016 the Company completed a comprehensive capital restructuring (the "Restructuring") which involved: (i) negotiating with debt holders to reduce long and short term debt (the "Debt Settlement"), (ii) a private placement to provide sufficient working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company's shares.

On August 16, 2016, the Company consolidated its capital on a one-for-seven basis and effective August 19, 2016 the Company's common shares commenced trading on a consolidated basis (note 14(b)).

On August 26, 2016, the Company received approval by the TSX-V for the Debt Settlement, which converted approximately $13,500,000 of the Company's long and short term debt and related unpaid interest into shares of the Company.

The following summarizes the details of the financial liabilities extinguished after completion of the restructuring process:

	Curr.	Interest Rate	Principal and Interest	Repaid post Restruct.	Debt Settlement
		%	$	$	$
Promissory Notes Payable					
Director and Officers	CAD	20	78,674	-	78,674
Director and Officers	USD	20	442,740	62,482	380,258
Third party advances	USD	20	238,456	-	238,456
TON Mineral Loan	USD	20	594,277	583,334	10,943
TON Mineral Purchase Note	USD	12	1,021,400	86,770	934,630
Convertible Debentures	CAD	10	484,137	-	484,137
Convertible Debentures	USD	15	1,067,644	-	1,067,644
Bond Payable (1)	CAD	11	5,786,827	-	5,786,827
Debenture Units (2)	USD	14	2,277,282	1,120,942	1,156,340

(1) As result of the Restructuring Debt Settlement, the full $5,500,000 principal plus unpaid and accrued interest of $202,265 was converted partially to equity (shares and warrants - note 14) and partially to the issuance of a new Secured Debenture (note 11).

(2) As result of the Restructuring Debt Settlement, new debt instruments were issued as follows: (i) a Secured Debenture USD$300,000 (note 11) and (ii) a non-interest-bearing note USD$150,000 which was partially repaid by USD$30,000 on November 30, 2016 and with a USD$120,000 final payment on February 14, 2018 (note 10).

On August 30, 2016 and October 5, 2016, the Company closed the first and second tranches of its restructuring-related private placement for total gross proceeds of $6,342,364 and issuing 25,369,447 shares (note 14(c)).

(Expressed in Canadian Dollars)

NOTE 5 – RECEIVABLES

	April 30, 2018	April 30, 2017
	$	$
GST recoverable (Canada)	**14,384**	60,706
VAT recoverable (Peru)	**1,134,763**	895,862
Other receivable	**24,500**	43,618
	1,173,647	1,000,186

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	April 30, 2018	April 30, 2017
	$	$
Deposits with mineral suppliers	**165,855**	373,914
Other deposits and advances	**60,734**	74,844
Prepaid taxes	**284,052**	297,254
Prepaid expenses	**65,704**	121,544
Prepaid marketing services	**202,778**	-
	779,123	867,556

NOTE 7 – INVENTORY

	April 30, 2018	April 30, 2017
	$	$
Ore stockpiles and gold in process	**1,929,966**	642,086
Finished goods – gold	**1,097,969**	-
Materials and supplies	**147,310**	142,464
	3,175,245	784,550

(Expressed in Canadian Dollars)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computers	Furniture and Equipment	Total
	$	**$**	**$**	**$**
Costs:				
Balance, April 30, 2016	**6,421,448**	**22,126**	**56,834**	**6,500,408**
Additions	1,120,588	42,966	3,169	1,166,723
Foreign exchange	582,313	2,952	4,820	590,085
Balance, April 30, 2017	**8,124,349**	**68,044**	**64,823**	**8,257,216**
Additions	1,103,344	907	8,904	1,113,155
Foreign exchange	(471,615)	(3,691)	(3,547)	(478,853)
Balance, April 30, 2018	**8,756,078**	**65,260**	**70,180**	**8,891,518**
Accumulated Depreciation:				
Balance, April 30, 2016	**594,939**	**13,759**	**30,940**	**639,638**
Depreciation	620,905	9,628	6,893	637,426
Foreign exchange	72,878	1,116	2,889	76,883
Balance, April 30, 2017	**1,288,722**	**24,503**	**40,722**	**1,353,947**
Depreciation	929,927	9,833	6,896	946,656
Foreign exchange	(71,389)	(1,097)	(2,340)	(74,826)
Balance, April 30, 2018	**2,147,260**	**33,239**	**45,278**	**2,225,777**
Net Book Value:				
April 30, 2017	6,835,627	43,541	24,101	6,903,269
April 30, 2018	**6,608,818**	**32,021**	**24,902**	**6,665,741**

Capitalized Purchase, Permits, and Pre-operating Costs

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility (the "Chala Plant") in southern Peru for USD$240,000 of which USD$150,000 was paid on signing and USD$90,000 was payable once transfer of the permitted facility was complete. A finders fee of USD$40,000 and a sourcing and technical advice fee of USD$59,000, inclusive of value added taxes ("VAT") were paid in connection with the acquisition of the Chala Plant. An additional USD$59,000 (inclusive of VAT) for sourcing and technical advice was paid once the plant became operational and had processed 250 tons of gold-bearing material.

During the year ended April 30, 2017, the final permitting steps were completed and the beneficial permit was issued to the Company. The Company was required to pay an additional USD$110,000 of which USD$10,000 was paid during the year ended April 30, 2017, and the remaining USD$100,000 was paid in instalments during year ended 2018.

(Expressed in Canadian Dollars)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

Transfer of formal title was subject to a number of conditions. As part of the terms of the original purchase agreement for the Chala Plant, Inca One had an agreement between its wholly owned subsidiary, Chala One, and the seller and initial permit applicant, to operate under the umbrella of formalization until the successful completion of all the environmental and operating permits.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2018	April 30, 2017
	$	$
Trade accounts payable and accruals	**2,334,026**	1,681,225
Management, consulting and professional fees payable	**311,003**	455,747
Accrued interest	**77,550**	102,592
	2,722,579	2,239,564

Management, consulting and professional fees payable include $296,003 (April 30, 2017 - $147,835) due to related parties (note 15(c)).

NOTE 10 – PROMISSORY NOTES PAYABLE

	April 30, 2018	April 30, 2017
	$	$
Non-interest bearing notes	**-**	163,800

The non-interest bearing promissory notes payable were originally issued in the amount of USD$150,000. On November 30, 2016, the Company repaid USD$30,000. The remaining balance of USD$120,000 was paid on February 14, 2018.

NOTE 11 – SECURED DEBENTURES

	April 30, 2018	April 30, 2017
	$	$
Current Liabilities		
USD Secured Debenture (1) (USD$300,000)	**385,050**	-
Total Current Secured Debentures	**385,050**	-
Non-current Liabilities		
USD Secured Debenture (USD$300,000)	**-**	409,500
CAD Secured Debenture (2)	**1,519,640**	2,362,500
Total Non-current Secured Debentures	**1,519,640**	2,772,000

NOTE 11 – SECURED DEBENTURES (continued)

As a result of the Restructuring and Debt Settlement (note 4) the Company issued the following secured debentures:

1) On September 1, 2016, the Company issued a USD$300,000 debenture which has a 24 month term to maturity, bears interest at a rate of 11% per annum, and has general security over the assets of the Company (the "USD Secured Debenture") second in priority to the CAD Secured Debenture. Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance. Accrued interest of USD$21,879 has been included in accounts payable at April 30, 2018.

2) On March 28, 2018, the Company issued a $1,600,000 ($1,519,640 net of cost of $80,360) debenture with maturity day on September 1, 2021, bears interest at a rate of 11% per annum, and has priority security over the assets of the Company (the "CAD Secured Debenture"). Principal is due on maturity, and the Company is required to make quarterly interest payments beginning September 1, 2018. Accrued interest of $16,395 has been included in accounts payable at April 30, 2018.

NOTE 12 – MINERAL NOTES

On December 14, 2015, the Company issued USD$50,000 in secured notes, which bear interest at a rate of 12% per annum payable quarterly in arrears. The notes have a 60 months term to maturity at which time the principal balance plus all accrued and unpaid interest will be repaid to the subscriber. The Company retains the right (upon 90 days prior written notice to the affected holder) to redeem the notes in full. Accrued interest of USD$5,109 has been included in accounts payable at April 30, 2018.

NOTE 13 – ASSET RETIREMENT PROVISION

The Company's operations are governed by laws and regulations covering the protection of the environment. The Company will implement progressive measures for rehabilitation work to be carried out during the operation, closing and follow-up work upon closing of the gold processing plant; consequently, the Company accounted for its asset retirement obligations for the plant using best estimates of future costs, based on information available at the reporting date. These estimates are subject to change following modifications to laws and regulations or as new information becomes available.

(Expressed in Canadian Dollars)

NOTE 13 – ASSET RETIREMENT PROVISION (continued)

	April 30, 2018	April 30, 2017
	$	$
Beginning of year	**605,968**	308,840
Accretion	**41,843**	20,753
Unrealized foreign exchange	**(35,394)**	27,872
Change in estimate	**133,811**	248,503
	746,228	605,968

As at April 30, 2018, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is $879,018 and is projected to be disbursed over 2026. A 4.94% (2017 – 5.65%) discount rate and a 3.06% (2017 – 3.11%) inflation rate was used to evaluate this provision.

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

On August 16, 2016, the Company consolidated its share capital on a one-for-seven basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated share capital. At April 30, 2018, there were 146,426,552 shares issued and outstanding (April 30, 2017 – 59,316,401).

(c) Share Issuances

Share capital transactions for the year ended April 30, 2018, were:

- On June 12, 2017, the Company closed the first tranche of a private placement and issued 11,000,000 units (the “Units”) for gross proceeds of $1,100,000 or $0.10 per Unit. Each Unit was comprised of one common share and one-half of one transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $138,926 with the remainder allocated to common shares.

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (continued)

- On July 7, 2017, the Company closed the second tranche of a private placement and issued 1,968,000 units (the "Units") for gross proceeds of $196,800 or $0.10 per Unit. Each Unit was comprised of one common share and one-half of one transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $24,194 with the remainder allocated to common shares.

- On August 15, 2017 the Company closed the third tranche of a private placement and issued 9,055,000 units (the "Units") for gross proceeds of $905,500 of $0.10 per Unit. Each Unit was comprised of one common share and one-half of one transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $95,718 with the remainder allocated to common shares. Also, relating to the current and prior tranches, additional share issuance costs were incurred and amounted to $11,562. No finder's fee was incurred.

- On January 30, 2018 the Company closed a private placement and issued 46,000,000 units (the "Units") for gross proceeds of $2,300,000 of $0.05 per Unit. Each Unit was comprised of one common share and one transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $1,775,924 with the remainder allocated to common shares. Total share issuance costs amounted to cash finder's fees of $93,435 and other issuance costs of $16,760.

- On March 28, 2018 the Company finalized a Debt Settlement with Emerging Manager Platform (2) Ltd – Income Fund and certain other creditors. As part of the Debt Settlement, the Company issued 18,020,484 common shares valued at fair value of $0.07 per common shares for a total value of $1,083,887 (note 4). In connection with this transaction the Company issued an additional 1,066,667 shares as consideration for the debt restructuring (note 4).

Share capital transactions for the year ended April 30, 2017 were:

- During the year ended April 30, 2017, 1,629,500 common shares were issued for gross proceeds of $575,296 on the exercise of 1,379,500 stock options at $0.25 per share and 250,000 stock options at $0.30 per share. A reclassification of $155,420 from stock option reserve to share capital was recorded on the exercise of these options.

- On June 1, 2016, the Company issued 71,428 common shares valued at $75,000 to an external service provider as a settlement for outstanding balance owed to them for services.

- On June 21, 2016, the Company issued 7,442 common shares valued at $7,714 to a key Peruvian employee for services pursuant to his employment agreement.

- On August 26, 2016, the Company finalized the Debt Settlement. As part of the Debt Settlement, the Company issued 20,322,340 common shares valued at a fair value of $0.25 per common share for a total value of $4,582,875 (note 4).

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

- On August 30, 2016, the Company closed the first tranche of a private placement and issued 13,003,547 units (the "Units") for gross proceeds of $3,250,889 or $0.25 per Unit. Each Unit was comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $1,294,610, with the remainder allocated to common shares. Total share issuance costs amounted to cash finder's fees of $246,070 and finder's warrants valued at $31,421, using the Black-Scholes model.

- On October 5, 2016, the Company closed the second and final tranche of a private placement and issued 12,365,900 Units for gross proceeds of $3,091,475 or $0.25 per Unit. Each Unit was comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $1,150,729, with the remainder allocated to common shares. Total share issuance costs amounted to cash finder's fees of $28,300 and finder's warrants valued at $60,550, using the Black-Scholes model.

- On November 18, 2016, the Company issued additional shares related to the second and final tranche of a private placement and issued 354,748 Units for gross proceeds of $82,510 or $0.25 per Unit. Each Unit was comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued was $35,318, with the remainder allocated to common shares. Also, relating to the prior tranches, additional share issuance costs were incurred and amounted to cash finder's fees of $20,000.

(d) Share-based Options

The Company adopted an incentive share-based option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants of the Company, non-transferable share-based options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Share-based options will be exercisable for a period of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of twelve months after such death, subject to the expiry date of such option.

(Expressed in Canadian Dollars)

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

The following table is a reconciliation of the movement in share-based options for the period and is presented on a post consolidated basis (note 14(b)):

	Share-based Options #	Weighted Average Exercise Price $
Balance, April 30, 2016	885,857	1.58
Granted	4,710,000	0.26
Exercised	(1,629,500)	0.26
Expired/Cancelled	(653,857)	1.60
Balance, April 30, 2017	3,312,500	0.45
Granted	8,600,000	0.09
Expired/Cancelled	(1,610,572)	0.44
Balance, April 30, 2018	**10,301,928**	**0.15**

The following table summarizes the share-based options outstanding, presented on a post consolidated basis (note 14(b)), as at April 30, 2018:

Share-based Options #	Exercise Price $	Expiry Date	Vesting Provisions
208,571	1.750	May 5, 2018	Vested
1,240,500	0.250	September 21, 2018	Vested
240,000	0.300	October 12, 2018	Vested
4,000,000	0.100	August 25, 2019	Unvested
4,100,000	0.075	March 14, 2020	Unvested
12,857	3.010	July 11, 2021	Vested
500,000	0.100	August 25, 2022	Unvested
10,301,928			

As at April 30, 2018, the weighted average remaining contractual life of the share-based options was 1.53 years (2017 – 1.43 years).

During the year ended April 30, 2018, the Company recognized share-based payments of $115,952 (2017 - $455,555) for share-based options granted and vested during the period.

(Expressed in Canadian Dollars)

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

On August 25, 2017, the Company's Board of Directors authorized the granting of incentive stock options to directors, officers consultants and employees of the Company to acquire an aggregate of 4,500,000 common shares of the Company. The stock options have an exercise price of $0.10 per share, exercisable until August 25, 2019 and are subject to a vesting period of 50% in six months and 50% after one year.

On March 15, 2018, pursuant to the Company's stock option plan, the Company granted of 4,100,000 of incentive stock options to directors, officers consultants and employees of the Company. The stock options have an exercise price of $0.075 per share, exercisable until March 14, 2020 and are subject to a vesting period of 50% in six months and 50% after one year.

The fair value of stock options granted during the year ended April 30, 2018 and 2017 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2018	**2017**
Risk-free interest rate	0.73%	0.94%
Expected dividends	$nil	$nil
Expected volatility	72.57%	67.21%
Expected life in years [(a)]	1.23	2.00

(a) Expected life of the options takes in consideration the forfeiture rate.

The weighted average fair value of stock options granted during the year ended April 30, 2018 was $0.02 (2017 - $0.10), on a post consolidated basis (note 14(b)) per option.

(e) Warrants

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 14(b)), is as follows:

	Warrants #	Weighted Average Exercise Price $
Balance, April 30, 2016	1,239,438	1.25
Issued	37,406,623	0.39
Expired/Cancelled	(163,371)	1.75
Balance, April 30, 2017	38,482,690	0.44
Issued (note 14(c))	58,078,167	0.09
Expired/Cancelled	(739,048)	0.99
Balance, April 30, 2018	**95,821,809**	**0.22**

(Expressed in Canadian Dollars)

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 14(b)), as at April 30, 2018:

Warrants	Exercise Price	Expiry Date
#	$	
5,500,000	0.150	December 12, 2018
984,000	0.150	January 7, 2019
4,527,500	0.150	February 15, 2019
13,358,303	0.400	August 30, 2019
315,600	0.400	August 30, 2019
9,180,820	0.400	September 1, 2019
420,000	0.450	September 1, 2019
795,320	0.850	September 1, 2019
12,365,900	0.400	October 5, 2019
650,680	0.400	October 5, 2019
657,019	1.260	December 22, 2020
46,000,000	0.075	January 31, 2021
1,066,667	0.100	September 1, 2021
95,821,809		

As at April 30, 2018, the weighted average remaining contractual life of the warrants was 1.95 years (2017 – 2.31 years).

On June 12, 2017, the Company issued 5,500,000 transferable common share purchase warrants with expiry date December 12, 2018. The total value of the warrants issued was $138,926 or $0.03 per warrant, which was determined using the Black-Scholes pricing model using a risk free interest rate of 0.73%, an expected volatility of 78.74% and an expected remaining life of 1.5 years.

On July 17, 2017, the Company issued 984,000 transferable common share purchase warrants with expiry date January 7, 2019. The total value of the warrants issued was $24,194 or $0.02 per warrant, which was determined using the Black-Scholes pricing model using a risk free interest rate of 0.73%, an expected volatility of 77.36% and an expected remaining life of 1.5 years.

On August 15, 2017, the Company issued 4,527,500 transferable common share purchase warrants with expiry date February 15, 2019. The total value of the warrants issued was $95,517 or $0.02 per warrant, which was determined using the Black-Scholes pricing model using a risk free interest rate of 0.73%, an expected volatility of 80.92% and an expected remaining life of 1.5 years.

(Expressed in Canadian Dollars)

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

On January 31, 2018, the Company issued 46,000,000 transferable common share purchase warrants with expiry date January 30, 2021. The total value of the warrants issued was $1,775,924 or $0.04 per warrant, which was determined using the Black-Scholes pricing model using a risk free interest rate of 0.73%, an expected volatility of 70.47% and an expected remaining life of 3 years.

On March 29, 2018, the Company finalized the Debt Settlement (note 4). As part of the Debt Settlement, the Company issued 1,066,667 warrants with expiry date of September 1, 2021. The total value of the warrants issued was $30,794 or $0.03 per warrant, which was determined using the Black-Scholes pricing model using a risk free interest rate of 1.35%, an expected volatility of 71.53% and an expected remaining life of 3.42 years.

NOTE 15 – RELATED PARTY TRANSACTIONS

(a) Related Party Transactions

Professional fees were paid to a company controlled by the former CFO. Consulting and management fees are and were paid to companies controlled by the CEO, former CFO and VP Operations & New Projects. Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the CEO, or and to a company controlled by a director. Office rent was paid or accrued to a company controlled by the former CFO.

The Company incurred charges to directors and officers or to companies associated with these individuals during the years ended April 30, 2018 and 2017 as follows:

	Years ended April 30,	
	2018	2017
	$	$
Accounting and professional fees	**26,504**	100,897
Management, salaries and consulting fees	**477,969**	470,080
Restructuring fees	**-**	535,000
Director fees	**36,166**	17,939
Share-based payments	**97,552**	463,369
Finance costs	**-**	40,544
Rent	**18,813**	47,250
	657,004	1,675,079

(Expressed in Canadian Dollars)

NOTE 15 – RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of Key Management Personnel

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, CEO, CFO, former CFO, former COO and VP Operations & New Projects. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO, former CFO, former COO and VP Operations & New Projects, accounting fees paid to companies controlled by a director or company controlled by the former CFO, and by the issue of options. The compensation for key management personnel paid as management, accounting and former CFO fees was for the year ended April 30, 2018 and 2017 as follows:

	Years ended April 30,	
	2018	2017
	$	$
Management fees	**477,969**	470,080
Salaries	**233,933**	-
Restructuring fees	**-**	535,000
Share-based payments	**97,552**	463,369
	809,454	1,468,449

(c) Related Party Balances

All related party balances payable, including for business expenses reimbursements, interim advances to the Company, annual bonuses as approved by the board of directors, and for services rendered as at April 30, 2018 are non-interest bearing and payable on demand, and are comprised of $155,580 (April 30, 2017 - $90,564) payable to the CEO and a company controlled by the CEO, $31,309 (April 30, 2017 - $40,124) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, $109,114 (April 30, 2017 - $nil) payable to the CFO and $25,994 receivable, net of $49,006 payable (April 30, 2017 – $59,061 receivable , net of 15,939 payable) to the Directors or companies controlled by the Directors.

NOTE 16 – COMMITMENTS

In addition to the commitments in connection with the Company's financings (note 11), the Company has a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of USD$4,466 and termination date on July 31, 2018.

During the year ended April 30, 2018 the Company had commitments through a financial liability to sell approximately 742 ounces of gold doré to a third party, which would be settled at a future date in either cash or through the delivery of gold. At April 30, 2018, the fair value of amount owing under these contracts at the gold spot rate were $1,250,733 (April 30, 2017 - $1,011,291) and is included in derivative financial liability.

(Expressed in Canadian Dollars)

NOTE 16 – COMMITMENTS (continued)

As at April 30 2018 the Company had commitments to sell approximately 533 ounces of gold doré to third parties, which was settled subsequent to April 30, 2018 through the delivery of gold. At April 30, 2018 the fair value of these commitments is $846,642. Additionally, the Company received advances of $519,858 to be offset against future sales of gold doré. Both amounts, totaling $1,366,500 (April 30, 2017 - $nil) have been included as current deferred revenues.

A summary of undiscounted liabilities and future operating commitments at April 30, 2018 are as follows:

	Total	Within One Year	One to Five Years
Maturity analysis of financial liabilities	**$**	$	$
Accounts payable and accrued liabilities	**2,722,579**	2,722,579	-
Mineral notes payable	**62,415**	-	62,415
Secured debentures	**1,904,720**	385,080	1,519,640
	4,689,714	3,107,659	1,582,055
Commitments			
Office lease rental	**17,197**	17,197	-
Gold sale deferred revenue	**1,366,500**	1,366,500	-
Derivative financial liability	**1,250,733**	-	1,250,733
Asset retirement and reclamation obligations	**746,228**	-	746,228
	3,380,658	1,383,697	1,996,961
	8,070,372	4,491,356	3,579,016

Contingent Debenture

As a result of the Restructuring and Debt Settlement (note 4), the Company issued a USD$779,309 contingent debenture certificate (the “Contingent Debenture”), which only becomes payable on the date that the Company achieves two production milestones including (i) achieving 300 tonnes per day mineral processing capacity in Peru, and (ii) achieving three months of 200 tonnes per day average daily production. Upon re-instatement, the Contingent Debenture will have a 12% annual interest rate paid quarterly in arrears, twelve month term to maturity, certain early redemption features, and a general security agreement will be issued. If the performance milestones are not achieved before August 31, 2026, the Contingent Debenture will be cancelled. As at April 30, 2018 the value of the contingent debenture was $nil.

(Expressed in Canadian Dollars)

NOTE 17 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for $655,025 (April 30, 2017 $234,275) of cash and other current assets which are held in Canada.

Segmented information is provided on the basis of geographic segments consistent with the Company's core long-term and operating assets as follows:

Peru segment	**2018**	Years ended, April 30, 2017
	$	$
Revenue	**16,900,358**	13,817,927
Cost of goods sold (including $929,053 of depreciation (2017 - $658,865))	**17,311,746**	13,999,947
Gross margin (deficit)	**(411,388)**	(182,020)
Loss	**(4,049,362)**	(2,997,722)

Peru	**April 30, 2017**	April 30, 2017
	$	$
Assets:		
VAT receivable	**1,134,763**	895,862
Inventory	**3,175,245**	784,550
Property, plant and equipment	**6,656,681**	6,898,566
Total long-term and operating assets	**10,966,689**	8,578,978

During the year ended April 30, 2018, the Company received 100% of its metal revenues from two major customers, noting that the Company has business relationships with other customers, and is not dependent on them.

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

As at April 30, 2018, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, derivative financial liabilities, secured debentures and mineral notes. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, promissory notes payable, secured debentures and mineral notes are designated as other financial liabilities, which are measured at amortized cost. Derivative financial liabilities are measured at fair value

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at April 30, 2018, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, deferred revenue, secured debentures and mineral notes approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The gold delivery contracts, being a derivative financial liability have been assessed on the fair value hierarchy described above and are classified as Level 2.

(b) Financial Instruments Risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk exposure primarily arises with respect to the Company's cash and receivables. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at April 30 2018, the Company had cash of $342,510 (April 30, 2017 - $51,893) and current working capital of $966,366 (April 30, 2017 - $ 710,470) with total liabilities of $8,053,175 (April 30, 2017 - $6,858,857).

A summary of the Company's future operating commitments is presented in note 16.

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Market risk

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements. At April 30, 2018, the Company had no variable rate debt.

b. Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates associated with the fluctuations in its US dollar and the Peruvian New Sol (“Sol”) bank accounts as well as the translation of foreign held assets and liabilities at current exchange rates.

The Company’s net exposure to the US dollar and Sol on financial instruments, in Canadian dollar equivalents, is as follows:

	April 30, 2018	April 30, 2017
	$	$
US dollar:		
Cash	**263,171**	11,826
Receivables	**24,255**	53,596
Accounts payable and accrued liabilities	**(1,291,580)**	(790,864)
Secured debentures	**(385,080)**	(409,500)
Mineral notes	**(64,180)**	(68,250)
Net assets (liabilities)	**(1,453,414)**	(1,203,192)
Sol:		
Cash	**35,157**	28,591
Receivables	**1,134,763**	913,477
Accounts payable and accrued liabilities	**(723,904)**	(561,939)
Net assets (liabilities)	**446,016**	380,129

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, as of April 30, 2018 would have changed the Company’s net loss by approximately $150,285. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the Canadian dollar, as of April 30, 2018 would have changed the Company’s net loss by approximately $42,591.

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company had no hedging agreements in place with respect to foreign exchange rates.

c. Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's price risk relates primarily to: the spot price of gold for its deferred revenue financial liability balance and future gold price expectations as it relates to sales revenues. The Company continuously monitors precious metal trading prices as they are included in projections prepared to determine its future strategy.

NOTE 19 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders.

The Company considers its current capital structure to consist of promissory notes payable of $nil (April 30, 2017 - $163,800), secured debentures of $1,904,720 (April 30, 2017 - $2,772,000) and shareholders' equity of $4,083,091 (April 30, 2017 - $2,748,597). The Company's ability to generate sufficient funds to service its debts and to provide funding for future operations are dependent on restructuring its secured debentures and raising additional funds to achieve projected future proceeds from mineral processing operations. Notwithstanding these proceeds the Company expects to continue to be dependent on its capital resources which are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the further operation of its Peruvian ore processing operations the Company prepares expenditure budgets which are updated as necessary and are reviewed and approved by the Company's Board of Directors.

(Expressed in Canadian Dollars)

NOTE 20 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Years ended April 30,	
		2018	2017
		$	**$**
Corporate and administrative expenses:			
Consulting fees		**50,514**	84,160
Management fees and salaries	15	**1,483,848**	1,140,642
Depreciation	8	**17,603**	22,770
Directors fees		**36,166**	17,939
Investor relations and regulatory fees		**480,735**	261,616
Office, rent, utilities, insurance and other	15	**439,294**	393,411
Professional fees		**261,980**	433,106
Share-based payments	15	**115,953**	7,814
Terminated transaction costs		**47,036**	49,183
Travel and accommodation		**74,291**	87,641
Total corporate and administrative expenses		**3,007,420**	2,498,282
Finance and other income (expense):			
Accretion expense (a)		**(42,543)**	(113,083)
Finance costs		**(783,238)**	(1,215,262)
Foreign exchange gain		**40,873**	462,367
Finance income		**-**	484
Loss on sale of marketable securities (b)		**-**	18,022
Fair value of derivative financial liability		**18,075**	(68,553)
Total finance and other expense		**(766,833)**	(916,025)
Restructuring gain (expense):			
Gain on restructuring		**(177,547)**	3,626,887
Restructuring advisory costs		**-**	(1,192,028)
Share based compensation restructuring reset		**-**	(455,555)
Amortized marketing restructuring costs		**-**	(886,408)
Other impairment and restructuring costs		**(34,038)**	(484,068)
Total restructuring gain (expense), net		**(211,585)**	608,828

(a) Accretion expense during the year ended on April 30, 2017, includes $90,918 recorded in connection with financing through convertible debentures (in USD$ and CAD$), bond payable and USD$ debentures units.

(b) On June 23, 2016, the Company sold 12,000,000 of common shares of Global Resources Investment Trust PLC at a price of $0.10 (GBP £0.060) per share for total proceeds of $75,791, resulting in a loss on marketable securities of $11,648.

On March 10, 2017, the Company sold 6,000,000 of shares of Standard Tolling Corp ("TON") which were measured at fair value $nil as result of previous determination by management that the impairment was permanent. The total proceeds of the sale were $29,670 which were recorded as gain in marketable securities.

(Expressed in Canadian Dollars)

NOTE 21 – INCOME TAXES

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to net income before income taxes. The statutory rate in Canada is 27% (2017 - 26%) while the Peruvian tax rate is 29.5% (2017 – 28.5%).

	2018	2017
	$	$
Net loss before income taxes for the year	**(4,049,360)**	(2,987,499)
Average statutory rate	**27%**	26%
Income tax recovery at applicable rate	**(1,093,000)**	(777,000)
Impact of different foreign statutory tax rates	**(34,000)**	(63,000)
Non-deductible amounts	**37,000**	157,000
Impact of change in tax rates	**(212,000)**	(206,000)
Impact on change in foreign exchange rate	**(136,000)**	(127,000)
Share issuance costs	**(33,000)**	(77,000)
Adjustment to prior years provision versus statutory tax returns and other	**200,000**	789,000
Change in non-recognized deferred tax assets and other	**1,271,000**	314,000
Income tax (recovery) expense	**-**	10,000

Deferred tax liability, net

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The income tax benefit of the following deferred tax liabilities net of recognized deferred tax assets has been recognized in these financial statements:

	2018	2017
	$	$
Deferred tax asset:		
Non-capital losses carried forward	**521,000**	653,000
Deferred tax liabilities:		
Property, plant and equipment	**521,000**	653,000
	521,000	875,000
Deferred tax liabilities, net	**-**	-

(Expressed in Canadian Dollars)

NOTE 21 – INCOME TAXES (continued)

Unrecognized deductible temporary differences

The income tax benefit of the following deductible temporary differences has not been recorded in these financial statements because of the uncertainly of their recovery:

	2018	2017
	$	$
Non-capital losses carried forward	**21,605,000**	17,175,000
Share issuance costs	**1,046,000**	1,349,000
Mineral properties	**128,000**	116,000

Non-capital losses carried forward

The Company has tax losses for Peruvian purposes of approximately $8,242,000 (2017 - $6,928,000) available to offset against future years' taxable income in Peru. The Company also has non-capital losses available to reduce taxes in future years of approximately $16,287,000 (2017 - $12,461,000) in Canada with expiry over 2026 through 2038 which have not been recognized in these financial statements.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 22 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the year ended April 30, 2018, were $90,720 (2017 - $62,266) and $15,881 (2017 - $13,111), respectively. Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the year ended April 30, 2018, the following transactions were excluded from the statements of cash flows:

- The Company recorded $27,930 (2017 - $32,675) of depreciation expense to gold inventory.
- Pursuant to the closing of Company's private placements the Company issued 87,110,151 common shares (note 14(c)).
- The Company issued 4,500,000 stock options, at fair value $128,128, which vested 50 % on February 25, 2018 and vest 50% on August 25, 2018.
- The Company issued 4,100,000 stock options, at fair value $73,432, which vests 50 % on September 15, 2018 and 50% on March 15, 2018.

NOTE 22 – SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

During the year ended April 30, 2017, the following transactions were excluded from the statements of cash flows:

- The Company recorded $32,675 (2016 - $30,609) of depreciation expense to gold inventory.

- Pursuant to the closing of the Company's private placements and Restructuring, the Company issued 46,046,535 common shares (note 14(c)).

- The Company issued 4,710,000 stock options, at a fair value of $455,555, which vested immediately.

NOTE 23 – SUBSEQUENT EVENTS

(i) Stock Option grant

On June 14, 2018 the Company authorized the granting of stock options to acquire an aggregate of 833,334 common shares of the Company. The options have an exercise price of $0.06, exercisable until June 14, 2020 and no vesting provisions.

(ii) Acquisition of the Koricancha Processing Facility in Peru

On July 13, 2018 the Company entered into a definitive purchase agreement (the "Purchase Agreement") to acquire 100% ownership of Anthem United Inc. ("Anthem"), which owns a 90.14% interest in the 350 tonnes per day ("TPD") Koricancha ore processing facility in Peru ("Koricancha"), from Equinox Gold Corp. ("Equinox") for cash and shares totaling approximately $16.3 million, less any IGV tax credits collected to the benefit of Inca One.

Under the terms of the Purchase Agreement, the Company will acquire a 90.14% ownership of Koricancha (the "Transaction") from Equinox and certain minority shareholders and terminate the 3.5% gold stream currently payable by Koricancha for total consideration as follows:

- $6 million payable by the issuance of 110,050,225 common shares of Inca One ("Inca One Shares") on completion of the Purchase Agreement at a deemed price of $0.055 per common share, of which 51,269,708 Inca One Shares shall be issued to Equinox, 51,269,708 Inca One Shares shall be issued to SA Targeted Investing Corp. ("SATIC") in consideration for the termination of the gold stream and the remaining Inca One Shares shall be issued to certain minority shareholders who hold an interest in Koricancha.
- $2.5 million payment to Equinox on the first anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One Shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One Shares, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares (the "Equinox Ownership Limit").
- $2.5 million payment to Equinox on the second anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One Shares at the discretion of Inca One, based on the

NOTE 23 – SUBSEQUENT EVENTS (continued)

preceding 20-day volume weighted average price of Inca One Shares, subject to the Equinox Ownership Limit.

- $1.5 million payment to Equinox in cash on the second anniversary of the completion of the Purchase Agreement.
- $2.5 million payment to Equinox on the third anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One Shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One Shares, subject to the Equinox Ownership Limit.
- Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and US$3 million and certain payments related to outstanding value-added taxes receivable by Koricancha, subject to receipt. The Company estimates the amount of working capital on closing of at least US$4 million and therefore US$1 million ($1.3 million) estimated payable on the third anniversary.
- As part of the Transaction, the Company is acquiring approximately US$4.2 million in historical IGV related to the construction of Koricancha and has agreed to pay Equinox for 50% of amounts collected less costs to collect, the remainder of which is for the benefit of the Company.

In connection with the Transaction, the 3.5% gold stream currently payable by Koricancha will be terminated and, as a result, production from Koricancha will not be subject to any precious metal streams or royalties thereby maximizing revenues for our shareholders. Additionally, Equinox will be entitled to one seat on the Company's Board of Directors and an equity participation right equal to their ownership so long as they hold in excess of 9.9% of Inca One's outstanding shares. Inca One will also grant Equinox security over the non-interest bearing deferred payments by way of a pledge of the shares of Anthem.