



INCA ONE GOLD CORP.

Consolidated Financial Statements
For the Years Ended April 30, 2016 and 2015
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of
Inca One Gold Corp.

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We have audited the accompanying consolidated financial statements of Inca One Gold Corp. (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2016 and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 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, 2016 and its financial performance and its cash flows for the year 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 \$7,572,530 and negative cash flows from operations of \$3,761,147 for the year ended April 30, 2016. As at April 30, 2016, the Company had an accumulated deficit of \$22,498,666. 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.

Other matter

The consolidated financial statements of Inca One Gold Corp. for the year ended April 30, 2015 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on August 27, 2015.

Vancouver, Canada

August 26, 2016



Chartered Professional Accountants

INCA ONE GOLD CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	April 30, 2016	April 30, 2015
		\$	\$
Assets			
Current:			
Cash		45,135	454,321
Receivables	4	1,664,029	631,480
Marketable securities	5	87,439	217,838
Prepaid expenses and deposits	6	824,075	377,729
Inventory	7	888,676	1,468,421
		3,509,354	3,149,789
Property, plant and equipment	8	5,860,770	5,178,704
Total assets		9,370,124	8,328,493
Liabilities			
Current:			
Accounts payable and accrued liabilities	10	2,437,740	848,520
Current portion of bond payable	13	1,193,182	-
Promissory notes payable	11	2,774,843	559,544
Deferred revenue	18	359,179	-
Convertible debentures	12	1,795,580	607,681
Debenture units	14	2,593,915	1,650,371
		11,154,439	3,666,116
Convertible debentures	12	375,253	348,716
Bond payable	13	3,961,501	4,884,211
Mineral notes		59,575	-
Deferred income tax	23	-	162,000
Asset retirement and reclamation obligations	15	308,840	278,829
		15,859,608	9,339,872
Shareholders' Equity (Deficiency)			
Share capital	16	13,636,263	12,520,642
Reserves	16	1,735,807	1,066,126
Convertible debentures – equity component	12	39,286	15,432
Accumulated other comprehensive income		597,826	312,557
Deficit		(22,498,666)	(14,926,136)
		(6,489,484)	(1,011,379)
Total liabilities and shareholders' equity (deficiency)		9,370,124	8,328,493

Nature of operations and going concern (note 1)

Commitments (notes 10, 11, 12, 13, and 18)

Subsequent events (note 25)

Approved on behalf of the Board of Directors on August 26, 2016

"Brian Antenbring"

Director

"Phu Van Bui"

Director

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

INCA ONE GOLD CORP.Consolidated Statements of Operations
(Expressed in Canadian Dollars)

		Years ended April 30,	
	Note	2016	2015
		\$	\$
Revenue		16,482,179	4,304,802
Cost of goods sold (including \$510,639 of depreciation (2015 - \$66,037))		17,762,752	4,173,660
Gross operating (deficit) margin		(1,280,573)	131,142
Corporate and administrative expenses	17, 22	3,339,000	2,952,792
Operating loss		(4,619,573)	(2,821,650)
Finance and other expense	17, 22	3,104,957	1,250,722
Loss before income taxes for the year		(7,724,530)	(4,072,372)
Deferred income tax recovery (expense)	23	152,000	(135,000)
Net loss for the year		(7,572,530)	(4,207,372)
Other comprehensive income (loss):			
Items that will be reclassified subsequently to profit or loss:			
Unrealized loss on marketable securities	5	-	472,552
Foreign currency translation adjustment		285,269	297,571
		285,269	770,123
Comprehensive loss for the year		(7,287,261)	(3,437,249)
Basic and diluted loss per share	25(e)	(0.77)	(0.42)
Weighted average number of common shares outstanding	25(e)	10,040,602	9,321,322

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		Reserves			Convertible debenture – equity component	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity (deficiency)
	Common shares (note 25(e))	Amount	Stock options	Warrants	Total				
	#	\$	\$	\$	\$				
Balance, April 30, 2014	9,082,096	11,231,319	648,501	26,504	675,005	73,087	(457,566)	(10,840,343)	681,502
Comprehensive loss for the year	-	-	-	-	-	-	770,123	(4,207,372)	(3,437,249)
Convertible debentures – equity portion (note 11(a))	-	-	-	-	-	78,568	-	-	78,568
Issuance of shares on conversion of debentures	171,429	235,682	-	-	-	(136,223)	-	-	99,459
Warrants issued on financings	-	-	-	414,722	414,722	-	-	-	414,722
Exercised warrants	271,714	380,400	-	-	-	-	-	-	380,400
Exercised options	346,286	631,204	(279,755)	-	(279,755)	-	-	-	351,449
Expired options	-	-	(121,579)	-	(121,579)	-	-	121,579	-
Shares issued for services	40,034	42,037	-	-	-	-	-	-	42,037
Share-based payments	-	-	377,733	-	377,733	-	-	-	377,733
Balance, April 30, 2015	9,911,559	12,520,642	624,900	441,226	1,066,126	15,432	312,557	(14,926,136)	(1,011,379)
Comprehensive loss for the year	-	-	-	-	-	-	285,269	(7,572,530)	(7,287,261)
Convertible debentures – equity portion (note 12(b))	-	-	-	-	-	23,854	-	-	23,854
Issuance of shares on private placement (note 16(c))	1,229,837	759,219	-	313,301	313,301	-	-	-	1,072,520
Warrants issued on debenture unit financings (note 14)	-	-	-	26,008	26,008	-	-	-	26,008
Issuance of shares on exercise of warrants (note 16(c)(e))	14,286	20,000	-	-	-	-	-	-	20,000
Exercised options (note 16(d))	30,000	68,761	(31,261)	-	(31,261)	-	-	-	37,500
Shares issued for services (note 16(c))	70,692	75,414	-	-	-	-	-	-	75,414
Shares issued for settlement of interest on debt (note 16(c))	305,122	192,227	-	-	-	-	-	-	192,227
Share-based payments (note 16(d))	-	-	361,633	-	361,633	-	-	-	361,633
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)

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

INCA ONE GOLD CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended April 30,	
	2016	2015
	\$	\$
Cash flows provided by (used in):		
Operating activities:		
Net loss for the year	(7,572,530)	(4,207,372)
Items not involving cash:		
Depreciation	510,639	108,858
Share-based payments	361,633	377,733
Write-down of exploration and evaluation assets		20,000
Impairment of marketable securities	130,399	1,102,162
Accretion of convertible debentures	819,176	194,931
Accretion of asset retirement and reclamation obligations	18,825	-
Accrued interest	453,695	130,497
Interest expense	1,625,930	622,574
Shares issued for settlement of interest on debt	192,227	-
Shares issued for services	75,414	42,037
Unrealized foreign exchange	(244,204)	23,402
Deferred income taxes	(172,223)	135,000
Changes in non-cash operating working capital:		
Receivables	(1,032,549)	(621,969)
Prepaid expenses and deposits	(446,343)	(312,441)
Inventory	579,745	(1,060,193)
Accounts payable and accrued liabilities	579,841	(34,664)
Deferred revenue	359,178	-
	(3,761,147)	(3,479,445)
Financing activities:		
Proceeds from promissory notes payable, net of issuance costs	2,667,439	239,001
Repayments of promissory notes	(378,030)	(270,000)
Proceeds from convertible debentures, net of issuance costs	1,018,534	605,809
Proceeds on issuance of common shares	1,130,020	731,850
Proceeds from debenture financing	1,001,000	1,834,568
Proceeds from bond financing	5,790	5,042,306
Deferred financing costs	-	23,421
Interest paid	(1,070,246)	(438,312)
	4,374,507	7,768,643
Investing activities:		
Purchase of property, plant and equipment	(1,019,988)	(3,841,021)
Exploration and evaluation assets	-	(68,000)
	(1,019,988)	(3,909,021)
Increase (decrease) in cash and cash equivalents	(406,628)	380,177
Effect of exchange rates on cash held in foreign currencies	(2,558)	(4,566)
Cash and cash equivalents, beginning of year	454,321	78,710
Cash and cash equivalents, end of year	45,135	454,321

Supplemental disclosure with respect to cash flows (note 24)

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

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
For the Years Ended April 30, 2016 and 2015
(Expressed in Canadian Dollars)

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 1915 - 1030 West Georgia Street, Vancouver, Canada, V6E 2Y3 and its registered office is located at Suite 2600 - 1066 West Hastings Street, Vancouver, Canada, V6E 3X1.

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, 2016, the Company incurred a net loss of \$7,572,530. As of that date the Company had a deficit of \$22,498,666 and working capital deficiency of \$7,645,085. 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 finance operating costs over the year with the proceeds from debt financing, equity financing, its current working capital, proceeds from option and warrant exercises, and net profits from processing operations at the Company's gold milling facility in Peru. Subsequent to April 30, 2016, the Company restructured and settled approximately \$13.7 million of the Company's long and short term debt and related unpaid interest (note 25(g)).

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian toll-milling operations and its ability to raise equity capital or borrowings 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 August 26, 2016.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Basis of Consolidation**

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

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:

(i) *Going concern*

These consolidated 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).

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2016 and 2015

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, the evaluation of permitting and environmental issues and local support for the project, and the ability to find joint venture partners if necessary. Management has determined the exploration and evaluation costs incurred which were capitalized do not have future economic benefits and are not economically recoverable. As at April 30, 2015, the Company fully impaired all of its exploration and evaluation assets.

(iii) Commencement of commercial production

Management conducted an assessment of commercial production indicators and concluded that commercial production commenced as at February 1, 2015. This assessment included key parameters being met such as: a) all major and auxiliary processing circuits were fully operational including ball mill, crushing, and leaching circuits, and related facilities in place; b) average production throughput at the plant since February 1, 2015 has been in excess of 50 tonnes per day (“TPD”) with production ramping up to the full 100 TPD production capacity; and c) a reasonable testing and commissioning period had completed. As a result of the commencement of commercial production the Company began on that date reporting the results of its mineral processing operations in the consolidated statement of operations and amortizing the capitalized costs of its milling plant.

(iv) 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.

(v) Exploration and evaluation assets title

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of exploration and evaluation assets. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and regulatory requirements. As at April 30, 2015, the Company fully impaired all of its exploration and evaluation assets.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
For the Years Ended April 30, 2016 and 2015
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimates and the Company's earnings and equity reserves.

(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) Value of marketable securities

Marketable securities have been classified as available-for-sale financial instruments and are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income (loss). The fair value of the shares currently included in marketable securities has been estimated using their April 30, 2016 share trading price. Changes in the share trading price after April 30, 2016 can materially affect the fair value estimates and the Company's earnings.

(iv) 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.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) *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 mining costs, 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.

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.

(vi) *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, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
For the Years Ended April 30, 2016 and 2015
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(vii) 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. Actual future rates may be significantly different. Factors causing such differences include changes in the ruling government or changes in national or regional economic circumstances of the areas where mines are located.

(viii) 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) 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 consolidated financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Canadian company. The functional currency of Dynasty One, Chala One and IO Metals is the US dollar. Prior to April 30, 2015 IO Metal's functional currency was the Peruvian Sol. On May 1, 2015, the functional currency of IO Metals changed from the Peruvian Sol to the US dollar. The change was based on management's assessment, taking into consideration the currency that most strongly influences primary operating and capital decisions in addition to the currency in which funding requirements are met. This change in accounting treatment is applied prospectively and the assets and liabilities of IO Metals were translated from Peruvian Sol to US dollar at the exchange rate in effect on the date of change in functional currency.

(ii) 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.

INCA ONE GOLD CORP.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)*(iii) 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.

(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.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Upon commencement of commercial production (see “Significant accounting judgments”) related property, plant and equipment began to be depreciated over their estimated useful life.

(h) Exploration and Evaluation Assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage. Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration costs include value added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the right of tenure is current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties. The Company reviews its exploration and evaluation assets for indicators of impairment on a periodic basis. As at April 30, 2015 and 2016, the Company fully impaired all of its exploration and evaluation assets.

(i) Impairment of Non-financial Assets

The carrying amount of the Company’s non-financial assets (which include property, plant and equipment, and exploration and evaluation assets) 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.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use 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.

(k) 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.

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

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, property, plant and equipment retirement obligations, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

INCA ONE GOLD CORP.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets and are not recognized.

The Company is subject to environmental laws and regulations enacted by Peruvian authorities. To take account of estimated cash flows required to settle the obligations arising from environmentally acceptable closure plans (such as dismantling and demolition of infrastructures, removal of residual matter and site restoration), provisions are recognized in the period that the harm to the environment occurs, that is when the Company has an actual obligation resulting from disturbance to the environment, it is likely that an outflow will be required in settlement of the obligation and the obligation is reasonably determinable.

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.

(m) 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.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) 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.

(o) 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.

The Company recognizes interest income on an accrual basis, dividends when declared, and investment gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2016 and 2015

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(p) 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.

(q) 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.

(r) 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.

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 does not have any financial assets at fair value through profit or loss.

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Notes to the Consolidated Financial Statements
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 cash equivalents and other receivables as loans and receivables.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses. The Company does not have any held-to-maturity investments.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than foreign currency differences on available-for-sale debt instruments and impairment losses, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are disposed or an impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has designated its marketable securities as available-for-sale financial assets.

Non-derivative financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as 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, convertible debentures, debentures, and bond payable; 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. The Company has no financial liabilities classified as FVTPL.

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Notes to the Consolidated Financial Statements
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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.

In the case of equity instruments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in profit or loss.

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.

(s) 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.

INCA ONE GOLD CORP.

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NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2015. Pronouncements that are not applicable to the Company have been excluded from this note.

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. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. In May 2015, the IASB proposed to defer the effective date to January 1, 2018. Management is currently assessing the impact of the new standard.
- 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 is currently assessing the impact of the 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 is currently assessing the impact of the new standard. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 4 – RECEIVABLES

	April 30, 2016	April 30, 2015
	\$	\$
GST recoverable (Canada)	31,518	24,435
VAT recoverable (Peru) (note 25(b))	1,516,206	589,422
Other receivable	116,305	17,623
	1,664,029	631,480

NOTE 5 – MARKETABLE SECURITIES

Marketable securities consist of:

- (a) 733,007 shares in Global Resources Investment Trust PLC (“GRIT”) which were acquired on February 28, 2014 in exchange for the issue of 12,000,000 common shares in the Company at a value of \$0.11 (GBP £0.060) per share; and
- (b) 6,000,000 shares in Standard Tolling Corp (“TON” or “Standard Tolling”) which were acquired on October 7, 2015 at a value of \$0.055 per share for a total fair value of \$330,000 at time of acquisition.

As of April 30, 2016 the GRIT shares were recorded at a fair value of \$87,439 (April 30, 2015 - \$217,838) based on the GRIT share trading price of \$0.12 (GBP £0.065). As a result, an impairment of marketable securities of \$130,399 was included in net loss (2015 - \$518,282) for the year ended April 30, 2016.

As of April 30, 2016 the TON shares were recorded at a fair value of \$nil (April 30, 2015 - \$nil) based on the TON share trading price of \$0.005. As a result, an impairment of marketable securities of \$330,000, (2015 - \$nil) was included in net loss for the year ended April 30, 2016. On November 30, 2015, TON halted trading of their shares and announced that they are illiquid. TON resumed trading on January 12, 2016. Management included this fact pattern, along with the fair value, in their determination that the TON share impairment is permanent.

Due to the persistent reduction in its market price, management has determined that the GRIT shares were impaired at April 30, 2015. The impairment resulted in the Company recognizing an unrealized loss of \$1,102,162 in profit or loss for the year ended April 30, 2015. As a result of the impairment, all previously recorded adjustments to fair value related to the GRIT investment were reclassified from the other comprehensive income to profit or loss.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	April 30, 2016	April 30, 2015
	\$	\$
Deposits with mineral suppliers	245,080	146,516
Other deposits and advances	143,049	111,206
Prepaid taxes	313,791	53,004
Prepaid expenses	122,155	67,003
	824,075	377,729

NOTE 7 – INVENTORY

	April 30, 2016	April 30, 2015
	\$	\$
Stockpiled gold-bearing material and in process inventory	622,228	1,331,480
Finished goods - gold	46,201	-
Materials and supplies	220,247	136,941
	888,676	1,468,421

The costs of inventories recognized as an expense for the year ended April 30, 2016 were \$17,762,752 (April 30, 2015 - \$4,173,660) and are included in cost of goods sold.

During the year ended April 30, 2016, the Company recorded inventory impairments totaling \$47,410 (April 30, 2015 - \$nil) related to stockpiled gold-bearing material and in process inventory, and \$nil (April 30, 2015 - \$39,828) related to materials and supplies inventory.

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Notes to the Consolidated Financial Statements

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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2014	1,035,105	19,993	58,658	1,113,756
Additions	4,098,871	1,023	1,237	4,101,131
Impairment ⁽ⁱ⁾	(92,079)	(761)	(13,163)	(106,003)
Foreign exchange	199,946	158	7,595	207,699
Balance, April 30, 2015	5,241,843	20,413	54,327	5,316,583
Additions ⁽ⁱⁱ⁾	1,359,076	-	-	1,359,076
Reclassification of IGV/VAT to receivables ⁽ⁱⁱⁱ⁾	(339,088)	-	-	(339,088)
Foreign exchange	159,617	1,713	2,507	163,837
Balance, April 30, 2016	6,421,448	22,126	56,834	6,500,408
Accumulated Depreciation:				
Balance, April 30, 2014	-	9,373	10,927	20,300
Depreciation	96,748	2,324	9,786	108,858
Foreign exchange	6,126	72	2,523	8,721
Balance, April 30, 2015	102,874	11,769	23,236	137,879
Depreciation	503,234	1,162	6,243	510,639
Foreign exchange	(11,169)	828	1,461	(8,880)
Balance, April 30, 2016	594,939	13,759	30,940	639,638
Net Book Value:				
April 30, 2015	5,138,969	8,644	31,091	5,178,704
April 30, 2016	5,826,509	8,367	25,894	5,860,770

(i) For the year ended April 30, 2015, impairment related to the write-down of the Corizona Project (note 9).

(ii) For the year ended April 30, 2016, the additions to property, plant and equipment includes \$775,708 or USD\$618,192 (April 30, 2015 - \$nil) of VAT that the Company incurred on capitalized Chala plant costs that were deemed unrecoverable from the Peruvian tax authorities. This VAT balance includes \$113,549 or USD\$90,491 of incurred tax filing penalties. The VAT balance was reclassified from VAT recoverable in Receivables (note 4).

(iii) During the year ended April 30, 2016, the Company reclassified \$339,088 (April 30, 2015 - \$nil) of VAT in Peru to VAT Recoverable in Receivables that was previously included in pre-operating expenses as a result of the review of the VAT receivable from the Peruvian tax authorities (note 4).

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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility (“Chala Plant”) in Southern Peru for US\$240,000. Of this amount, US\$150,000 has been paid and the remaining US\$90,000 has been accrued and is payable once transfer of the permitted facility is complete. Transfer of formal title is subject to a number of conditions. As part of the terms of the original purchase agreement for the Chala Plant, Inca One has 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. A finder fee of US\$40,000 and a sourcing and technical advice fee of US\$59,000, inclusive of value added taxes (“VAT”), were paid in connection with the acquisition of the milling facility. An additional US\$59,000, including VAT for sourcing and technical advice, was paid once the plant became operational and had processed 250 tons of gold-bearing material. VAT paid became refundable to the Company in fiscal 2015 as the Company began commercial production and the exportation of gold.

As at April 30, 2016, total plant upgrade costs and capitalized pre-operating costs was \$6,421,448 (April 30, 2015 - \$5,241,843) which includes \$1,712,199 (April 30, 2015 - \$1,712,199) of incidental revenue generated during the pre-operating period and \$264,531 (April 30, 2015 - \$264,531) of capitalized interest.

Depreciation during the year ended April 30, 2016 was \$510,639 (2015 - \$108,858).

NOTE 9 – EXPLORATION AND EVALUATION ASSETS**Corizona Project**

Pursuant to an Assignment of Contractual Position Agreement formalized under Peruvian law on January 25, 2013, and amended on May 28, 2013 and June 5, 2013, between the Company and Canadian Mining S.A. (“Canadian Mining”), a privately held Peruvian company, the Company was granted an exclusive right to acquire 100% of a mining lease and purchase option for a mineral property (“the Corizona Project”) located in Peru in exchange for cash of US\$50,000 (paid).

Pursuant to the underlying Mining Lease with Purchase Option Agreement dated January 24, 2013, between Canadian Mining and the Peruvian owner of the mineral property, Sociedad Minera Corizona Limited Liability Lima (“SMRL”), Canadian Mining is entitled to conduct mining activity on the Corizona Project property and held an option to purchase the Corizona Project until February 27, 2015.

In order to earn its interest in the mineral property option the Company was required to pay SMRL cash of US\$730,000 at the date of signing the transfer of the concession, US\$730,000 at the date such transfer was registered in the Lima, Peru Mining Registry office and was also required to pay US\$490,000 to Canadian Mining within five days of the date that the option was legally acquired by the Company. A finder fee of \$20,000 was paid with respect to the option assignment acquisition.

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NOTE 9 – EXPLORATION AND EVALUATION ASSETS (continued)

On June 5, 2013, the Company committed to a three year renewable Joint Venture Agreement with Canadian Mining for purposes of development and operation of the Corizona Project and further exploration and evaluation. Pursuant to the terms of this agreement the joint venture would be operated by Canadian Mining and the Company would contribute all of the initial funding in exchange for an 80% share of the Corizona Project's net profits.

During the year ended April 30, 2015 the Company terminated the Joint Venture Agreement between itself and Canadian Mining and commenced discussions with SMRL in order to continue exploration activity and acquire an option to purchase the Corizona property. For accounting purposes due to the uncertainty of successfully acquiring an option to purchase the Corizona property from SMRL, a write-down of exploration and evaluation assets of \$367,337 was recorded during the year ended April 30, 2014.

During the year ended April 30, 2015 the Company determined that the likelihood of successful re-negotiations with SMRL was remote and wrote-down the remaining \$20,000 balance, although the Company continues discussions and negotiations with SMRL for rights and access to Corizona. Accordingly the Company no longer has any right to acquire Corizona project nor any ongoing obligations to either Canadian Mining or SMRL pursuant to the referenced transactions.

As at April 30, 2016, the Company has paid the following amounts with respect to the Corizona Project:

	Corizona Project Peru
	\$
Balance, April 30, 2013	195,390
Exploration costs:	
Field expenses	78,639
Geology	40,586
Office and administration	1,234
Site advisory	10,018
Rent, utilities and maintenance	17,166
Travel and accommodation	29,276
Value added tax	13,244
Foreign exchange	1,784
	191,947
Write-down of exploration and evaluation assets through April 30, 2014	(367,337)
Balance, April 30, 2014	20,000
Write-down of exploration and evaluation assets through April 30, 2015	(20,000)
Balance, April 30, 2015 and 2016	-

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NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2016	April 30, 2015
	\$	\$
Trade accounts payable and accruals	1,509,474	447,378
Management, consulting and professional fees payable	325,661	252,232
Accrued interest	602,605	148,910
	2,437,740	848,520

Management, consulting and professional fees payable include \$325,661 (April 30, 2015 - \$68,854) due to related parties (note 17).

NOTE 11 – PROMISSORY NOTES PAYABLE

	April 30, 2016	April 30, 2015
	\$	\$
Director and officer advances	561,920	-
Third party advances (US \$200,000)	250,960	241,280
Redeemable notes	104,500	318,264
TON Mineral Loan (US\$550,000)	690,140	-
TON Mineral Purchase Note (US\$930,286)	1,167,323	-
	2,774,843	559,544

Director and officer advances

During the year ended April 30, 2014, two directors and officers of the Company advanced to the Company a total of \$170,000 in cash in exchange for promissory notes. The notes were unsecured and payable on demand with an interest rate of 20% per annum calculated and paid quarterly in arrears. During the year ended April 30, 2014, \$50,000 of the principal was repaid with the remaining \$120,000 repaid during the year ended April 30, 2015.

During December 2014, directors and officers advanced to the Company a total of \$205,000. The advances were unsecured and non-interest bearing. During the year ended April 30, 2015 the \$205,000 was repaid in full.

During May 2015, a director and officer and an officer of the Company advanced to the Company a total of \$100,000 in cash in exchange for short term promissory notes. The notes are unsecured with an interest rate of 20% per annum payable on maturity in six months. During April 2016, the parties agreed to extend the maturity date while the Company evaluated some balance sheet restructuring. During the year ended April 30, 2016, \$40,000 of the principal was repaid. As at April 30, 2016, the principal balance was \$60,000 (April 30, 2015 - \$nil) and interest expense of \$13,629 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

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NOTE 11 – PROMISSORY NOTES PAYABLE (continued)

During June 2015 a company controlled by an individual who was subsequently appointed a director of the Company on July 8, 2015 advanced to the Company USD\$500,000 in cash in exchange for a short term promissory note of which USD\$100,000 was repaid during August 2015. The note is unsecured with an interest rate of 20% per annum payable on maturity in six months. During April 2016, the parties agreed to extend the maturity date while the Company evaluated some balance sheet restructuring. As at April 30, 2016, the principal balance was \$501,920 or US\$400,000 (April 30, 2015 - \$nil), and interest expense recorded during the year ended April 30, 2016 was of \$96,206 (2015 - \$nil), of which \$36,487 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016. Subsequent to April 30, 2016, the majority of directors' and officers' advances was restructured and settled (note 25(g)).

Third party advances

On January 14, 2015, the Company received USD\$200,000 in cash in exchange for a promissory note with a third party. The note is unsecured, originally had a six month term, and carried an interest rate of 20% per annum calculated and payable on the maturity date. In July 2015 and in October 2015, the Parties agreed to cumulatively extend the maturity date for an additional six months while the Company evaluated some balance sheet restructuring. As at April 30, 2016, the principal balance was \$250,960 or USD\$200,000 (April 30, 2015 - \$241,280) and interest expense of \$53,182 (2015 - \$nil) was incurred during the year ended April 30, 2016, respectively, of which \$39,696 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016. Subsequent to April 30, 2016, the third party advances were restructured and settled (note 25(g)).

Redeemable notes

On October 22, 2013 and November 6, 2013, the Company closed a non-brokered private placement of secured, redeemable promissory notes for gross proceeds of \$420,000. Of this amount an aggregate of \$150,000 was issued to an officer and a company controlled by a director. The promissory notes mature after 24 months and bear interest at 20% per annum.

At the option of one of the subscribers, accrued interest of \$5,859 (2015 - \$50,222) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. The notes are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures (note 12).

During the year ended April 30, 2015, \$100,000 of the promissory notes were redeemed by an officer of the Company and \$50,000 of the promissory notes were redeemed by a company controlled by a director of the Company. On May 31, 2015, \$120,000 of the notes was repaid. On December 31 2015, \$125,000 was paid as partial payment of principal and interest for the remaining promissory note outstanding. During April 2016, the remaining subscriber agreed to extend repayment of the remaining balance owing of \$109,292 of which \$104,500 remain in promissory notes payable and \$5,859 in accounts payable and accrued interest (note 10).

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NOTE 11 – PROMISSORY NOTES PAYABLE (continued)

A cash finder fee of \$2,500 and legal and regulatory costs of \$2,540 incurred in connection with the financing were charged against the promissory notes amount payable. As at April 30, 2016, the principal balance, including capitalized interest, was \$104,500 (April 30, 2015 - \$318,264) and interest expense recorded during the year ended April 30, 2016 was \$36,050 (2015 - \$75,781) of which \$5,859 (2015 - \$1,901) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016. In addition, accretion of transaction costs of \$1,125 (2015 - \$2,241) has been recorded.

TON Mineral Loan

On October 6, 2015, the Company entered into a binding letter of intent with TON (the “Binding LOI”) to acquire all of the issued and outstanding shares of TON under a plan of arrangement, subject to due diligence and other conditions. As part of the Binding LOI, the Company entered into a loan with TON for US\$550,000 less US\$55,000 of prepaid interest for net proceeds of US\$495,000 (the “Mineral Loan”). The Mineral Loan bears an annual interest rate of 20% and is due April 6, 2016 or earlier subject to certain maturity conditions including 30 days after the termination of the Binding LOI, which was terminated on November 30, 2015. As at April 30, 2016, the principal balance of the Mineral Loan was \$690,140 or USD\$550,000 (April 30, 2015 - \$nil) and interest expense recorded during the year ended April 30, 2016 was \$83,102 (2015 - \$nil), of which \$73,931 was offset against the prepaid interest amount and \$9,172 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016. Subsequent to April 30, 2016, the TON Mineral Loan was restructured and settled (note 25(g)).

TON Mineral Purchase Note

As part of the Binding LOI, on October 21, 2015, the Company also entered into a mineral purchase agreement with TON (the “Mineral Purchase Note”) whereby TON would advance the Company up to US\$1,750,000 for the purpose of the acquisition of mineral at the Company’s Chala One toll milling plant. The Mineral Purchase Note pays a profit sharing fee to TON at a fixed rate of 12% per annum on advances approximately four weeks after the advance. The Mineral Purchase Note is subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015.

As at April 30, 2016, \$1,167,323 or USD\$930,286 (April 30, 2015 - \$nil) had been advanced and interest expense recorded during the year ended April 30, 2016 was \$67,255 (2015 - \$nil) which has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016. Subsequent to April 30, 2016, the TON Mineral Purchase Note was restructured and settled (note 25(g)).

INCA ONE GOLD CORP.

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NOTE 12 – CONVERTIBLE DEBENTURES**(a) CAD denominated convertible debentures**

	Liability Component	Equity Component
	\$	\$
Balance, April 30, 2014	197,351	73,087
May 23, 2014 convertible debenture issuance	234,785	90,215
Issuance costs allocated	(13,218)	(5,079)
Accretion and amortization	29,257	-
Deferred tax impact on equity component	-	(22,000)
Conversion to common shares	(99,459)	(136,223)
Balance, April 30, 2015	348,716	-
Accretion and amortization	27,350	-
Additional issuance cost	(813)	-
Balance, April 30, 2016	375,253	-

On October 30, 2013, the Company completed a secured convertible debenture offering for gross proceeds of \$275,000. Of this amount \$75,000 was issued to two directors and officers or to individuals to whom they were related. The debentures mature on October 30, 2018 and are redeemable at the Company's option after October 30, 2016. At the date of issue \$198,664 was attributed to the liability component of the convertible debenture and \$76,336 to the equity component based on an effective interest rate of 20%.

The debenture is secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement and hold preference to any security held by holders of the promissory notes (note 11).

Until October 30, 2014 each debenture holder had the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal was based on a share price of \$0.70 and the conversion of any interest payable was based on the greater of \$0.70 per share or the closing share price on the date the Company received notice from the holder. On October 30, 2014, \$55,000 of the convertible debentures were converted to 78,571 common shares of the Company.

Interest on the debenture is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. During the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$13,005 (2015 - \$13,563), and interest expense of \$22,040 (2015 - \$24,758) of which \$5,410 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 12 – CONVERTIBLE DEBENTURES (continued)

On May 23, 2014, the Company closed a second debenture financing for gross proceeds of \$325,000. The Company had received all of the proceeds in advance of the closing and accordingly they were reflected as current liabilities on the Consolidated Statements of Financial Position as at April 30, 2014. The debentures bear interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which shall be convertible into shares during the first year of the debenture term. Also during the first year of the debenture term a maximum of 25% of the principal may, at the option of the holder, be converted into common shares of the Company at a price of \$0.875 per common share. The debentures mature on May 22, 2019 and are redeemable by the Company at any time after May 22, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement. At the date of issue \$234,785 was attributed to the liability component of the convertible debenture and \$90,215 to the equity component based on an effective interest rate of 20%. On December 1, 2014, \$81,250 of the convertible debentures were converted to 92,857 common shares of the Company.

Professional fees of \$18,297 have been incurred in connection with the debenture offering and have been recorded against the liability and equity component on a pro-rata basis. During the year ended April 30, 2016, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$14,345 (2015 - \$15,696), and interest expense of \$27,373 (2015 - \$31,175) of which \$4,063 (2015 - \$2,003) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

Subsequent to April 30, 2016, the convertible debentures were restructured and settled (note 25(g)).

(b) USD denominated convertible debentures

	Liability Component	Equity Component
	\$	\$
Balance, April 30, 2014	-	-
April 27, 2015 convertible debenture issuance	704,902	23,858
Issuance costs allocated	(101,228)	(3,426)
Deferred tax impact on equity component	-	(5,000)
Accretion and amortization	8,927	-
Foreign exchange	(4,920)	-
Balance, April 30, 2015	607,681	15,432
May 19, 2015 second tranche	591,631	19,968
Issuance costs allocated second tranche	(36,089)	(1,178)
May 29, 2015 third tranche	481,237	16,243
Issuance costs allocated third tranche	(40,012)	(956)
Deferred tax impact on equity component	-	(10,223)
Accretion and amortization	142,271	-
Foreign exchange	48,861	-
Balance, April 30, 2016	1,795,580	39,286

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NOTE 12 – CONVERTIBLE DEBENTURES (continued)

On March 20, 2015, the Company announced the terms of a convertible loan with a group of lenders for gross proceeds of USD\$1,500,000 (the “USD Convertible Loan”). The USD Convertible Loan bears interest at a rate of 15% per annum and was available to be drawn down in three tranches of USD\$600,000, USD\$500,000, and USD\$400,000, respectively, with the third tranche at the option of the Company. Each tranche of the USD Convertible Loan has a twelve month term and is subject to a twelve month renewal option, subject to certain conditions. The USD Convertible Loan is secured by a pledge of the inventory and related assets of the Company’s subsidiary, Chala One.

The Company paid an arrangement fee of 5% of the proceeds of the USD Convertible Loan to a third party for its role in arranging the USD Convertible Loan. In certain circumstances, up to 40% of the outstanding indebtedness under the USD Convertible Loan will be convertible into common shares the Company at the option of the Lenders at a conversion price of CAD\$1.75. The conversion amount will be based on a fixed foreign exchange rate which will result in maximum of 426,828 common shares issuable upon conversion.

On April 27, 2015, the Company closed the first tranche for gross proceeds of USD\$600,000. At the date of issue \$704,902 was attributed to the liability component of the convertible debenture and \$23,858 to the equity component based on an effective interest rate of 20%.

Professional and arrangement fees of \$104,654 have been incurred in connection with the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$116,159 (2015 - \$8,927), and interest expense of \$134,308 (2015 - \$nil) of which \$22,401 has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

On May 19, 2015, the Company closed the second tranche for gross proceeds of USD\$500,000. At the date of issue \$591,631 was attributed to the liability component of the convertible debenture and \$19,969 to the equity component based on an effective interest rate of 20%.

Professional and arrangement fees of \$37,267 have been incurred in connection with the second tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$14,399 (2015 - \$nil), and interest expense of \$104,392 (2015 - \$nil) of which \$18,668 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

On June 1, 2015, the Company closed the third tranche for gross proceeds of USD\$400,000. At the date of issue \$481,237 was attributed to the liability component of the convertible debenture and \$16,243 to the equity component based on an effective interest rate of 20%.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 12 – CONVERTIBLE DEBENTURES (continued)

Professional and arrangement fees of \$40,968 have been incurred in connection with the third tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$11,714 (2015 - \$nil), and interest expense of \$74,446 (2015 - \$nil), of which \$14,934 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

Subsequent to April 30, 2016, USD\$500,000 of the USD Convertible Loan was repaid, and USD\$1,000,000 was restructured and settled (note 25(g)).

NOTE 13 – BOND PAYABLE

	April 30, 2016	April 30, 2015
	\$	\$
First tranche (closed June 3, 2014)	2,700,000	2,700,000
Second tranche (closed August 29, 2014)	1,400,000	1,400,000
Third tranche (closed November 20, 2014)	1,400,000	1,400,000
Financing and issuance costs	(742,982)	(742,982)
Accretion and amortization	397,662	127,193
Current portion	1,193,179	-
Long-term portion	3,961,501	4,884,211

On May 20, 2014, the Company announced a bond financing for gross proceeds of \$5,500,000. The bond financing was closed over three tranches, and each tranche bears interest at 10% per annum calculated and payable quarterly in arrears commencing no later than 6 months after the closing date, and each tranche has a maturity date three years from the respective close date.

The bond is secured by a security interest in all of the Chala One present and after acquired property pursuant to an underlying Security Agreement. In addition, Inca One Gold Corp. is a guarantor of the debt. During the year ended April 30, 2015, the Company amended the security terms, whereby the bond financing lenders released their priority security over the Chala One's inventory assets for a temporary 1% increase in the annual interest rate from 10% to 11%. The 1% interest rate increase will be in effect until the USD Convertible Loan has been repaid in full.

Pursuant to the terms of the bond financing agreement the Company has granted to the lender the right of first refusal for future debt and equity financings of up to \$1,500,000 subject to certain restrictions as outlined in those agreements.

Also in connection with the financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment to pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement.

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Notes to the Consolidated Financial Statements
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NOTE 13 – BOND PAYABLE (continued)

All or a portion of the financing fee can be repurchased by the Company on either December 31, 2024 or December 31, 2029 in exchange for the cash payment of USD\$1,500,000 or a corresponding pro-rata portion thereof and otherwise the fee will continue to be payable until December 31, 2034.

In connection with the financing, during the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$270,469 (2015 - \$127,193).

No principal repayments were required in the year ending April 30, 2016. Principal repayment of the bond financing is scheduled as follows:

Year ending:	\$
April 30, 2017	1,193,179
April 30, 2018	4,306,821
	<hr/>
	5,500,000

First tranche

On June 3, 2014, the Company closed the first tranche of this financing for gross proceeds of \$2,700,000. The first tranche bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than November 12, 2014. The bond principal of \$2,700,000 is repayable in increments of \$170,454 on each of June 3, 2016, September 3, 2016, December 3, 2016 and March 3, 2017, with the remainder due June 3, 2017.

In addition a finder's fee of \$216,000, and professional fees of \$12,476 were paid in cash and 1,440,000 finder's warrants were issued in connection with the first tranche bond. The warrants are exercisable at \$0.15 for 3 years, and \$153,304 arising from the issue of these compensation warrants was charged against the bond amount payable and credited to warrant reserve.

For purposes of the calculations of compensation charge associated with the 1,440,000 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	1.13%
Expected dividends	\$nil
Expected volatility	96%
Expected life	3 years

During the year ended April 30, 2016, with respect to this first tranche of the bond financing the Company recorded interest expense of \$260,908 (2015 - \$255,836) of which \$91,396 (2015 - \$58,289) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements
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NOTE 13 – BOND PAYABLE (continued)Second tranche

On August 29, 2014, the Company closed the second tranche of this financing for gross proceeds of \$1,400,000. The second tranche bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than February 19, 2015. The bond principal of \$1,400,000 is repayable in increments of \$102,273 on each of August 29, 2016, November 29, 2016, February 28, 2017 and May 29, 2017, with the remainder due August 29, 2017.

In addition professional fees of \$3,779, finder's fees of \$112,000 were paid in cash and 746,667 finder's warrants were issued in connection with the second tranche bond. The warrants are exercisable at \$0.15 for 3 years, and \$60,586 arising from the issue of these compensation warrants was charged against the bond amount payable and credited to warrant reserve.

For purposes of the calculations of compensation charge associated with the 746,667 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	1.13%
Expected dividends	\$nil
Expected volatility	94%
Expected life	3 years

During the year ended April 30, 2016, with respect to this second tranche of the bond financing the Company recorded interest expense of \$135,286 (2015 - \$98,959) of which \$47,391 (2015 - \$28,000) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

Third tranche

On November 20, 2014, the Company received the third and final tranche for gross proceeds of \$1,400,000. The third tranche bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than April 25, 2015. The bond principal of \$1,400,000 is repayable in increments of \$102,273 on each of November 20, 2016, February 20, 2017, May 20, 2017 and August 20, 2017, with the remainder due November 20, 2017.

In addition professional fees of \$1,439, finder's fees of \$112,000 were paid in cash and 746,667 finder's warrants were issued in connection with the third tranche bond. The warrants are exercisable at \$0.15 for 3 years, and \$71,398 arising from the issue of these compensation warrants was charged against the bond amount payable and credited to warrant reserve.

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Notes to the Consolidated Financial Statements
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NOTE 13 – BOND PAYABLE (continued)

For purposes of the calculations of compensation charge associated with the 746,667 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	1.13%
Expected dividends	\$nil
Expected volatility	93%
Expected life	3 years

During the year ended April 30, 2016, with respect to this third tranche of the bond financing the Company recorded interest expense of \$135,286 (2015 - \$70,890) of which \$47,391 (2015 - \$2,110) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

Subsequent to April 30, 2016, the Bond Financing was restructured and settled (note 25(g)).

NOTE 14 – USD DEBENTURE UNITS

	April 30, 2016	April 30, 2015
	\$	\$
First debenture (USD\$1,600,000) (closed March 18, 2015)	1,932,517	1,932,517
Second debenture (USD\$500,000) (closed July 10, 2015)	599,432	-
Financing and issuance costs	(263,200)	(227,382)
Accretion and amortization	332,110	31,595
Foreign exchange	(6,944)	(86,359)
	2,593,915	1,650,371

First debenture

On March 18, 2015, the Company closed a non-brokered private placement of debenture units with warrants (the "Debenture Unit Financing") for gross proceeds of USD\$1,600,000 including a USD\$100,000 over-subscription. Pursuant to the closing of the Debenture Unit Financing, the Company issued 64 units (the "Units"), with each Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 3,571 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of \$1.75 until March 18, 2016. The holders of the debenture are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The debenture matures on March 18, 2016. A finder's fee of 8% of the gross proceeds of the Debenture Unit Financing was payable in cash by the Company to the finders, as applicable. The Company also issued to the finders that number of finder's warrants equal to 8% of the proceeds of the Debenture Unit Financing, divided by the exercise price of \$1.75, as applicable. Each finder warrant is exercisable into one common share of the Company at a price of \$1.75 until March 18, 2016.

In addition professional and finder's fees of \$182,029 were paid in cash, 91,943 finder's warrants were issued, and 228,571 subscriber warrants were issued. The warrants are exercisable at \$1.75 per share for 18 months and 12 months respectively.

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NOTE 14 – USD DEBENTURE UNITS (continued)

At the date of issue \$1,932,517 was attributed to the debenture and \$84,081 to the warrants based on an effective interest rate of 20%. The fair value of the finder's warrants was \$45,353.

For purposes of the calculations of compensation charge associated with the 91,942 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	0.78%
Expected dividends	\$nil
Expected volatility	64%
Expected life	1.5 years

During the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$279,869 (2015 - \$31,595), and interest expense of \$300,319 (2015 - \$nil) of which \$102,935 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

Second debenture

On July 10, 2015, the Company closed a non-brokered debenture financing (the "Second Debenture Unit Financing") for gross proceeds of USD\$500,000. The Second Debenture Unit Financing consists of 20 units (the "Second Units") with each Second Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 3,571 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$1.75 until July 9, 2016.

The holders of the debentures are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debentures is 12 months with a 12 month extension at the option of the Company and the debentures are secured by a security interest in certain of the Company's present and after acquired property to be registered in British Columbia.

In addition professional and finder's fees of \$35,818 were paid in cash and 71,429 subscriber warrants were issued with an exercise price of \$1.75 per share, expiring on July 9, 2016. At the date of issue \$599,432 was attributed to the debenture and \$26,008 to the warrants based on an effective interest rate of 20%.

During the year ended April 30, 2016, the Company recorded accretion expense and amortization of issuance costs of \$20,646 (2015 - \$nil) and interest expense of \$67,727 (2015 - \$nil), of which \$26,159 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of April 30, 2016.

Subsequent to April 30, 2016, the USD Debenture Units were restructured and settled (note 25(g)).

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Notes to the Consolidated Financial Statements
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NOTE 15 – ASSET RETIREMENT AND RECLAMATION OBLIGATIONS

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 become available.

The table below presents the evolution of the asset retirement obligations for the mineral processing operations for the periods ended:

	April 30, 2016	April 30, 2015
	\$	\$
Beginning of year	278,829	-
New obligation	-	278,829
Accretion	18,825	-
Unrealized foreign exchange	11,186	-
	308,840	278,829

As at April 30, 2016, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is \$535,055 and is projected to be disbursed over years 10 (2025) and 11 (2026). A 6.40% discount rate was used to evaluate this and a 2.92% inflation rate.

NOTE 16 – SHARE CAPITAL AND RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

Subsequent to year end, the Company consolidated its capital on a one-for-seven basis (note 25(e)). At April 30, 2016, there were 11,561,496, post consolidation, issued and fully paid common shares (April 30, 2015 - 9,911,559 post consolidation).

(c) Share Issuances

Share capital transactions for the year ended April 30, 2016, presented on a post consolidated basis (note 25(e)) were:

- On August 25, 2015, the Company closed a private placement of 572,818 common shares at \$1.05 per share for gross proceeds of \$601,459. No finder's fees were incurred. Share issuance costs amounted to \$20,088.

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Notes to the Consolidated Financial Statements

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)

- On October 16, 2015, the Company issued 22,612 common shares valued at \$24,930 to key Peruvian employees for services pursuant to their employment agreements of US\$80,000 and US\$24,000 respectively.
- On November 30, 2015, the Company issued 32,613 common shares valued at \$34,244 to two key Peruvian employees for services pursuant to their employment agreements.
- On December 22, 2015, the Company closed a private placement of 657,019 common shares at \$0.77 per share for gross proceeds of \$505,905. Share issuance cost with respect to the private placement included legal fees of \$1,588, regulatory expenses of \$600 and finder's fees of \$12,568. Each share had an equivalent amount of warrants valued at \$313,301.
- On March 29, 2016, the Company issued 15,467 common shares valued at \$16,240 to two key Peruvian employees for services pursuant to their employment agreements.
- On March 29, 2016, the Company issued 305,122 common share valued at \$192,227 to two lenders as a settlement for outstanding interest owed as of February 29, 2016.
- During the year ended April 30, 2016, 14,286 common shares were issued for proceeds of \$20,000 on the exercise of 100,000 warrants at \$1.40 per share.
- During the year ended April 30, 2016, 30,000 common shares were issued for proceeds of \$68,761 on the exercise of 3,061 stock options at \$1.08 per share and 8,571 stock options at \$1.75 per share. A reclassification of \$31,261 from stock option reserve to share capital was recorded on the exercise of these options.

Share capital transactions for the year ended April 30, 2015, presented on a post consolidated basis (note 25(e)) were:

- On October 30, 2014, the Company issued 78,571 common shares pursuant to conversion of \$55,000 of the convertible debenture (note 12). A reclassification of \$55,000 from the liability component and \$73,087 from the equity component of the convertible debenture to share capital was recorded on the conversion.
- On November 20, 2014, the Company issued 92,857 common shares were issued pursuant to conversion of \$81,250 of the convertible debenture (note 12). A reclassification of \$81,250 from the liability component and \$85,136 from the equity component of the convertible debenture to share capital was recorded on the conversion.
- During the year ended April 30, 2015, the Company issued 40,034 common shares were issued for services to a key Peruvian employee pursuant to his employment agreement which requires USD\$80,000.

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)

- During the year ended April 30, 2015, 271,714 commons shares were issued for proceeds of \$380,400 on the exercise of 271,714 warrants at \$1.40 per share.
- During the year ended April 30, 2015, 346,285 common shares were issued for proceeds of \$631,204 on the exercise of 30,000 stock options at \$0.94 per share, 51,429 stock options at \$0.87 per share and 264,856 stock options at \$1.05 per share. A reclassification of \$279,755 from stock option reserve to share capital was recorded on the exercise of these options.

(d) Stock Options

The Company adopted an incentive stock 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 to the Company, non-transferable 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. Stock 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.

The status of the options outstanding, presented on a post consolidated basis (note 25(e)), is as follows:

	Options (note 25(e))	Weighted Average Exercise Price (note 25(e))
	#	\$
Balance, April 30, 2014	542,571	1.55
Granted	387,143	1.09
Exercised	(346,286)	1.02
Forfeited	(64,714)	2.62
Balance, April 30, 2015	518,714	1.43
Granted	397,143	1.75
Exercised	(30,000)	1.25
Balance, April 30, 2016	885,857	1.58

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)

The following table summarizes the options outstanding, presented on a post consolidated basis (note 25(e)), as at April 30, 2016:

Options (note 25(e))	Exercise Price (note 25(e))	Expiry Date	Vesting Provisions
#	\$		
21,429	1.75	February 9, 2017	Vested
35,714	1.05	October 5, 2017	Vested
56,571	1.05	October 30, 2017	Vested
397,143	1.75	May 5, 2018	Vested
39,286	1.05	May 30, 2018	Vested
28,571	1.05	October 31, 2018	Vested
135,714	1.05	June 4, 2019	Vested
64,286	1.05	August 29, 2019	Vested
14,286	1.75	April 15, 2020	Vested
10,714	1.54	September 23, 2020	Vested
82,143	3.01	July 11, 2021	Vested
885,857			

As at April 30, 2016, the weighted average remaining contractual life of the options is 2.81 years.

During the year ended April 30, 2016, the Company recognized share-based payments of \$361,633 (2015 - \$377,733) for stock options granted and vested during the period.

The fair value of stock options granted during the year ended April 30, 2016 and 2015 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2016	2015
Risk-free interest rate	1.03%	2.00%
Expected dividends	\$nil	\$nil
Expected volatility	92.47%	158.94%
Expected life in years	3.00	5.00

The weighted average fair value of stock options granted during the year ended April 30, 2016 was \$1.75 (2015 - \$0.63) per option, on a post consolidated basis (note 25(e)).

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)**(e) Warrants**

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 25(e)), is as follows:

	Warrants (note 25(e))	Weighted Average Exercise Price (note 25(e))
	#	\$
Balance, April 30, 2014	1,446,543	1.40
Issued	739,562	1.35
Exercised	(271,714)	1.40
Balance, April 30, 2015	1,914,391	1.38
Issued	728,447	1.31
Expired/Cancelled	(1,389,114)	1.46
Exercised	(14,286)	1.40
Balance, April 30, 2016	1,239,438	1.25

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 25(e)), as at April 30, 2016:

Warrants (note 25(e))	Exercise Price (note 25(e))	Expiry Date
#	\$	
57,143	1.75	July 3, 2016
14,286	1.75	July 5, 2016
91,943	1.75	September 18, 2016
205,714	1.05	May 20, 2017
106,667	1.05	August 29, 2017
106,667	1.05	November 20, 2017
657,018	1.26	December 22, 2020
1,239,438		

As at April 30, 2016, the weighted average remaining contractual life of the warrants is 2.927 years.

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NOTE 17 – RELATED PARTY TRANSACTIONS**(a) Related Party Transactions**

The Company incurred charges to directors and officers or to companies associated with these individuals during the year ended April 30, 2016 and 2015 as follows:

	2016	2015
	\$	\$
Accounting fees in professional fees	15,518	78,056
Consulting and management fees	628,298	561,248
Director fees	-	36,000
Finance costs	308,072	37,488
Share-based payments	361,633	209,962
Legal fees	-	71,125
	1,313,521	993,879

Accounting fees are paid to a company controlled by a director. Consulting and management fees are paid to companies controlled by the President, COO, CFO, or VP Operations & New Projects. Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the President, COO, or VP Operations & New Projects, or to a company controlled by a director.

During the year ended April 30, 2016 there was a \$40,000 repayment of advances to the COO of the Company and USD\$100,000 to a company controlled by a director of the company (note 11).

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, President, CFO, 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 President, CFO, COO and VP Operations & New Projects, accounting fees paid to companies controlled by a director or company controlled by the CFO, and by the issue of options.

	2016	2015
	\$	\$
Management, accounting and CFO fees (included in (note 17(a)) above)	643,816	675,304
Share-based payments	361,633	209,962
	1,005,449	885,266

There was no other compensation paid or payable to key management for employee services.

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NOTE 17 – RELATED PARTY TRANSACTIONS (continued)**(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, 2016 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes (note 10), convertible debenture financing (note 12), and are comprised of \$163,901 (April 30, 2015 - \$30,958) payable to the President and a company controlled by the President, \$111,104 (April 30, 2015 - \$7,826) payable to the CFO or a company controlled by the CFO, \$148,470 (April 30, 2015 - \$71,424) payable to the COO and a company controlled by the COO, \$56,445 (April 30, 2015 - \$9,128) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects and \$1,929,635 (April 30, 2015 - \$504,278) payable to a companies controlled by directors.

NOTE 18 – COMMITMENTS

In addition to the commitments in connection with the Company's financings (notes 11, 12, 13 and 14), the Company has a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of USD\$4,210 and termination date on July 31, 2018 and a three-year rent agreement with a monthly payment of \$3,750 for its corporate office in Vancouver, Canada and termination date on January 1, 2019.

During the year ended April 30, 2016, the Company entered into a purchase and sale contract to sell approximately 221 ounces of gold dore to a third party, which would be settled at a future date in either cash or through the delivery of gold. At April 30, 2016, the fair value of amounts owing under this contract was \$359,178 and is included in deferred revenue.

A summary of undiscounted liabilities and future operating commitments at April 30, 2016 are as follows:

April 30, 2015	Total	Within One Year	Two to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	2,437,740	2,437,740	-
Bond payable	5,154,683	1,193,182	3,961,501
Promissory notes payable and mineral notes	2,834,418	2,834,418	59,575
Convertible debentures	2,170,833	2,170,833	-
Debenture units	2,593,915	2,593,915	-
	15,191,589	11,230,088	4,021,076
Commitments			
Office lease rental	277,633	108,392	169,241
Gold sale contract deferred revenue	359,178	359,178	-
Asset retirement and reclamation obligations	308,840	-	308,840
	945,651	467,570	478,081
	16,137,240	11,697,658	4,499,157

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NOTE 19 – SEGMENTED INFORMATION

The Company operates in one reportable operating segment, currently being gold milling facilities in Peru. All of the Company's operating and capital assets are located in Peru except for \$329,600 (April 30, 2015 \$550,425) 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:

April 30, 2016	Canada	Peru	Total
	\$	\$	\$
Revenue from external customers	-	16,482,179	16,482,179
Cost of goods sold (including \$510,639 of depreciation)	-	17,762,752	17,762,752
Gross deficit	-	(1,280,573)	(1,280,573)
Assets:			
Inventory	-	888,676	888,676
Property, plant and equipment	2,701	5,858,069	5,860,770
Total long-term and operating assets	2,701	6,746,745	6,749,446

April 30, 2015	Canada	Peru	Total
	\$	\$	\$
Revenue from external customers	-	4,304,802	4,304,802
Cost of goods sold (including \$66,037 of depreciation)	-	4,173,660	4,173,660
Gross margin	-	131,142	131,142
Inventory	-	1,468,421	1,468,421
Other assets	-	-	-
Property, plant and equipment	3,649	5,175,055	5,178,704
Exploration and evaluation assets	-	-	-
Total long-term and operating assets	3,649	6,643,476	6,647,125

During the years ended April 30, 2016 and 2015, the Company had sales agreements with six major customers. The percentage breakdown of metal revenues by major customer is as follows:

	2016	2015
	%	%
Customer A	55	-
Customer B	19	-
Customer C	14	-
Customer D	11	17
Customer E	1	2
Customer F	-	81
	100	100

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NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at April 30, 2016, the Company's financial instruments consist of cash, other receivables, marketable securities, accounts payable and accrued liabilities, promissory notes payable convertible debentures, debentures and loan payable. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value through other comprehensive income or loss. Accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable are designated as other financial liabilities, which are measured at amortized cost.

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, 2016, the Company believes that the carrying values of cash, other receivables, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The fair value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

(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 other 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 other receivables.

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NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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, 2016, the Company had cash of \$45,135 (April 30, 2015 - \$454,321) and current working capital deficiency of \$7,645,085 (April 30, 2015 - \$516,327) with total liabilities of \$15,859,608 (April 30, 2015 - \$9,339,872).

A summary of the Company's future operating commitments is presented in note 18.

(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, 2016, the Company has 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.

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NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	April 30, 2016	April 30, 2015
	\$	\$
US dollar:		
Cash	31,063	321,099
Receivables	108,809	54,643
Accounts payable and accrued liabilities	(744,126)	(525,948)
Debenture, convertible debenture and promissory notes	(7,190,363)	(2,895,360)
Net assets	(7,794,617)	(3,045,566)
Sol:		
Cash	13,488	38,858
Receivables	1,523,703	589,500
Accounts payable and accrued liabilities	(1,018,224)	(347,062)
Net liabilities	518,967	281,296

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the year ended April 30, 2016 would have varied by approximately \$782,320. Assuming all other variables constant, an increase or a decrease of 10% of the Sol against the Canadian dollar, the net loss of the Company and the equity for the year ended April 30, 2016 would have varied by approximately \$119,364.

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 future gold price expectations and the share trading price of its GRIT shares. The Company continuously monitors precious metal and GRIT share trading prices as they are included in projections prepared to determine its future strategy.

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NOTE 21 – 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 \$2,774,843 (April 30, 2015 - \$559,544), convertible debentures of \$2,170,833 (April 30, 2015 - \$956,397), debentures of \$2,593,915 (April 30, 2015 - \$1,650,371), bond payable of \$5,154,683 (April 30, 2015 - \$4,884,211) and the items included in shareholders' deficiency of \$6,489,484 (April 30, 2015 - \$1,011,379). The Company's projected future revenues from mineral processing operations are intended to generate sufficient funds to service its debts and to provide funding for future 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 except for the right of first refusal for future debt and equity financings provided to bond and debenture holders per financings entered during the 2016 fiscal year.

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 toll-milling operations the Company prepares expenditure budgets which are updated as necessary, and are reviewed and approved by the Company's Board of Directors.

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Notes to the Consolidated Financial Statements

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NOTE 22 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended	
	2016	April 31, 2015
	\$	\$
Corporate and administrative expenses:		
Consulting fees	582,953	408,221
Management fees	588,977	380,671
Depreciation	11,594	9,802
Directors fee	-	36,000
Investor relations and regulatory fees	334,700	494,750
Office, rent, utilities and other	189,568	227,494
Professional fees	361,594	290,462
Salaries and benefits	643,529	377,494
Share-based payments	369,882	377,733
Terminal transaction costs	95,348	-
Travel and accommodation	160,855	350,165
Total corporate and administrative expenses	3,339,000	2,952,792
Finance and other income (expense):		
Accretion expense	(838,001)	(194,931)
Finance costs	(1,683,265)	(410,701)
Foreign exchange (loss) gain	(167,252)	475,029
Finance income	670	2,043
Impairment of marketable securities	(460,399)	(1,102,162)
Loss on investment	43,290	-
Write-down of exploration and evaluation assets	-	(20,000)
Total finance and other expense	(3,104,957)	(1,250,722)

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NOTE 23 – 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 26% (2015 - 26%) while the Peruvian tax rate is 26% (2015 - 30%).

	2016	2015
		\$
Net loss before income taxes for the year	(7,724,530)	(4,072,372)
Average statutory rate	26%	26%
Income tax recovery at applicable rate	(2,008,000)	(1,059,000)
Impact of different foreign statutory tax rates	-	(16,000)
Non-deductible amounts	170,000	271,000
Unrealized loss on marketable securities	-	-
Issuance of convertible debentures	-	(27,000)
Share issuance costs	(49,000)	(90,000)
Adjustment or prior years provision versus statutory tax returns and other	(420,000)	686,000
Change in non-recognized deferred tax assets and other	2,155,000	370,000
Income tax (recovery) expense	(152,000)	135,000

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:

	2016	2015
		\$
Deferred tax asset:		
Non-capital losses carried forward	875,000	740,000
Deferred tax liabilities:		
Inventory	-	10,000
Property, plant and equipment	784,000	707,000
Debt with accretion	91,000	185,000
	875,000	902,000
Deferred tax liabilities, net	-	162,000

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NOTE 23 – 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 uncertainty of their recovery:

	2016	2015
		\$
Non-capital losses carried forward	17,061,000	8,876,000
Share issuance costs	442,000	454,000
Mineral properties	107,000	94,000
Marketable securities	1,233,000	1,102,000

Non-capital losses carried forward

The Company has tax losses for Peruvian purposes of approximately \$4,858,000 (2015 - \$2,466,000) 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 \$12,203,000 (2015 - \$8,922,000) in Canada with expiry over 2026 through 2036 which have not been recognized in these financial statements.

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

NOTE 24 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the year ended April 30, 2016, were \$1,070,246 (2015 - \$438,312) and \$94,278 (2015 - \$nil), 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, 2016, the following transactions were excluded from the statements of cash flows:

- The Company issued 71,429 warrants at the fair value of \$26,008 pursuant to the convertible debenture financing.
- The Company issued 397,142 stock options at a fair value of \$361,633 which were totally vested.
- The Company accrued \$138,873 (2015 - \$305,999) in property, plant and equipment expenditures through accounts payable and accrued liability.
- The Company reclassified \$436,619 (2015 - \$nil) of VAT paid to property, plant and equipment.
- The Company recorded \$30,609 (2015 - \$27,369) of depreciation expense to gold inventory.

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NOTE 24 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

During the year ended April 30, 2015, the following transactions were excluded from the statements of cash flows:

- The Company issued 419,047 finder's warrants at the fair value of \$285,288 pursuant to the bond financing.
- A total of \$136,250 of the convertible debentures were converted to 171,428 common shares of the Company. A reclassification of \$99,461 from the liability component and \$158,222 from the equity component of the convertible debentures to share capital was recorded on the conversion.

NOTE 25 – SUBSEQUENT EVENTS

- a) Subsequent to April 30, 2016, the Company received \$1,501,580 of its VAT recoverable in Receivables. Additionally, the Peruvian tax authorities denied \$660,115 of the Company's VAT recoverable. The VAT recoverable balance at April 30, 2016, was adjusted for this denied amount (note 4).
- b) On June 30, 2016, the Company sold its 733,007 shares in the GRIT marketable securities at a value of \$0.10 (GBP £0.060) per share for total proceeds of \$75,790.
- c) On June 14, 2016, the Company issued 7,441 common shares valued at \$7,815 to a key Peruvian employee for services pursuant to their employment agreements.
- d) On June 21, 2016, the Company issued 71,429 common shares valued at \$75,000 or \$1.05 per share for advisory fees.
- e) On August 16, 2016, the Company consolidated its capital on a one-for-seven basis. Effective August 19, 2016, the Company's common shares commenced trading on a consolidated basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated capital basis.
- f) On August 26, 2016, the Company announced that it has closed a previously announced non-brokered private placement (the "Private Placement") for gross proceeds of approximately \$3.2 million by the issuance of approximately 13.0 million units (the "Units") at a subscription price of \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. Each warrant will be exercisable to purchase an additional common share of the Company at an exercise price of \$0.40 for a period of 36 months from the closing date and will feature an acceleration clause triggering the exercise of the warrant upon select share price metrics being achieved. The Company also intends to close the final tranche of the Private Placement shortly. Cash finder's fees of 8% of the gross proceeds were paid on a portion of the Private Placement. The Company will also issue 8% finders warrants to eligible finders in connection with this placement.

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NOTE 25 – SUBSEQUENT EVENTS (continued)

The net proceeds from the Private Placement will be used for purchases of mineral, inventory supplies and materials, select debt repayments, and for general working capital purposes, as applicable. All securities issued pursuant to the Private Placement are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with applicable securities legislation.

- g) On August 26, 2016, the Company announced that it has received approval by the TSX-V for the required settlement agreements with its debt holders (the “Debt Settlement”). The Debt Settlement addresses approximately \$13.7 million of the Company’s long and short term debt and related unpaid interest (the “Debts”) which converted as follows:
- (i) Approximately \$8.0 million was settled into 20.3 million common shares plus 9.2 million warrants;
 - (ii) Approximately \$3.8 million was settled into interest bearing debenture agreements with deferred payment terms or non-interest bearing repayment notes;
 - (iii) Approximately \$1.8 million was settled into a combination of warrant deposits and contingent debt; and
 - (iv) Approximately 1.1 million warrants were issued to select parties relating to the warrant deposit and certain other settlement requirements.

In total, 20.3 million common shares and 10.3 million common share purchase warrants, of which 9.1 million have a three year term and \$0.40 exercise price, 0.3 million have a 12 month term and a \$0.45 exercise price, and 0.8 million have a three year term and a \$0.85 exercise price, were issued on settlement of these Debts.