



INCA ONE GOLD CORP.

Consolidated Financial Statements
For the Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)



Independent Auditor's Report

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To the Shareholders of
Inca One Gold Corp.

We have audited the accompanying consolidated financial statements of Inca One Gold Corp. (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2017 and 2016, the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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



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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Inca One Gold Corp. as at April 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$2,997,722 and negative cash flows from operations of \$3,474,200 for the year ended April 30, 2017. As at April 30, 2017, the Company had an accumulated deficit of \$25,496,388. 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.

Vancouver, Canada
August 1, 2017

Grant Thornton LLP

Chartered Professional Accountants

INCA ONE GOLD CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	April 30, 2017	April 30, 2016
		\$	\$
Assets			
Current:			
Cash		51,893	45,135
Receivables	5	1,000,186	1,664,029
Marketable securities	6	-	87,439
Prepaid expenses and deposits	7	867,556	824,075
Inventory	8	784,550	888,676
		2,704,185	3,509,354
Property, plant and equipment	9	6,903,269	5,860,770
Total assets		9,607,454	9,370,124
Liabilities			
Current:			
Accounts payable and accrued liabilities	10	2,239,564	2,437,740
Promissory notes payable	4, 11	163,800	2,774,843
Convertible debentures	4, 12	-	1,795,580
Current portion of bond payable	4, 13	-	1,193,182
Debenture units	4, 14	-	2,593,915
Deferred revenue	19	1,011,291	359,179
		3,414,655	11,154,439
Convertible debentures	4, 12	-	375,253
Bond payable	4, 13	-	3,961,501
Secured debentures	4, 15	2,772,000	-
Mineral notes		66,234	59,575
Asset retirement and reclamation obligations	16	605,968	308,840
		6,858,857	15,859,608
Shareholders' Equity (Deficiency)			
Share capital	4, 17	22,432,969	13,636,263
Reserves	4, 17	5,523,225	1,735,807
Convertible debentures - equity component	12	-	39,286
Accumulated other comprehensive earnings		288,791	597,826
Deficit		(25,496,388)	(22,498,666)
		2,748,597	(6,489,484)
Total liabilities and shareholders' equity (deficiency)		9,607,454	9,370,124

Nature of operations and going concern (note 1)

Commitments and contingencies (notes 10, 11, 12, 13 and 19)

Subsequent events (note 26)

Approved on behalf of the Board of Directors on August 1, 2017:

"Bruce Bragagnolo"

Director

"Richard A. Mundie"

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)

	Note	Years ended April 30,	
		2017	2016
		\$	\$
Revenue		13,817,927	16,482,179
Cost of goods sold (including \$658,865 of depreciation (2016 - \$510,639))		13,999,947	17,762,752
Gross operating margin (deficit)		(182,020)	(1,280,573)
Corporate and administrative expenses	23	2,498,282	3,339,000
Loss from operations		(2,680,302)	(4,619,573)
Finance and other expense	23	916,025	3,104,957
Restructuring gain, net	4, 23	(608,828)	-
Loss before income taxes		(2,987,499)	(7,724,530)
Deferred income tax expense (recovery)		10,223	(152,000)
Loss for the year		(2,997,722)	(7,572,530)
Other comprehensive loss (gain):			
Foreign currency translation adjustment		309,035	(285,269)
Comprehensive loss for the year		(3,306,757)	(7,287,261)
Weighted average shares outstanding			
Basic and diluted		41,487,786	10,040,602
Loss per share			
Basic and diluted		(0.07)	(0.75)

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) earnings	Deficit	Total shareholders' equity (deficiency)
	Common shares (note 17(b))	Amount	Stock options	Warrants	Total				
	#	\$	\$	\$	\$				
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 17(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 17(c)(e))	14,286	20,000	-	-	-	-	-	-	20,000
Exercised options (note 17(d))	30,000	68,761	(31,261)	-	(31,261)	-	-	-	37,500
Shares issued for services (note 17(d))	70,692	75,414	-	-	-	-	-	-	75,414
Shares issued for settlement of interest on debt (note 17(c))	305,122	192,227	-	-	-	-	-	-	192,227
Share-based payments (note 17(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)
Comprehensive loss for the year	-	-	-	-	-	-	(309,035)	(2,997,722)	(3,306,757)
Convertible debentures – equity portion (note 12(b))	-	-	-	-	-	(39,286)	-	-	(39,286)
Issuance of shares on private placement, net of share issue costs (note 17(c))	25,724,195	3,555,821	-	2,612,628	2,612,628	-	-	-	6,168,449
Shares issued for debt settlement (note 4, 17(c))	20,322,340	4,582,875	-	-	-	-	-	-	4,582,875
Issuance of shares on exercise of options (note 17(c)(d))	1,629,500	575,296	(155,420)	-	(155,420)	-	-	-	419,876
Warrants issued for debt settlement (note 4, 17(c))	-	-	-	874,655	874,655	-	-	-	874,655
Shares issued for services (note 17(c))	78,870	82,714	-	-	-	-	-	-	82,714
Share-based payments (note 17(d))	-	-	455,555	-	455,555	-	-	-	455,555
Balance, April 30, 2017	59,316,401	22,432,969	1,255,407	4,267,818	5,523,225	-	288,791	(25,496,388)	2,748,597

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,	
	2017	2016
	\$	\$
Cash flows provided by (used in):		
Operating activities:		
Net loss for the year	(2,997,722)	(7,572,530)
Items not involving cash:		
Depreciation and amortization	637,426	510,639
Share-based payments	455,555	361,633
Loss on sale/impairment of marketable securities	11,648	130,399
Accretion expense	119,922	838,001
Accrued interest	102,592	453,695
Interest expense	257,457	1,625,930
Shares issued for settlement of interest on debt	-	192,227
Shares issued for services	82,714	75,414
Unrealized foreign exchange	(266,967)	(244,204)
Deferred income taxes	10,223	(172,223)
Restructuring impairments	460,366	-
Gain on restructuring, net	(3,626,887)	-
Changes in non-cash operating working capital:		
Receivables	803,961	(1,032,549)
Prepaid expenses and deposits	318,092	(446,343)
Inventory	104,126	579,745
Accounts payable and accrued liabilities	(598,819)	579,841
Deferred revenue	652,113	359,178
	(3,474,200)	(3,761,147)
Financing activities:		
Proceeds from promissory notes payable, net of issuance costs	-	2,667,439
Repayments of promissory notes	-	(378,030)
Proceeds from convertible debentures, net of issuance costs	-	1,018,534
Repayments of convertible debentures	(652,752)	-
Proceeds from debenture financing	-	1,001,000
Proceeds from bond financing	-	5,790
Repayments of debt on restructuring	(1,690,680)	-
Proceeds on issuance of common shares through private placement, net of issuance costs	6,168,450	1,130,020
Proceeds on issuance of common shares on exercise of share options	419,875	-
Interest paid	(62,266)	(1,070,246)
	4,182,627	4,374,507
Investing activities:		
Proceeds from sale of marketable securities	75,791	-
Purchase of property, plant and equipment	(781,720)	(1,019,988)
	(705,929)	(1,019,988)
Increase (decrease) in cash and cash equivalents	2,498	(406,628)
Effect of exchange rates on cash held in foreign currencies	4,260	(2,558)
Cash and cash equivalents, beginning of the year	45,135	454,321
Cash and cash equivalents, end of the year	51,893	45,135

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, 2017 and 2016
(Expressed in Canadian Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Gold 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.

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

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

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended April 30, 2017, the Company incurred a net loss of \$2,997,722. As of that date, the Company had a deficit of \$25,496,388 and working capital deficiency of \$710,470. 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. On August 26, 2016, the Company restructured and settled approximately \$13.5 million of the Company's long and short term debt and related unpaid interest (note 4).

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

These 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.

INCA ONE GOLD CORP.

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

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 1, 2017.

(b) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The 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”), and Chala One S.A.C. (“Chala One”).

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

(c) Use of Estimates and Judgments

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

Significant accounting judgments

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

INCA ONE GOLD CORP.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)*(i) Going concern*

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

(ii) 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 for the three months from February 1, 2015 had been in excess of 50 tonnes per day ("TPD") with high production days achieving the plant's 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 processing plant.

(iii) Determination of functional currency

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

(iv) Debt-holder or shareholder

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

(v) Replacement debt - extinguishment versus modification

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

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

(vi) Contingent debenture

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

Significant estimates and assumptions

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

(i) Value of share-based compensation

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) Deferred revenue

The purchase and sale contract to sell approximately 585 ounces of gold dore does not qualify for the own use exemption. As such, this is a derivative financial liability which is valued at the fair market value based on the ounce of finished gold outstanding at the spot price at the reporting date.

(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.

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

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

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 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. Management's assessment of functional currency takes into consideration the currency that most strongly influences primary operating and capital decisions in addition to the currency in which funding requirements are met.

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

(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 earnings 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.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) Property, Plant and Equipment**

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

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

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

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

(h) Impairment of Non-financial Assets

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

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

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

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

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

(j) Convertible debentures and debenture units with warrants

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

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

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.

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.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(l) Share Capital

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

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

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

(m) Share-based Payments

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

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(n) Revenue

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

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.

(o) Loss per Share

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

(p) Comprehensive Loss

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(q) Financial Instruments**

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

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.

(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.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 non-derivative financial liabilities classified as FVTPL.

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.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected as an allowance against accounts receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(r) Income taxes

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

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

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

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

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.

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NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS (continued)

- 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.

NOTE 4 – RESTRUCTURING

Early 2016 the Company began a comprehensive capital restructuring (the “Restructuring”) which involved three major components including: (i) negotiating with debt holders to significantly reduce long and short term debt (the “Debt Settlement”), (ii) raising sufficient new capital in a private placement to provide sufficient working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company’s shares.

On August 16, 2016, the Company consolidated its capital on a one-for-seven basis and effective August 19, 2016 the Company’s common shares commenced trading on a consolidated basis (note 17(b)).

On August 26, 2016, the Company received approval by the TSX-V for the Debt Settlement, which converted approximately \$13.5 million of the Company’s long and short term debt and related unpaid interest (the “Debts”) generally as follows:

- (i) Approximately \$8.0 million was settled into 20.3 million common shares plus 9.2 million warrants (notes 17(c) and 17(e));
- (ii) Approximately \$3.8 million was settled into interest bearing debenture agreements with deferred payment terms (Note 15) or non-interest bearing repayment notes (Note 11);
- (iii) Approximately \$1.8 million was settled into a combination of warrant deposits (note 14), and contingent debt (note 19); and
- (iv) Approximately 1.5 million warrants were issued to select parties relating to the warrant deposit and certain other settlement requirements (Note 17(e)).

On August 30, 2016 and October 5, 2016, the Company closed the first and second tranches of its restructuring-related private placement for total gross proceeds of \$6,342,364 and issuing 25,369,447 shares (note 17(c)).

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NOTE 5 – RECEIVABLES

	April 30, 2017	April 30, 2016
	\$	\$
GST recoverable (Canada)	60,706	31,518
VAT recoverable (Peru)	895,862	1,516,206
Trade receivable	43,618	116,305
	1,000,186	1,664,029

During the year ended April 30, 2017, the Company impaired VAT recoverable in Peru for \$313,093 (2016 - \$nil) that is deemed to be uncollectible.

NOTE 6 – MARKETABLE SECURITIES

On February 28, 2014, the Company acquired 733,007 shares in Global Resources Investment Trust PLC (“GRIT”) 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. On June 23, 2016, the Company sold all GRIT shares at a price of \$0.10 (GBP £0.060) per share for total proceeds of \$75,791, resulting in a loss on marketable securities of \$11,648.

On October 7, 2015, the Company acquired 6,000,000 shares in Standard Tolling Corp (“TON”) at a value of \$0.055 per share for a total fair value of \$330,000 at time of acquisition. On November 30, 2015, TON halted trading of their shares and announced that they are illiquid. TON resumed trading on January 12, 2016. The share price continued to remain low (equal to or below \$0.01/share). Management included this fact pattern, along with the fair value, in their determination that the TON share impairment was permanent. As of April 30, 2016, the TON shares were recorded at a fair value of \$nil, based on the TON share trading price of \$0.005. On March 10, 2017, the Company sold all TON shares at a price of \$0.005 per share for total proceeds of \$29,670.

As a result of these transactions, the Company realized a net gain on marketable securities of \$18,022 for the year ended April 30, 2017 (2016 - \$nil). While an impairment loss of \$nil was recorded for the year ended April 30, 2017 (2016 - \$460,399).

NOTE 7 – PREPAID EXPENSES AND DEPOSITS

	April 30, 2017	April 30, 2016
	\$	\$
Deposits with mineral suppliers	373,914	245,080
Other deposits and advances	74,844	143,049
Prepaid taxes	297,254	313,791
Prepaid expenses	121,544	122,155
	867,556	824,075

INCA ONE GOLD CORP.

Notes to the Consolidated Financial Statements

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NOTE 8 – INVENTORY

	April 30, 2017	April 30, 2016
	\$	\$
Stockpiled gold-bearing material and in process inventory	642,086	622,228
Finished goods - gold	-	46,201
Materials and supplies	142,464	220,247
	784,550	888,676

The costs of inventories recognized as an expense for the year ended April 30, 2017 were \$13,999,947 (2016 - \$17,762,752) and are included in cost of goods sold. During the year ended April 30, 2017, the Company recorded inventory impairments totaling \$nil (2016 - \$47,410) related to stockpiled gold-bearing material and in-process inventory.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2015	5,241,843	20,413	54,327	5,316,583
Additions ⁽ⁱ⁾	1,359,076	-	-	1,359,076
Reclassification of IGV/VAT to receivables ⁽ⁱⁱ⁾	(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
Additions	1,120,588	42,966	3,169	1,166,723
Foreign exchange	582,313	2,952	4,820	590,085
Balance, April 30, 2017	8,124,349	68,044	64,823	8,257,216
Accumulated Depreciation:				
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
Depreciation	620,905	9,628	6,893	637,426
Foreign exchange	72,878	1,116	2,889	76,883
Balance, April 30, 2017	1,288,722	24,503	40,722	1,353,947
Net Book Value:				
April 30, 2016	5,826,509	8,367	25,894	5,860,770
April 30, 2017	6,835,627	43,541	24,101	6,903,269

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NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (continued)

- (i) For the year ended April 30, 2016, the additions to property, plant and equipment included \$775,708 or USD\$618,192 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 surcharges. The VAT balance was reclassified from VAT recoverable in Receivables (note 5).
- (ii) During the year ended April 30, 2017, the Company reclassified \$nil (year ended April 30, 2016 - \$339,088) 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 5).

Capitalized Purchase, Permits, and Pre-operating Costs

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

During the year ended April 30, 2017, the final permitting steps were completed and transfer of the beneficial permit was enacted to the Company. Per the final permit transfer negotiations the Company was required to pay an additional USD\$110,000 of which USD\$10,000 and the above noted USD\$90,000 were paid during the year ended April 30, 2017, and the remaining USD\$100,000 balance will be paid in instalments over 2017.

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

NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2017	April 30, 2016
	\$	\$
Trade accounts payable and accruals	1,681,225	1,509,474
Management, consulting and professional fees payable	455,747	325,661
Accrued interest	102,592	602,605
	2,239,564	2,437,740

Management, consulting and professional fees payable includes \$147,835 (April 30, 2016 - \$325,661) due to related parties (note 18).

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NOTE 11 – PROMISSORY NOTES PAYABLE

	April 30, 2017	April 30, 2016
	\$	\$
Director and officer advances	-	561,920
Third party advances (USD\$200,000)	-	250,960
Redeemable notes	-	104,500
TON Mineral Loan (USD\$550,000)	-	690,140
TON Mineral Purchase Note (USD\$930,286)	-	1,167,323
Non-interest bearing notes (post-Restructuring)	163,800	-
	163,800	2,774,843

Post-Restructuring Balances

a) Non-interest bearing notes

During the year ended April 30, 2017, the Company enacted a Restructuring and Debt Settlement (note 4) whereby the majority of outstanding promissory notes payable balances which were outstanding both at April 30, 2016 and prior to the TSX Debt Settlement approval on August 26, 2016 were converted (subject to the specific settlement agreement terms) to a varied combination of equity (shares and warrants), contingent debt, cash repayments, and short term non-interest bearing notes. Upon settlement \$416,725 of new non-interest bearing notes were recognized including \$62,456 from settled CAD denominated convertible notes and related unpaid interest (note 12(a)). The non-interest bearing notes are scheduled to be repaid through May 31, 2017. During the year ended April 30, 2017, \$260,365 of the new non-interest bearing notes was repaid and \$163,800 remains outstanding as at April 30, 2017.

b) Accelerated Notes (arising from settlement of the USD Debenture Notes)

As a result of the Restructuring and Debt Settlement (note 4) the Company also recognized USD\$500,000 in non-interest bearing notes and CAD\$775,020 in a non-interest bearing Warrant Deposit (note 14) which arose from the conversion of certain USD Debenture Notes (note 14) (together the "Accelerated Notes"). The Accelerated Notes holders retained the option for repayment or accelerated repayment of the outstanding Accelerated Notes in part (or in full) through achieving certain fundraising criteria including sourcing proceeds for the Company in a market-priced private placement after close of the Debt Settlement. During the year ended April 30, 2017 the lender achieved the fundraising criteria, and consequently on the close of the October 5, 2016 tranche (note 17(c)) the lender was repaid their Accelerated Debt amount in full, therefore the remaining Accelerated Notes balance as at April 30, 2017 is \$nil (April 30, 2016 - \$nil).

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NOTE 11 – PROMISSORY NOTES PAYABLE (continued)**Pre-Restructuring Balances**

c) Director and officer advances

During May 2015, a director and/or officer of the Company advanced to the Company a total of \$100,000 in cash in exchange for short term promissory notes. The notes were 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.

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 was unsecured with an interest rate of 20% per annum payable on maturity in six months.

Pursuant to the Debt Settlement (note 4) all director and officer balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017, the principal balance was \$nil (April 30, 2016 - \$561,920), and interest expense recorded during the year ended April 30, 2017 was \$7,064 (2016 - \$96,206), of which \$nil (April 30, 2016 - \$36,487) is in accounts payable and accrued liabilities as April 30, 2017.

d) 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.

Pursuant to the Debt Settlement (note 4) all balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017, the principal balance was \$nil (April 30, 2016 - \$250,960) and interest expense recorded during the year ended April 30, 2017 was \$17,543 (2016 - \$53,182), of which \$nil (April 2016 - \$39,696) is in accounts payable and accrued liabilities as of April 30, 2017.

e) 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 had a maturity date 24 months after issuance and bore interest at 20% per annum.

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NOTE 11 – PROMISSORY NOTES PAYABLE (continued)

At the option of one of the subscribers, accrued interest of \$5,632 (April 30, 2016 - \$50,222) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers were 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 were secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but were 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. 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.

Pursuant to the Debt Settlement (note 4) a final agreement on the remaining redeemable note balance was not settled and the disputed settlement balance was transferred to accounts payable until the issue is resolved. As of April 30, 2017 the principal balance of the redeemable notes was \$nil (April 30, 2016 - \$104,500).

f) 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 USD\$550,000 less USD\$55,000 of prepaid interest for net proceeds of USD\$495,000 (the "Mineral Loan").

The Mineral Loan bears an annual interest rate of 20% and was 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.

Pursuant to the Debt Settlement (note 4) all balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017, the principal balance of the Mineral Loan was \$nil (April 30, 2016 - \$690,140) and interest expense recorded during the year ended April 30, 2017 was \$48,245, respectively (2016 - \$83,102), of which \$nil (April 30, 2016 - \$9,172) is in accounts payable and accrued liabilities as of April 30, 2017.

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NOTE 11 – PROMISSORY NOTES PAYABLE (continued)

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 USD \$1,750,000 for the purpose of the acquisition of mineral at the Company’s Chala One ore processing plant. The Mineral Purchase Note payed 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 was subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015.

Pursuant to the Debt Settlement (note 4) all balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017 \$nil (April 30, 2016 - \$1,167,323) had been advanced/outstanding and interest expense recorded during the year ended April 30, 2017 was \$48,962 (2016 - \$67,255) of which \$nil (April 30, 2016 - \$67,255) is in accounts payable and accrued liabilities as of April 30, 2017.

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

	Liability Component	Equity Component
	\$	\$
Balance, April 30, 2015	348,716	-
Accretion and amortization	27,350	-
Additional issuance cost	(813)	-
Balance, April 30, 2016	375,253	-
Accretion and amortization	6,943	-
Restructuring (note 4)	(382,196)	-
Balance, April 30, 2017	-	-

Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement (note 4) the \$463,750 outstanding CAD denominated convertible debentures principal balance plus accrued and unpaid interest was converted (subject to the specific settlement agreement terms) to a combination of equity (shares and warrants – note 17(c) and (e)), and short term non-interest bearing notes (note 11(a)). As at April 30, 2015 the equity component had been fully converted. As at April 30, 2017 the outstanding principal and interest payable balances are \$nil.

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NOTE 12 – CONVERTIBLE DEBENTURES (continued)**Pre-Restructuring Balances**

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 had a maturity date of October 30, 2018 and were 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 was 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 was payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 were incurred in connection with the debenture offering and were recorded against the liability and equity components on a pro-rata basis. During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$4,559 (2016 - \$13,005), and interest expense of \$7,393 (2016 - \$22,040) of which \$nil (April 30, 2016 - \$5,410) is in accounts payable and accrued liabilities as of April 30, 2017.

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 bore interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which could 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 had a maturity date of May 22, 2019 and were redeemable by the Company at any time after May 22, 2017. The debentures were 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 were incurred in connection with the debenture offering and were recorded against the liability and equity component on a pro-rata basis.

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NOTE 12 – CONVERTIBLE DEBENTURES (continued)

During the year ended April 30, 2017, with respect to this second debenture offering, the Company recorded accretion expense and amortization of issuance costs of \$4,742 (2016 - \$14,345), and interest expense of \$8,197 (2016 - \$27,373) of which \$nil (April 30, 2016 - \$4,063) is in accounts payable and accrued liabilities as at April 30, 2017.

(b) USD denominated convertible debentures

	Liability Component	Equity Component
	\$	\$
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
Accretion and amortization	7,967	-
Debenture repayment	(652,750)	-
Foreign exchange	154,803	-
Restructuring (note 4)	(1,305,600)	(39,286)
Balance, April 30, 2017	-	-

Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement (note 4) the remaining USD\$1,000,000 principal balance and unpaid and accrued interest was converted to a combination of equity (shares and warrants) at the same terms as the August 30, 2016 private placement (note 17(c)), other than approximately USD\$12,700 of interest which was settled in cash. As at April 30, 2017 the outstanding principal and interest payable balances are \$nil.

Pre-Restructuring Balances

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 bore 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 had a twelve month term and was subject to a twelve month renewal option, subject to certain conditions. The USD Convertible Loan was secured by a pledge of the inventory and related assets of the Company’s subsidiary, Chala One.

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NOTE 12 – CONVERTIBLE DEBENTURES (continued)

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 was convertible into common shares the Company at the option of the Lenders at a conversion price of CAD\$1.75. The conversion amount would have been based on a fixed foreign exchange rate which could have resulted in maximum of 426,828 common shares issuable upon conversion.

First tranche

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 were incurred in connection with the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$6,505 (2016 - \$116,159), and interest expense of \$32,609 (2016 - \$134,308) of which \$nil (April 30, 2016 - \$22,401) is in accounts payable and accrued liabilities as of April 30, 2017.

Second tranche

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 were incurred in connection with the second tranche of the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$806 (2016 - \$14,399), and interest expense of \$22,731 (2016 - \$104,392) of which \$nil (April 30, 2016 - \$18,668) is in accounts payable and accrued liabilities as of April 30, 2017.

Third tranche

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

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$656 (2016 - \$11,714), and interest expense of \$21,739 (2016 - \$74,446), of which \$nil (April 30, 2016 - \$14,934) is in accounts payable and accrued liabilities as of April 30, 2017.

On July 20 2016, USD\$500,000 of the USD Convertible Loan was repaid.

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NOTE 13 – BOND PAYABLE

	April 30, 2017	April 30, 2016
	\$	\$
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	459,914	397,665
Restructuring (note 4)	(5,216,932)	-
Current portion	-	1,193,182
Long-term portion	-	3,961,501

Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement (note 4) the full \$5,500,000 principal balance plus unpaid and accrued interest was converted partially to equity (shares and warrants – note 17(c) and (e)) and partially through the issuance of a new Secured Debenture (note 15). As at April 30, 2017 the remaining outstanding principal and interest payable balances are \$nil.

Pre-Restructuring Balances

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 bore interest at 10% per annum calculated and payable quarterly in arrears commencing no later than 6 months after the closing date, and each tranche had a maturity date three years from the respective close date.

The bond was 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. was 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 was in effect until the USD Convertible Loan has been repaid/settled in full.

Pursuant to the terms of the bond financing agreement the Company had 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.

In connection with the bond financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment, which continues post-Restructuring, to pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement.

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.

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

In connection with the financing, during the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$91,478 (2016 - \$270,469).

First tranche

On June 3, 2014, the Company closed the first tranche of the bond financing for gross proceeds of \$2,700,000. The first tranche bond bore 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 was 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 \$1.05 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, 2017, with respect to the first tranche of the bond financing the Company recorded interest expense of \$99,811 (2016 - \$260,908) of which \$nil (April 30, 2016 - \$91,396) is in accounts payable and accrued liabilities as of April 30, 2017.

Second tranche

On August 29, 2014, the Company closed the second tranche of the bond financing for gross proceeds of \$1,400,000. The second tranche bond bore 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 was 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 \$1.05 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.

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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	94%
Expected life	3 years

During the year ended April 30, 2017, with respect to the second tranche of the bond financing the Company recorded interest expense of \$50,568 (2016 - \$135,286) of which \$nil (April 30, 2016 - \$47,391) is in accounts payable and accrued liabilities as of April 30, 2017.

Third tranche

On November 20, 2014, the Company received the third and final tranche for gross proceeds of \$1,400,000. The third tranche bore 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 was 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 \$1.05 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.

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, 2017, with respect to this third tranche of the bond financing the Company recorded interest expense of \$51,886 (2016 - \$135,286) of which \$nil (April 30, 2016 - \$47,391) is in accounts payable and accrued liabilities as of April 30, 2017.

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NOTE 14 – USD DEBENTURE UNITS

	April 30, 2017	April 30, 2016
	\$	\$
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	599,432
Financing and issuance costs	(263,200)	(263,200)
Accretion and amortization	337,472	332,110
Foreign exchange	99,735	(6,944)
Restructuring (note 4)	(2,705,956)	-
	-	2,593,915

Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement (note 4) the full USD\$2,100,000 debenture principal balance plus unpaid and accrued interest was converted (subject to the specific settlement agreement terms) to a combination of equity (shares and warrants – note 17(c) and (e)), Warrant Deposits (see below), and short term non-interest bearing notes (note 11(a)). As at April 30, 2017 the outstanding USD debenture principal and interest payable balances are \$nil.

Warrant Deposit

As part of the settlement, the Company issued a \$775,020 non-interest bearing note (the “Warrant Deposit”), which was to be used exclusively for the exercise of certain higher rate warrants, that were separately issued as part of the Restructuring and Debt Settlement (note 17(e)). As a provision to the Warrant Deposit, the holder retained the option to attain repayment of the Warrant Deposit in part (or in full) through achieving certain fundraising criteria including sourcing proceeds for the Company in a market-priced private placement after close of the Debt Settlement. During the year ended April 30, 2017 the lender achieved the fundraising criteria, and consequently on the close of the October 5, 2016 tranche (note 17(c)) the holder was repaid their Warrant Deposit amount in full, therefore the remaining Warrant Deposit balance as at April 30, 2017 is \$nil.

Pre-Restructuring Balances*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 were entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears.

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NOTE 14 – USD DEBENTURE UNITS (continued)

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.

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, 2017, the Company recorded accretion expense and amortization of issuance costs of \$nil (2016 - \$279,869), and interest expense of \$98,245 (2016 - \$300,319) of which \$nil (April 30, 2016 - \$102,935) is in accounts payable and accrued liabilities as of April 30, 2017.

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 consisted 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 were entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debentures was 12 months with a 12 month extension at the option of the Company and the debentures were 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, 2017, the Company recorded accretion expense and amortization of issuance costs of \$5,362 (2016 - \$20,646) and interest expense of \$30,702 (2016 - \$67,727), of which \$nil (April 30, 2016 - \$26,159) is in accounts payable and accrued liabilities as of April 30, 2017.

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NOTE 15 – SECURED DEBENTURES

	April 30, 2017	April 30, 2016
	\$	\$
CAD Secured Debenture	2,362,500	-
USD Secured Debenture (USD\$300,000)	393,480	-
Foreign exchange	16,020	-
	2,772,000	-

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

- a) On September 1, 2016 the Company issued a \$2,362,500 debenture which has a 24 month term to maturity, bears interest at a rate of 11% per annum, and has priority security over the assets of the Company (the “CAD Secured Debenture”). Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance. It is noted that the CAD Secured Debenture holder reserves the right to request that the Company use the proceeds from the exercise of approximately 2.1 million warrants (with an exercise price of \$0.40/share) which were issued on Debt Settlement towards early repayment of the CAD Secured Debenture. Accrued interest of \$172,301 has been included in accounts payable at April 30, 2017.
- b) On September 1, 2016 the Company issued a USD\$300,000 debenture which has a 24 month term to maturity, bears interest at a rate of 11% per annum, and has general security over the assets of the Company (the “USD Secured Debenture”) second in priority to the CAD Secured Debenture. Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance. Accrued interest of \$29,865 has been included in accounts payable at April 30, 2017.

NOTE 16 – 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.

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NOTE 16 – ASSET RETIREMENT AND RECLAMATION OBLIGATIONS (continued)

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

	April 30, 2017	April 30, 2016
	\$	\$
Beginning of year	308,840	278,829
Accretion	20,753	18,825
Unrealized foreign exchange	27,872	11,186
Change in reclamation estimates	248,503	-
	605,968	308,840

As at April 30, 2017, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is \$778,001 (2016 - \$535,055) and is projected to be disbursed over 2026. A 5.65% (2016 – 6.40%) discount rate was used to evaluate this and a 3.11% (2016 - 2.92%) inflation rate.

NOTE 17 – SHARE CAPITAL AND RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

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. At April 30, 2017, there were 59,316,401 issued and fully paid common shares (April 30, 2016 - 11,561,496, post consolidation).

(c) Share Issuances

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

- During the year ended April 30, 2017, 1,629,500 common shares were issued for gross proceeds of \$575,296 on the exercise of 1,379,500 stock options at \$0.25 per share and 250,000 stock options at \$0.30 per share. A reclassification of \$155,420 from stock option reserve to share capital was recorded on the exercise of these options.
- On June 1, 2016, the Company issued 71,428 common shares valued at \$75,000 to an external service provider as a settlement for outstanding balance owed to them for services.

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NOTE 17 – SHARE CAPITAL AND RESERVES (continued)

- On June 21, 2016, the Company issued 7,442 common shares valued at \$7,714 to a key Peruvian employee for services pursuant to his employment agreement.
- On August 26, 2016, the Company finalized the Debt Settlement. As part of the Debt Settlement, the Company issued 20,322,340 common shares valued at a fair value of \$0.25 per common share for a total value of \$4,582,875 (note 4).
- On August 30, 2016, the Company closed the first tranche of its announced private placement and issued 13,003,547 units (the “Units”) for gross proceeds of \$3,250,889 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$1,294,610, with the remainder allocated to common shares. Total share issuance costs amounted to cash finder’s fees of \$246,070 and finder’s warrants valued at \$31,421, using the Black-Scholes model.
- On October 5, 2016, the Company closed the second and final tranche of its announced private placement and issued 12,365,900 Units for gross proceeds of \$3,091,475 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$1,150,729, with the remainder allocated to common shares. Total share issuance costs amounted to cash finder’s fees of \$28,300 and finder’s warrants valued at \$60,550, using the Black-Scholes model.
- On November 18, 2016, the Company issued additional shares related to the second and final tranche of its announced private placement and issued 354,748 Units for gross proceeds of \$82,510 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$35,318, with the remainder allocated to common shares. Also, relating to the prior tranches, additional share issuance costs were incurred and amounted to cash finder’s fees of \$20,000.

Share capital transactions for the year ended April 30, 2016, presented on a post consolidated basis (note 17(b)) 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.
- 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.

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NOTE 17 – SHARE CAPITAL AND RESERVES (continued)

- 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.

(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.

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NOTE 17 – SHARE CAPITAL AND RESERVES (continued)

The status of the options outstanding, presented on a post consolidated basis (note 17(b)), is as follows:

	Options (note 17(b))	Weighted Average Exercise Price (note 17(b))
	#	\$
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
Granted	4,710,000	0.26
Exercised	(1,629,500)	0.26
Expired/Cancelled	(653,857)	1.60
Balance, April 30, 2017	3,312,500	0.45

The following table summarizes the options outstanding, presented on a post consolidated basis (note 17(b)), as at April 30, 2017:

Options (note 17(b))	Exercise Price (note 17(b))	Expiry Date	Vesting Provisions
#	\$		
10,572	1.05	October 30, 2017	Vested
265,714	1.75	May 5, 2018	Vested
14,286	1.05	May 30, 2018	Vested
2,115,500	0.25	September 21, 2018	Vested
715,000	0.30	October 12, 2018	Vested
28,571	1.05	October 31, 2018	Vested
78,571	1.05	June 4, 2019	Vested
42,857	1.05	August 29, 2019	Vested
14,286	1.75	April 15, 2020	Vested
27,143	3.01	July 11, 2021	Vested
3,312,500			

As at April 30, 2017, the weighted average remaining contractual life of the options is 1.43 years (2016 - 2.81 years).

During the year ended April 30, 2017, the Company recognized share-based payments of \$455,555 (2016 - \$361,633) for stock options granted and vested during the period.

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NOTE 17 – SHARE CAPITAL AND RESERVES (continued)

On September 22, 2016, pursuant to the Company's stock option plan, the Company granted 3,715,000 stock options to directors, officers, consultants and employees of the Company. The stock options have an exercise price of \$0.25 per share, immediate vesting and an expiry date of September 21, 2018. Using the Black-Scholes options pricing model, the fair value of the granted stock options was value at \$341,116 or \$0.09 per stock option.

On October 12, 2016, pursuant to the Company's stock option plan, the Company granted 995,000 stock options to directors, officers, consultants and employees of the Company. The stock options have an exercise price of \$0.30 per share, immediate vesting and an expiry date of September 21, 2018. Using the Black-Scholes options pricing model, the fair value of the granted stock options was value at \$114,439 or \$0.12 per stock option.

During the year ended April 30, 2017, 1,629,500 common shares were issued for gross proceeds of \$575,296 on the exercise of 1,379,500 stock options at \$0.25 per share and 250,000 stock options at \$0.30 per share. A reclassification of \$155,421 from stock option reserve to share capital was recorded on the exercise of these options.

The fair value of stock options granted during the year ended April 30, 2017 and 2016 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.94%	1.03%
Expected dividends	\$nil	\$nil
Expected volatility	67.21%	92.47%
Expected life in years	2.00	3.00

The weighted average fair value of stock options granted during the year ended April 30, 2017 was \$0.10 (2016 - \$1.75), on a post consolidated basis (note 17(b)) per option.

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NOTE 17 – SHARE CAPITAL AND RESERVES (continued)**(e) Warrants**

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 17(b)), is as follows:

	Warrants (note 17(b))	Weighted Average Exercise Price (note 17(b))
	#	\$
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
Issued	37,406,623	0.39
Expired/Cancelled	(163,371)	1.75
Balance, April 30, 2017	38,482,690	0.44

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 17(b)), as at April 30, 2017:

Warrants (note 17(b))	Exercise Price (note 17(b))	Expiry Date
#	\$	
205,714	1.75	May 20, 2017
106,667	1.05	August 29, 2017
320,000	0.45	September 1, 2017
106,667	1.05	November 20, 2017
13,358,303	0.40	August 30, 2019
315,600	0.40	August 30, 2019
9,180,820	0.40	September 1, 2019
420,000	0.45	September 1, 2019
795,320	0.85	September 1, 2019
12,365,900	0.40	October 5, 2019
650,680	0.40	October 5, 2019
657,019	1.26	December 22, 2020
38,482,690		

As at April 30, 2017, the weighted average remaining contractual life of the warrants is 2.31 years (2016 - 2.93 years).

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NOTE 17 – SHARE CAPITAL AND RESERVES (continued)

On August 26, 2016, the Company finalized the Debt Settlement (note 4). As part of the Debt Settlement, the Company issued 320,000 warrants with an exercise price of \$0.45 and expiry date of September 1, 2017; 795,320 warrants with an exercise price of \$0.85; and 9,180,820 warrants with an exercise price of \$0.40 and expiry date of September 1, 2019. The weighted average fair value of warrants granted under the Debt Settlement was \$0.08 per warrant using the Black-Scholes pricing model.

On August 30, 2016, the Company closed the first tranche of its announced private placement and issued 13,003,547 units (the “Units”) for gross proceeds of \$3,250,889 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$1,294,610 or \$0.10 per warrant, determined using the Black-Scholes pricing model. Also 315,600 finder’s warrants were issued and valued at \$31,421 or \$0.10 per warrant, determined using the Black-Scholes pricing model.

On October 5, 2016, the Company closed the second and final tranche of its announced private placement and issued 12,365,900 units (the “Units”) for gross proceeds of \$3,091,475 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$1,150,729 or \$0.09 per warrant, determined using the Black-Scholes pricing model. Also 650,680 finder’s warrants were issued and valued at \$60,550 or \$0.09 per warrant, determined using the Black-Scholes pricing model.

On November 18, 2016, the Company issued additional shares related to the second and final tranche of its announced private placement and issued 354,748 Units for gross proceeds of \$82,510 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$35,318 or \$0.10 per warrant, determined using the Black-Scholes pricing model. Also, relating to the prior tranches, additional share issuance costs were incurred and amounted to cash finder’s fees of \$20,000.

On November 18, 2016, the Company also issued 420,000 additional common share purchase warrants for previously accrued share issue costs related to the closed the second and final tranche of its announced private placement. The total value of the warrants \$40,000 or \$0.09 per warrant, determined using the Black-Scholes pricing model.

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NOTE 18 – 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, 2017 and 2016 as follows:

	Years ended April 30,	
	2017	2016
	\$	\$
Accounting and professional fees	100,897	15,518
Management and consulting fees	470,080	628,298
Restructuring fees (note 18(d))	535,000	-
Director fees	17,939	-
Share-based payments	463,369	361,633
Finance costs	40,544	308,072
Rent	47,250	-
	1,675,079	1,313,521

Professional fees are paid to a company controlled by the CFO. Management and consulting fees are paid to companies controlled by the President and CEO (the “CEO”), CFO, ex-COO and the VP Operations & New Projects (the “VP Ops”). Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the CEO, or to a company controlled by a director. Office rent is paid or accrued to a company controlled by the CFO.

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 12).

(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, CEO, CFO, ex-COO and the VP Ops. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO, CFO, ex-COO and the VP Ops, and by the issue of options. Compensation for key management personnel for the year ended April 30, 2017 and 2016 was:

	Years ended April 30,	
	2017	2016
	\$	\$
Management fees (note 18(a))	470,080	643,816
Restructuring fees (note 18(d))	535,000	-
Share-based payments	463,369	361,633
	1,468,449	1,005,449

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

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NOTE 18 – 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, 2017 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes (note 11), convertible debenture financing (note 12), and are comprised of \$90,564 (April 30, 2016 - \$163,901) payable to the CEO and a company controlled by the CEO, \$66,177 (April 30, 2016 - \$111,104) payable to the CFO or a company controlled by the CFO, \$nil (April 30, 2016 - \$148,470) payable to the ex-COO or a company controlled by the ex-COO, \$40,124 (2016 - \$56,445) payable to the VP Ops Projects or a company controlled by the VP Ops, \$59,061 receivable, net of \$15,939 payable (April 30, 2016 - \$1,929,635 payable) to the Directors or companies controlled by the directors.

(d) Related Party Restructuring Transactions

Pursuant to the Company's Restructuring, the majority of all director and officers advances owing at August 26, 2016 (the restructuring date) were settled during the year ended April 30, 2017 (note 11(c)).

To incentivize the executive management team to continue working on a dedicated and full-time basis during the very complicated Restructuring period, particularly as the executive management team was not receiving regular monthly fee payments and significant amounts were owing to them, the Company offered them a one-time contingent fee only payable upon successful completion of the Restructuring. On August 26, 2016, the contingent criteria were met and the Company compensated the executive management team a \$500,000 restructuring fee, which, as agreed in the contingent compensation plan, was fully reinvested in the August 30, 2016 private placement so that there was \$nil cash cost to the Company. In consideration of the practical requirement for the executive team to avoid selling these shares during early 2017 where the Company faced stock price pressure from the expected liquidation of post-Restructuring shares, and the fact that the executive would be required to liquidate a certain percentage of their shares to cover the tax cash cost relating to the 2016 fee, the Company provided the executive team with some assurance to cover up to \$120,000 of the cash tax cost liability, which as at April 30, 2017, has been accrued in these financial statements.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

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. The corporate office in Vancouver, Canada is on a month to month rental agreement at \$4,313 per month, effective January 2017.

During the year ended April 30, 2017, the Company entered into a purchase and sale contract, funded by the third party, to sell approximately 585 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, 2017, the fair value of amounts owing under this contract was \$1,011,291 (April 30, 2016 - \$359,179) and is included in deferred revenue.

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NOTE 19 – COMMITMENTS AND CONTINGENCIES (continued)

A summary of undiscounted liabilities and future operating commitments at April 30, 2017 are as follows:

	Total	Within One Year	Two to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	2,239,564	2,239,564	-
Promissory notes payable	163,800	163,800	-
Mineral notes payable	66,234	-	66,234
Secured debentures	2,772,000	-	2,772,000
	5,241,598	2,403,364	2,838,234
Commitments			
Office lease rental	86,200	68,960	17,240
Gold sale contract deferred revenue	1,011,291	1,011,291	-
Asset retirement and reclamation obligations	605,968	-	605,968
	1,703,459	1,080,251	623,208
	6,945,057	3,483,615	3,461,442

Contingent Debenture

As a result of the Restructuring and Debt Settlement (note 4), the Company issued a USD\$779,309 contingent debenture certificate (the “Contingent Debenture”), which only becomes payable on the date that the Company achieves two production milestones including (i) achieving 300 tonnes per day mineral processing capacity in Peru, and (ii) achieving three months of 200 tonnes per day average daily production. Upon re-instatement, the Contingent Debenture will have a 12% annual interest rate paid quarterly in arrears, twelve month term to maturity, certain early redemption features, and a general security agreement will be issued. If the performance milestones are not achieved before August 31, 2026, the Contingent Debenture will be cancelled. As at April 30, 2017 the value of the contingent debenture was \$nil.

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NOTE 20 – 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 \$234,275 (April 30, 2016 - \$329,600) of property, cash, and other current assets which are held in Canada.

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

Peru segment	2017	Years ended, April 30, 2016
	\$	\$
Revenue	13,817,927	16,482,179
Cost of goods sold (including \$470,503 of depreciation (2016 - \$510,369))	13,999,947	17,762,752
Gross margin (deficit)	(182,020)	(1,280,573)
Earnings (loss)	(2,997,722)	(7,572,530)

Peru	April 30, 2017	April 30, 2016
	\$	\$
Assets:		
Inventory	784,550	888,676
Property, plant and equipment	6,898,566	5,858,069
Total long-term and operating assets	7,683,116	6,746,745

During the year ended April 30, 2017, the Company received 100% of its metal revenues from one major customer, noting that the Company has business relationships with other customers, and is not dependent on the one customer.

NOTE 21 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at April 30, 2017, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, promissory notes, deferred revenue and debentures. Cash and receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, promissory notes, and debentures are designated as other financial liabilities, which are measured at amortized cost. Deferred revenue is designated as a financial liability, measured at fair value.

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NOTE 21 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 earnings 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, 2017, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, and debentures 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 and deferred revenue have 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 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.

(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, 2017, the Company had cash of \$51,893 (April 30, 2016 - \$45,135) and current working capital deficiency of \$710,470 (April 30, 2016 – deficit of \$7,645,085) with total liabilities of \$6,858,857 (April 30, 2016 - \$15,859,608).

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NOTE 21 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A summary of the Company's future operating commitments is presented in note 19.

(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, 2017, 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.

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

	April 30, 2017	April 30, 2016
	\$	\$
US dollar:		
Cash	11,826	31,063
Receivables	53,596	108,809
Accounts payable and accrued liabilities	(824,920)	(744,126)
Long term debts	(443,694)	(7,190,363)
Net assets	(1,203,192)	(7,794,617)
Sol:		
Cash	28,591	13,488
Receivables	913,477	1,523,703
Accounts payable and accrued liabilities	(561,939)	(1,018,224)
Net liabilities	380,129	518,967

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NOTE 21 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2017 would have varied by approximately \$741,713. 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, 2017 would have varied insignificantly.

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

c. **Commodity price risk**

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's price risk relates primarily to: the spot price of gold for its deferred revenue financial liability balance, future gold price expectations as it relates to sales revenues, and previously to the share trading price of its GRIT shares, which were disposed of during 2017 (note 6). The Company continuously monitors precious metal share trading prices as they are included in projections prepared to determine its future strategy.

NOTE 22 – 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.

On August 26, 2016, the Company completed a restructuring whereby \$13,479,415 of the Company's long and short term debt and related unpaid interest were settled or restructured through a combination of equity and new debt instruments (note 4). The Company considers its current capital structure to consist of promissory notes payable of \$163,800 (April 30, 2016 - \$2,774,843), convertible debentures of \$nil (April 30, 2016 - \$2,170,833), debenture units of \$nil (April 30, 2016 - \$2,593,915), bond payable of \$nil (April 30, 2016 - \$5,154,683), secured debentures of \$2,772,000 (April 30, 2016 - \$nil) and the items included in shareholders' equity of \$2,748,597 (April 30, 2016 - deficiency of \$6,489,484). 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.

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NOTE 22 – CAPITAL MANAGEMENT (continued)

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

NOTE 23 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	2017	Years ended April 30, 2016
		\$	\$
Corporate and administrative expenses:			
Consulting fees	18	84,160	582,953
Management fees and salaries	18	1,140,642	1,232,506
Depreciation	9	22,770	11,594
Directors fees		17,939	-
Investor relations and regulatory fees		261,616	334,700
Office, rent, utilities, insurance, and other	18	393,411	189,568
Professional fees	18	433,106	361,594
Share-based payments	16	7,814	369,882
Terminated transaction costs		49,183	95,348
Travel and accommodation	18	87,641	160,855
Total corporate and administrative expenses		2,498,282	3,339,000
Finance and other income (expense):			
Accretion expense		(113,083)	(838,001)
Finance costs		(1,215,262)	(1,683,265)
Foreign exchange (loss) gain		462,367	(167,252)
Finance income		484	670
Impairment of marketable securities	6	(68,553)	(460,399)
Gain on sale of marketable securities	6	18,022	-
Gain on investment		-	43,290
Total finance and other expense		(916,025)	(3,104,957)
Restructuring gain (expense):			
Gain on restructuring	4	3,626,887	-
Restructuring advisory costs	4, 18	(1,192,028)	-
Share based compensation restructuring reset	4	(455,555)	-
Marketing restructuring costs	4	(886,408)	-
Other impairment and restructuring costs	4	(484,068)	-
Total restructuring gain, net		608,828	-

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NOTE 24 – 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% (2016 - 26%) while the Peruvian tax rate is 28.5% (2016 – 26%) noting that Peru increased the calendar 2016 corporate tax rate of 28% to 29.5% for calendar 2017 onwards.

	2017	2016
	\$	\$
Net loss before income taxes for the year	(2,987,499)	(7,724,530)
Average statutory rate	26%	26%
Income tax recovery at applicable rate	(777,000)	(2,008,000)
Impact of different foreign statutory tax rates	(63,000)	-
Non-deductible amounts	157,000	170,000
Impact of change in tax rates	(206,000)	-
Impact of translation to functional currency	(127,000)	-
Share issuance costs	(77,000)	(49,000)
Adjustment or prior years provision versus statutory tax returns and other	789,000	(420,000)
Change in non-recognized deferred tax assets and other	314,000	2,155,000
Income tax (recovery) expense	10,000	(152,000)

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:

	2017	2016
	\$	\$
Deferred tax asset:		
Non-capital losses carried forward	653,000	875,000
Deferred tax liabilities:		
Property, plant and equipment	653,000	784,000
Debt with accretion	-	91,000
	653,000	875,000
Deferred tax liabilities, net	-	-

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NOTE 24 – 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:

	2017	2016
	\$	\$
Non-capital losses carried forward	17,175,000	17,061,000
Share issuance costs	1,349,000	442,000
Mineral properties	116,000	107,000
Marketable securities	-	1,233,000

Non-capital losses carried forward

The Company has tax losses for Peruvian purposes of approximately \$6,928,000 (2016 - \$8,224,000) 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 \$12,461,000 (2016 - \$12,203,000) in Canada with expiry over 2026 through 2037 which have not been recognized in these financial statements.

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

NOTE 25 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid in cash during the year ended April 30, 2017, was \$62,266 (2016 - \$1,070,246).

Income taxes paid in cash during the year ended April 30, 2017, was \$13,111 (2016 - \$94,278).

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, 2017, the following transactions were excluded from the statements of cash flows:

- The Company recorded \$32,675 (2016 - \$30,609) of depreciation expense to gold inventory.
- Pursuant to the closing of the Company's private placements and Restructuring, the Company issued 46,046,535 common shares (note 17(e)).
- The Company issued 4,710,000 stock options, at a fair value of \$455,555, which vested immediately.

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.

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NOTE 25 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

- 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.

NOTE 26 – SUBSEQUENT EVENTS

On June 9, 2017, the Company announced that it is undertaking a non-brokered private placement for gross proceeds of up to \$1,500,000. The Private Placement will consist of the issuance of 15 million units at a subscription price of \$0.10 per unit. Each unit will be comprised of one common share of the Company and one half a common share purchase warrant. Each full warrant will be exercisable to purchase an additional share of the Company at an exercise price of \$0.15, for a period of 18 months from the private placement closing date.

On June 12, 2017, the Company closed the first tranche of its non-brokered private placement for gross proceeds of \$1,100,000 by issuing 11,000,000 units at a subscription price of \$0.10 per unit.

On July 7, 2017, the Company closed the second tranche of its non-brokered private placement for gross proceeds of \$196,800 by the issuing 1,968,000 units at a subscription price of \$0.10 per unit.