# INCA ONE GOLD CORP.

Consolidated Financial Statements
For the Years Ended April 30, 2020, and 2019
(Expressed in US Dollars)

# Independent Auditor's Report

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To the shareholders of
Inca One Gold Corp.

## Opinion

We have audited the consolidated financial statements of Inca One Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, the consolidated statements of operations and comprehensive income, 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.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Inca One Gold Corp. as at April 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss of $4,014,914 for the year ended April 30, 2020. As at April 30, 2020, the Company had an accumulated deficit of $29,042,695. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Information other than the consolidated financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton LLP

Vancouver, Canada
August 20, 2020

Chartered Professional Accountants

# INCA ONE GOLD CORP.

Consolidated Statements of Financial Position
(Expressed in US Dollars)

| | Note | April 30, 2020 | April 30, 2019 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| Current: | | | |
| Cash | | 3,745,675 | 1,820,101 |
| Receivables | 4 | 1,070,244 | 3,817,138 |
| Prepaid expenses and deposits | 5 | 1,041,096 | 1,684,191 |
| Inventory | 6 | 5,088,571 | 4,078,545 |
| | | 10,945,586 | 11,399,975 |
| Long term receivable | 7 | 347,574 | 346,493 |
| Property, plant and equipment | 8 | 11,215,235 | 12,311,429 |
| Total assets | | 22,508,395 | 24,057,897 |
| **Liabilities** | | | |
| Current: | | | |
| Accounts payable and accrued liabilities | 9 | 3,086,699 | 2,266,371 |
| Contractual liabilities as result of the acquisition of Anthem United | 10 | 4,572,830 | 2,993,709 |
| Secured debentures and notes payables | 11 | 300,000 | - |
| Deferred revenue | 15 | 3,726,500 | 1,771,183 |
| Derivative financial liability | 15 | - | 951,467 |
| | | 11,686,029 | 7,982,730 |
| Contractual liabilities as result of the acquisition of Anthem United | 10 | 2,157,563 | 4,558,032 |
| Secured debentures and notes payable | 11 | 2,054,620 | 1,448,011 |
| Asset retirement and reclamation obligations | 12 | 1,088,094 | 1,085,647 |
| Total liabilities | | 16,986,306 | 15,074,420 |
| **Shareholders' Equity** | | | |
| Share capital | 13 | 26,998,505 | 26,652,943 |
| Reserves | 13 | 6,434,047 | 6,226,083 |
| Accumulated other comprehensive income | | (99,704) | (321,263) |
| Deficit | | (29,042,695) | (24,897,870) |
| Shareholders equity attributable to Inca One | | 4,290,153 | 7,659,893 |
| Non-controlling interest | | 1,231,936 | 1,323,584 |
| Total shareholder's equity | | 5,522,089 | 8,983,477 |
| Total liabilities and shareholders' equity | | 22,508,395 | 24,057,897 |

Nature of operations and going concern (note 1)
Acquisition of Anthem United Inc. (note 3)
Subsequent event (note 10 and 22)
Commitments (note 15)

## Approved on behalf of the Board of Directors on August 20, 2020

| *"Bruce Bragagnolo"* | *"Edward Kelly"* |
|---|---|
| Director | Director |

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

# INCA ONE GOLD CORP.

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

| | Notes | Years Ended April 30 **2020** | 2019 |
|---|---|---|---|
| | | **$** | $ |
| **Revenue** | | **31,392,930** | 34,573,628 |
| **Cost of goods sold** | | | |
| Cost of operations | **19** | **(30,289,805)** | (31,101,302) |
| Depreciation | **19** | **(1,301,754)** | (1,177,946) |
| **Total cost of goods sold** | | **(31,591,559)** | (32,279,248) |
| **Gross operating margin (deficit)** | | **(198,629)** | 2,294,380 |
| Corporate and administrative expenses | **19** | **(2,622,951)** | (2,962,518) |
| **Loss from operations** | | **(2,821,580)** | (668,138) |
| Prior year impairments reversal | | **-** | 59,760 |
| Finance costs | **19** | **(1,463,465)** | (753,320) |
| Business development | | **(95,072)** | (224,047) |
| Bargain purchase on acquisition of Anthem United | | **-** | 1,501,254 |
| Restructuring gain net | **15** | **143,644** | - |
| **Net loss of the year** | | **(4,236,473)** | (84,491) |
| **Other comprehensive income:** | | | |
| Foreign currency translation adjustment | | **221,559** | 16,583 |
| **Comprehensive loss for the year** | | **(4,014,914)** | (67,908) |
| **Net loss and comprehensive loss attributable to:** | | | |
| Inca One Gold Corp.'s shareholders | | **(3,923,266)** | (128,286) |
| Non-controlling interest | | **(91,648)** | 60,378 |
| | | **(4,014,914)** | (67,908) |
| **Weighted average shares outstanding** | | | |
| Basic | **13(b)** | **26,553,637** | 26,291,011 |
| Diluted | | **26,533,637** | 26,291,011 |
| **Earnings (loss) per share** | | | |
| Basic | | **(0.16)** | (0.00) |
| Diluted | | **(0.16)** | (0.00) |

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

# INCA ONE GOLD CORP.
Consolidated Statements in Equity
(Expressed in US Dollars)

| | Share capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common shares [(i)] | Amount | Equity reserves | Non-controlling interest | Accumulated other comprehensive (loss) income | Deficit | Total shareholders' equity |
| | # | $ | $ | $ | $ | $ | $ |
| **Balance, April 30, 2018 restated – Note 2 (f)** | **14,642,636** | **22,175,028** | **6,110,016** | - | **(337,846)** | **(24,753,001)** | **3,194,197** |
| Comprehensive loss for the year | - | - | - | 60,378 | 16,583 | (144,869) | (67,908) |
| Shares issued for acquisition of Anthem United [(a)] | 11,005,023 | 4,198,179 | - | - | - | - | 4,198,179 |
| Non-controlling interest as at acquisition date | - | - | - | 1,263,206 | - | - | 1,263,206 |
| Exercised options | 643,333 | 279,736 | (35,557) | - | - | - | 244,719 |
| Share-based payments (note 13 (d)) | - | - | 151,624 | - | - | - | 151,624 |
| **Balance, April 30, 2019** | **26,290,992** | **26,652,943** | **6,226,083** | **1,323,584** | **(321,263)** | **(24,879,870)** | **8,983,477** |
| Comprehensive income (loss) for the year | - | - | - | (91,648) | 221,559 | (4,144,825) | (4,014,914) |
| Shares issued pursuant to agreement with Equinox | 425,068 | 201,603 | - | - | - | - | 201,603 |
| Shares issued for debt settlement | 1,058,020 | 143,959 | - | - | - | - | 143,959 |
| Warrants issued for debt settlement (note 15) | - | - | 97,178 | - | - | - | 97,178 |
| Share-based payments (note 13 (d)) | - | - | 110,786 | - | - | - | 110,786 |
| **Balance April 30, 2020** | **27,774,080** | **26,998,505** | **6,434,047** | **1,231,936** | **(99,704)** | **(29,042,695)** | **5,522,089** |

(i) Common shares reflect 1:10 consolidation completed on January 14, 2020.

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

# INCA ONE GOLD CORP.

Consolidated Statements of Cash Flows
(Expressed in US Dollars)

| | Years Ended April 30, **2020** | **2019** |
|---|---|---|
| **Cash flows provided by (used in):** | **$** | $ |
| **Operating activities:** | | |
| Net loss for the year | **(4,236,473)** | (84,491) |
| Items not involving cash: | | |
| Depreciation | **1,324,539** | 1,205,516 |
| Share-based payments | **110,786** | 151,624 |
| Accretion expense | **17,488** | 17,837 |
| Accretion of asset retirement and reclamation obligations | **43,414** | 54,997 |
| Accrued interest | **-** | 4,859 |
| Interest expense | **394,164** | 165,608 |
| Unrealized foreign exchange | **(6,085)** | (49,111) |
| Loss on disposition of property plant and equipment | **17,625** | - |
| Impairment on property plant and equipment | **31,339** | |
| Accretion on the contractual liabilities as result of the acquisition of Anthem United | **600,634** | 386,553 |
| Loss in fair value adjustment of derivative financial liability | **253,347** | 20,058 |
| Gain on restructuring of derivative financial liability | **(143,644)** | - |
| Bargain purchase on acquisition of Anthem United | - | (1,501,254) |
| Changes in non-cash operating working capital: | | |
| Receivables | **2,771,305** | 1,283,937 |
| Prepaid expenses and deposits | **643,095** | (568,065) |
| Inventory | **(1,010,026)** | 849,058 |
| Accounts payable and accrued liabilities | **808,156** | (1,329,189) |
| Deferred revenue | **1,955,317** | 706,598 |
| Net cash provided by operating activities | **3,574,981** | 1,314,537 |
| **Financing activities:** | | |
| Proceeds from issuance of shares (exercised options) | - | 244,179 |
| Repayment of mineral notes | **-** | (50,000) |
| Payment of contractual liabilities as result of the acquisition of Anthem United | **(1,000,000)** | - |
| Interest paid | **(311,482)** | (186,488) |
| Net cash provided by (used in) financing activities | **(1,311,482)** | 7,693 |
| **Investing activities:** | | |
| Purchase of property, plant and equipment (net of disposition) | **(356,127)** | (807,573) |
| Proceeds on sale of property plant and equipment | **13,440** | - |
| Cash acquired in acquisition of Anthem United Inc. | - | 1,034,961 |
| Net cash provided by (used in) investing activities | **(342,687)** | 227,388 |
| Increase (decrease) in cash and cash equivalents | **1,920,812** | 1,549,618 |
| Effect of exchange rates on cash held in foreign currencies | **4,762** | 3,647 |
| Cash and cash equivalents, beginning of the year | **1,820,101** | 266,836 |
| **Cash and cash equivalents, end of the year** | **3,745,675** | 1,820,101 |

**Supplemental disclosure with respect to cash flows** (note 21)

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

## 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 850 - 1140 West Pender Street, Vancouver, Canada, V6E 4G1 and its registered office is located at 10th Floor, 595 Howe Street, Vancouver, Canada, V6C 2T5.

Inca One is engaged in the business of developing and operating 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 subsidiaries Chala One SAC ("Chala One") and EMC Green Group SA ("EMC") owns two Peruvian mineral processing plants with 450 tonnes per day ("TPD") of processing capacity. The Company's business plan is to source high grade gold mill feed from legally recognized Peruvian artisanal and small scale miners, purchase and process the material, and export gold concentrate or doré.

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

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended April 30, 2020, the Company incurred in a comprehensive loss for the year of $4.0 million, a deficit of $29.0 million and a working capital deficit of $0.7 million. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to fund operating and administration costs and debt and debt service costs over the year with the proceeds from gold doré sales at the Company's gold ore processing facilities in Peru and where required, from debt and equity financing and proceeds from option and warrant exercises.

On March 11, 2020, the World Health Organization declared COVID 19 as a global pandemic. In order to avoid further spread of the outbreak, several measures have been adopted by the governments worldwide which have caused disruptions with different impacts in the economies, social practices and distribution channels of each one of the countries. At the date of issuance of these consolidated financial statements there is no clear understanding about the extent or further impact of COVID 19; the Company is constantly evaluating and actively taking measures to mitigate any potential impact in its operations.

The Company's ability to continue as a going concern is dependent upon its ability to generate net income and positive cash flows from its Peruvian ore processing operations and its ability to raise equity capital or debt sufficient to meet current and future obligations.

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting principles adopted are consistent with those of the previous financial year.

These consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below and were approved by the board of directors for issue on August 20, 2020.

### (b) Basis of Consolidation

The consolidated financial statements are presented in US dollars unless otherwise noted and include the accounts of the Company and its subsidiaries listed below:

| | Country of Incorporation | Equity Interest |
|---|---|---|
| Chala One S.A.C. | Peru | 100% |
| Inca One Metals Peru S.A. | Peru | 100% |
| Dynasty One S.A. | Peru | 100% |
| Corizona S.A.C. | Peru | 100% |
| Anthem United Inc. [(a)] | Canada | 100% |
| Anthem United (Holdings) Inc. [(a)] | Canada | 100% |
| Oro Proceso Co. S.A.C. [(a)] | Peru | 100% |
| EMC Green Group S.A.C. [(a)] | Peru | 90.14% |
| Koricancha Joint Venture [(a)] | Peru | 90.14% |

(a) Acquired on August 21, 2018 (note 3)

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. For partially owned subsidiaries, the interest attributable to non-controlling parties is reflected in non-controlling interest.

### (c) Changes in accounting policies and disclosures

The Company applied IFRS 16 effective May 1, 2019, the nature and effect of which are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the comparative year.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 - Leases

The standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term of the lease is less than 12 months or the underlying assets has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company has assessed the application of this standard and has concluded that there is no material impact in the consolidated financial statements as at April 30, 2020.

### (e) Use of Estimates and Judgments

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

Significant accounting judgments

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

*(i) Going concern*

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).

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

*(ii) 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.

*(iii) 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.

*(iv) Contingent debenture*

Management has performed an assessment of its daily production capacity against the contingent debenture criteria (note 15) 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.

(v) *Business combinations vs Asset acquisition*

Management assessed the terms of the Acquisition of Anthem United (note 3) with reference to IFRS 3 – Business Combinations. Under this standard a transaction qualifies as a business combination if the acquirer obtains control over an integrated set of activities and assets capable of being conducted and managed for the purpose of providing good and services. Based on the facts of the transaction, management has concluded that this acquisition meets the definition of business combinations.

Business combinations are accounted for by applying the acquisition method, whereby assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business are measured at fair value at the date of acquisition. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3. To the extent the fair value of consideration paid is less than the fair value of the net identifiable tangible and intangible assets, bargain purchase is recognized as income in the Consolidated Statement of Operations and Comprehensive Income.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates and assumptions

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

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

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

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

*(ii) Fair value measurement*

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

*(iii) Deferred Revenue*

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

*(iv) Derivative financial liability*

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*(v) Depreciation*

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

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

*(vi) Inventory*

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

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

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

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*(vii) Asset retirement and reclamation obligations*

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

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

*(viii) Deferred taxes*

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

*(ix) Contingencies*

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

### (f) 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.

Effective May 1, 2018, the Company changed its presentation currency from Canadian dollars ("CAD") to United States ("US") dollars which is the currency that most strongly influences the primary operating and capital decisions of the Company.

The functional currency of Inca One Gold Corp. is the Canadian dollar and the functional currency of all of its subsidiaries is the US dollar.

**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:

- Monetary assets and liabilities are translated at the closing rate at the reporting date;
- Non-monetary assets and equity are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined: and
- 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.

**(g) Cash**

Cash includes short-term deposits that are cashable at any time at the option of the holder.

**(h) 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.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) 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 years 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 |

### (j) 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.

### (k) Borrowing Costs

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) 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.

### (m) Assets Retirement and Reclamation Obligations, Contingent Liabilities and Contingent Assets

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

Asset retirement and reclamation 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 the consolidated statement of operations and comprehensive income as a financial cost as incurred. The cost of the related asset is adjusted to reflect changes in the reporting period. Costs of asset retirement are deducted from the provision when incurred.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) 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.

### (o) Share-based Payments

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

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

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

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

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

**(p) Revenue**

Revenue includes sales of precious metal derived from the mineral processing operation. Sales of precious metals are based on spot metal prices and are recognized when the Company has satisfied its performance obligation which includes but are not limited to whether: the Company has transferred of control and physical possession, the Company has a present right to payment and the customer has legal title to the asset as well as bears the significant risks and rewards of the asset.

**(q) Earnings (loss) per Share**

The Company calculates basic Earnings (loss) per share by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the relevant period. Diluted earnings 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.

**(r) Comprehensive Loss**

Comprehensive loss consists of loss for the year and other comprehensive loss. Other comprehensive loss consists of gain or losses related to foreign currency translation.

**(s) Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value. If the financial asset or liability is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's or liability's acquisition or origination.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Under IFRS 9, the classification depends on the entity's business model for managing the financial asset and the cash flow characteristics of the asset. The classification and measurement of the Company's financial assets are as follows:

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

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interests. These assets are subsequently measured at amortized cost using the effective interest method. Interests income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Discounting is omitted where the effect of discounting is immaterial. Financial assets at amortized cost include the Company's cash and receivables (excluding sales taxes receivable and advances to suppliers).

Financial assets at fair value through other comprehensive income

Assets that are held for collection of contractual cash flow and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Company has no financial assets in this category.

Financial assets at fair value through profit or loss

Assets are classified in this category if they do not meet the criteria for amortized cost or fair value through other comprehensive income. These assets are subsequently measured at fair value. Net gains and losses including interests or dividend income, are recognized in profit of loss. The Company has no financial assets in this category

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities (except wages and benefits payable), contractual liabilities as result of the acquisition of Anthem United, secured debentures, notes payable and derivative financial liability which are measured at amortized cost using the effective interest method.

Fair value measurement

Assets and liabilities measured at amortized cost for which the fair value is disclosed and liabilities at fair value are classified using a fair value hierarchy which has the following levels:

- Level 1- valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2- valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3- valuation techniques using inputs for the asset or liability that are not based on observable market data.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of financial assets**

The Company uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.
The Company accounts for expected credit losses over the life of financial assets measured at amortized cost under the simplified approach. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the accounts receivable, the general condition of the economy and a current as well as expected appreciation of the conditions prevailing at the balance sheet date, including the time value of the money, if any.

### (t) 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 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination and the non-controlling interest over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination and the non-controlling interest, the excess is recognized immediately as income in the consolidated statement of operation and comprehensive income.

### (h) Non-controlling Interest

Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition. Subsequent to the acquisition date, adjustments are made to the carrying amount of the non-controlling interests for the non-controlling interests' share of changes to the subsidiary's equity. In the event a non-controlling interest is represented by a non-participating entity, then the non-controlling interest is not recognized until the entity has the right to receive its share of the subsidiary's net assets.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interest in the subsidiary and the difference to the carrying amount of the non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized in equity and attributed to the shareholders of the Company.

## NOTE 3 – ACQUISITION OF ANTHEM UNITED INC.

On August 21, 2018 ("Closing Date") the Company completed the acquisition of the 100% ownership of Anthem United Inc. ("Anthem"), which owns a 90.14% interest in the 350 tonnes per day ("TPD") Koricancha ore processing facility in Peru ("Kori One"), from Equinox Gold Corp. ("Equinox") for cash and shares totaling approximately CAD$17 million.

Under the terms of the Purchase Agreement, the Company acquired a 90.14% ownership of Kori One (the "Transaction") from Equinox and certain minority shareholders and terminated the 3.5% gold stream payable by Kori One for total consideration as follows:

- CAD$5.5 million payable by the issuance of 11,005,023 common shares of Inca One ("Inca One Shares") on completion of the Purchase Agreement at a deemed price of CAD$0.55 per common share, of which 5,126,971 Inca One shares were issued to Equinox, 5,126,971 Inca One shares were issued to SA Targeted Investing Corp. ("SATIC") in consideration for the termination of the gold stream and the remaining Inca One shares were issued to certain minority shareholders who held an interest in Kori One.
- CAD$2.5 million payment to Equinox on August 21, 2019 to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One shares (the "Equinox Ownership Limit").
- CAD$2.5 million payment to Equinox on August 21, 2020 to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares, subject to the Equinox Ownership Limit.
- CAD$1.5 million payment to Equinox in cash on August 21, 2020.
- CAD$2.5 million payment to Equinox on August 21, 2021 to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares, subject to the Equinox Ownership Limit.
- An amount equal to 50% of the Historical IGV recoveries prior to August 21, 2023.
- Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and $3 million and certain payments related to outstanding value-added taxes receivable by Kori One, subject to receipt. The Company estimates the amount of working capital on closing was approximately $3.7 million and therefore approximately $0.7 million estimated payable on the third anniversary.

The allocation of the purchase price at August 21, 2018, based on the fair value of assets acquired and liabilities assumed, was as follows:

(Expressed in US Dollars)

## NOTE 3 – ACQUISITION OF ANTHEM UNITED INC. (continued)

| | |
|---|---|
| **Total purchase price:** | $ |
| Fair value of shares issued at acquisition | 4,221,012 |
| Fair value of promissory notes (note 10) | 5,619,262 |
| Fair value of working capital adjustment | 509,948 |
| Fair value of historical general sales taxes payable | 1,197,988 |
| Non-controlling interest | 1,263,206 |
| Total purchase price to allocate | 12,811,416 |
| | |
| **Fair value of assets acquired and liabilities assumed:** | |
| Cash | 1,034,961 |
| Amounts receivable | 124,988 |
| IGV receivable | 1,665,772 |
| Historical IGV receivable | 2,395,975 |
| Long term IGV receivable | 346,493 |
| Prepaid income tax | 464,334 |
| Prepaid expenses | 44,811 |
| Inventory | 2,453,900 |
| Property, plant and equipment | 7,503,136 |
| Accounts payable and accrued liabilities | (1,272,406) |
| Asset retirement and reclamation obligations | (449,294) |
| Bargain purchase | (1,501,254) |
| Total net identifiable assets | 12,811,416 |

The purchase price allocation was finalized as at April 30, 2019.

The fair value of the Company's common shares issued for the acquisition of Anthem was determined using the closing market price of the Company's shares at August 21, 2018 and fair value of the promissory notes and working capital calculated on a cash flow basis using an 11% discount rate and a foreign exchange rate of 1 CAD = 0.7671.

The Company commenced consolidating Anthem's financial position and results of operations effective August 21, 2018.

(Expressed in US Dollars)

## NOTE 4 – RECEIVABLES

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| GST recoverable (Canada) | **23,386** | 25,887 |
| IGV recoverable (Peru) | **1,036,685** | 3,755,214 |
| Other receivable | **10,173** | 36,037 |
| | **1,070,244** | 3,817,138 |

## NOTE 5 – PREPAID EXPENSES AND DEPOSITS

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| Deposits with mineral suppliers | **7,313** | 489,916 |
| Other deposits and advances | **131,386** | 140,843 |
| Prepaid taxes | **776,796** | 877,427 |
| Prepaid expenses | **125,601** | 176,005 |
| | **1,041,096** | 1,684,191 |

## NOTE 6 – INVENTORY

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| Ore stockpiles and gold in process | **1,244,139** | 2,487,586 |
| Finished goods – gold | **3,502,925** | 1,361,011 |
| Materials and supplies | **341,507** | 229,948 |
| | **5,088,571** | 4,078,545 |

(Expressed in US Dollars)

## NOTE 7 – LONG TERM RECEIVABLE

As result of the Acquisition of Anthem, the Company acquired the right to claim refunds of prior years' general sales taxes ("Historical IGV") related to the construction of Kori One in Peru for approximately $4.2 million. The Company has agreed to pay Equinox 50% of any amounts collected less costs to collect, the remainder of which is for the benefit of the Company.

During the year ended April 30, 2020, the Company collected approximately $2.4 million of the historical IGV. The collectability of the balance of approximately $1.8 million of this Historical IGV is uncertain and therefore has been reflected in the net identifiable assets (note 5) at its estimated fair value.

As at April 30, 2020, the Company estimated $0.3 million as the fair value of the 50% expected cash flows related to the Historical IGV which has been classified as long term receivable. The Company used a discount rate of 11%, and a duration of approximately 17 years for its estimation. The Company is in the process of evaluating the collectability of this Historical IGV.

## NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

| | Plant | Computers | Furniture and Equipment | Total |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Costs:** | | | | |
| **Balance, April 30, 2018** | **6,819,353** | **65,649** | **58,087** | **6,943,089** |
| Fixed assets acquired from Anthem United | 7,381,378 | 88,281 | 33,477 | 7,503,136 |
| Additions | 798,139 | 8,645 | 788 | 807,572 |
| **Balance, April 30, 2019** | **14,998,870** | **162,575** | **92,352** | **15,253,797** |
| Additions | 353,412 | 1,723 | 992 | 356,127 |
| IGV/VAT to receivables | (24,411) | - | - | (24,411) |
| Change in ARO reserve | (40,697) | - | - | (40,967) |
| Disposals/write-off | (84,480) | (1,084) | - | (85,564) |
| **Balance, April 30, 2020** | **15,202,425** | **163,214** | **93,343** | **15,458,982** |

(Expressed in US Dollars)

## NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

| **Accumulated Depreciation:** | | | | |
|---|---|---|---|---|
| **Balance, April 30, 2018** | **1,675,708** | **28,056** | **33,088** | **1,736,852** |
| Depreciation | 1,139,421 | 38,951 | 27,144 | 1,205,516 |
| **Balance, April 30, 2019** | **2,815,129** | **67,007** | **60,232** | **2,942,368** |
| Depreciation | 1,249,552 | 42,355 | 36,632 | 1,324,539 |
| Disposals/write-off | (23,160) | - | - | (23,160) |
| **Balance, April 30, 2020** | **4,041,521** | **109,362** | **92,864** | **4,243,747** |
| **Net Book Value:** | | | | |
| April 30, 2019 | 12,183,741 | 95,568 | 32,120 | 12,311,429 |
| **April 30, 2020** | **11,160,904** | **53,852** | **479** | **11,215,235** |

## NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| Trade accounts payable and accruals | **2,973,867** | 1,932,140 |
| Management, consulting and professional fees payable | **64,245** | 289,004 |
| Accrued interest | **48,587** | 45,227 |
| | **3,086,699** | 2,266,371 |

## NOTE 10 – CONTRACTUAL LIABILITIES AS RESULT OF THE ACQUISITION OF ANTHEM UNITED

| | April 30, 2019 | Oher Comprehensive Income | Accretion adjustments | Payments | Reclass. | **April 30, 2020** |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | **$** |
| **Current Liabilities** | | | | | | |
| Promissory Notes payable in cash | - | (3,435) | 111,904 | - | 931,875 | **1,040,344** |
| Promissory Notes payable in cash or shares | 1,795,721 | (69,961) | 256,920 | (201,604) | 1,553,125 | **3,334,201** |
| Historical IGV payable in cash | 1,197,988 | 297 | - | (1,000,000) | - | **198,285** |
| Total Current Contractual Liabilities | 2,993,709 | (73,099) | 368,824 | (1,201,604) | 2,485,000 | **4,572,830** |

(Expressed in US Dollars)

## NOTE 10 – CONTRACTUAL LIABILITIES AS RESULT OF THE ACQUISITION OF ANTHEM UNITED (continued)

| | April 30, 2019 | Oher Comprehensive Income | Accretion adjustments | Payments | Reclass. | April 30, 2020 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | **$** |
| Promissory Notes payable in cash | 965,685 | (33,810) | - | - | (931,875) | **-** |
| Promissory Notes payable in cash or shares | 3,052,019 | (113,469) | 168,841 | - | (1,553,125) | **1,554,266** |
| Working Capital payable in cash | 540,328 | - | 62,969 | - | - | **603,297** |
| Total Non-current Contractual Liabilities | 4,558,032 | (147,279) | 231,810 | - | (2,485,000) | **2,157,563** |
| Total | 7,551,741 | (220,378) | 600,634 | (1,201,604) | - | **6,730,393** |

As a result of the purchase agreement with Equinox (note 3) the Company issued a non-interest-bearing secured promissory note with a face value of CAD$9.0 million which has the following conditions:

- CAD$2.5 million payable on August 21, 2019, to be paid in cash or in Inca One shares at the discretion of Inca One (the "share payment election"), based on the higher of the preceding 20-day volume weighted average price of Inca One shares and CAD$0.65, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares (the "Equinox Ownership Limit"). On August 21, 2019, the Company exercised its share payment election and as at April 30, 2020 had issued 425,068 shares at CAD$0.65 per share as partial payment of CAD$0.28 million. Due to the Equinox Ownership Limit, this was the maximum number of shares that the Company could issue.

  The balance outstanding as at April 30, 2020 was CAD$2.22 million, which the Company expects to issue 3,421,086 shares at CAD$0.65 per share to satisfy the balance of this first installment payment and will do so when Equinox's ownership is reduced below 19.99%.

  Subsequent to April 30, 2020, the Company paid CAD$0.77 million through the issuance of 1,187,333 shares at CAD$0.65, reducing the balance outstanding to CAD$1.45 million.

- CAD$2.5 million payable on August 21, 2020, to be paid in cash or in Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares subject to Equinox Ownership Limit. As at April 30, 2020, the fair value of this payment has been estimated at $1.7 million considering a discount rate of 11% and is classified as a current liability

- CAD$1.5 million payable on August 21, 2020, to be paid in cash. As at April 30, 2020, the fair value of this payment has been estimated at $1.0 million considering a discount rate of 11% and is classified as a current liability

(Expressed in US Dollars)

## NOTE 10 – CONTRACTUAL LIABILITIES AS RESULT OF THE ACQUISITION OF ANTHEM UNITED (continued)

- CAD$2.5 million payable on August 21, 2021, to be paid in cash or in Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares subject to Equinox Ownership Limit. As at April 30, 2020, the fair value of this payment has been estimated at $1.6 million considering a discount rate of 11% and is classified as a non-current liability.

The Transaction also has a provision to pay in cash to Equinox, an amount equal to 50% of Historical IGV recoveries which are payable during the preceding fiscal quarter after each IGV recovery statement is submitted. As at April 30, 2020, the company recovered approximately $2.4 million of Historical IGV, of which approximately $1.2 million was payable to Equinox. On October 3, 2019, the Company paid $1.0 million. As at April 30, 2020 the fair value of the balance payable to Equinox is approximately $0.2 million and is classified as a current liability.

Additionally, the Transaction has a provision to pay in cash to Equinox, on or before the third anniversary of the completion of the Transaction, the difference between the amount of working capital at August 21, 2018 and $3.0 million. Anthem's working capital at such date was $3.7 million and therefore the estimated amount payable would be $0.7 million payable on August 21, 2021. As at April 30, 2020, the fair value of this payment has been estimated at $0.6 million considering a discount rate of 11% and is classified as a non-current liability.

## NOTE 11 – SECURED DEBENTURES AND NOTES PAYABLE

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| **Current Liabilities** | | |
| USD Secured Debenture (1) | **300,000** | - |
| Total Current Secured Debentures and notes payable | **300,000** | - |
| | | |
| **Non-current Liabilities** | | |
| USD Secured Debenture (1) | **-** | 300,000 |
| CAD Secured Debenture (CAD$ 1,600,000) (2) | **1,124,620** | 1,148,011 |
| USD Notes Payable (note 15) | **930,000** | - |
| Total Non-current Secured Debentures and notes payable | **2,054,620** | 1,448,011 |

As at April 30, 2020, the Company had issued the following secured debentures:

1) On September 1, 2016, the Company issued a $0.3 million debenture with an initial maturity date September 1, 2018, which (on September 7, 2018) was subsequently extended for an additional 24 months period and is payable on August 31, 2020. The debenture bears an 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 (defined below). Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning May 31, 2019. Accrued interest of $0.01 million has been included in accounts payable at April 30, 2020.

(Expressed in US Dollars)

## NOTE 11 – SECURED DEBENTURES AND NOTES PAYABLE (continued)

2) On March 29, 2018 the Company reached an agreement with certain debt holders to restructure a total of CAD$2.7 million of its debt for a combination of shares, warrants and a new debt. Under the terms of the agreements CAD$1.1 million was converted into 1,802,048 shares of the Company (18,020,484 shares prior to share consolidation - note 13(b)), and for the remaining balance of CAD$1.6 million, the Company issued a new Secured Debenture with maturity date of September 1, 2021, which bears interest at a rate of 11% per annum, and has priority security over the assets of the Company (the "CAD Secured Debenture"). Principal is due on maturity, and the Company is required to make quarterly interest payments beginning September 1, 2018. Accrued interest of CAD$0.03 million (equivalent to $0.02 million) has been included in accounts payable at April 30, 2020.

## NOTE 12 – ASSET RETIREMENT AND RECLAMATION PROVISION

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

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| Beginning of year | **1,085,647** | 581,356 |
| Accretion | **43,414** | 54,997 |
| Provision added as result of Anthem acquisition | **-** | 449,294 |
| Change in estimate | **(40,967)** | - |
| | **1,088,094** | 1,085,647 |

As at April 30, 2020, the estimated undiscounted cash flow required to settle the asset retirement obligation for both the "Chala Plant" and "Kori One Plant" and their related tailings ponds is approximately $0.7 million and $0.8 million respectively (April 30, 2019 $0.7 million and $0.8 million respectively) and are projected to be disbursed over 2026 and 2037 respectively. A 5.4% (April 30, 2019 average of 5.16%) discount rate and a 1.88% (April 30, 2019 3.0%) inflation rate were used to calculate the present value of these provisions.

## NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES

### (a) Authorized

Unlimited number of voting common shares without par value.

### (b) Issued Share Capital

On January 14, 2020, the Company consolidated its share capital on a one-for-ten basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated share capital. At April 30, 2020, there were 27,774,080 shares issued and outstanding (April 30, 2019 – 26,291,011 post consolidation).

### (c) Share Issuances

Share capital transactions for the year ended April 30, 2020 were:

The Company issued 160,733 shares on August 21, 2019 and 264,335 on April 28, 2020 as partial payment of CAD$2.5 million which was due on August 21, 2019.

On March 16, 2020, the Company issued Shares to the following creditors in settlement of the Company's indebtedness:

- 528,986 shares at CAD$0.20 per common share, issued to certain directors and officers of the company for consulting fees and expenses paid on behalf of the Company for a total value of CAD$0.1 million; and
- 529,034 shares at CAD$0.20 per common share, issued to certain directors, officers and employees of the Company for director fees and executive and employee bonuses for a total value of CAD$0.1 million.

Share capital transactions for the year ended April 30, 2019 were:

- On August 21, 2018 the Company issued 11,005,023 (post consolidation) shares as consideration for the acquisition of Anthem United Inc. (note 3).

- During the year ended April 30, 2019, 643,333 (post consolidation) common shares were issued for proceeds of $0.04 million on the exercise of 83,333 stock option at CAD$0.60 per share and $0.23 million on the exercise of 560,000 stock option at CAD$0.50 per share.

(Expressed in US Dollars)

## NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

### (d) Share-based Options

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

The following table is a reconciliation of the movement in share-based options for the period and is presented on a post consolidated basis (note 13(b)):

| | Share-based Options (note 13(b)) # | Weighted Average Exercise Price (note 13(b)) CAD$ |
|---|---|---|
| Balance, April 30, 2018 | 1,030,193 | 1.50 |
| Granted | 2,073,333 | 0.52 |
| Exercised | (643,333) | 0.51 |
| Expired/Cancelled | (168,907) | 4.42 |
| Balance, April 30, 2019 | 2,291,286 | 0.66 |
| Granted | 1,465,000 | 0.32 |
| Expired/Cancelled | (1,531,286) | 0.73 |
| **Balance, April 30, 2020** | 2,225,000 | **0.39** |

The following table summarizes the share-based options outstanding, presented on a post consolidated basis, as at April 30, 2020:

| Share-based Options # | Exercise Price CAD$ | Expiry Date | Vesting Provisions |
|---|---|---|---|
| 710,000 | 0.50 | December 20, 2020 | Vested |
| 250,000 | 0.50 | February 5, 2021 | Vested |
| 200,000 | 0.30 | April 21, 2021 | Vested |
| 130,000 | 0.50 | November 7, 2021 | Unvested |
| 735,000 | 0.19 | March 30, 2022 | Vested |
| 50,000 | 1.00 | August 25, 2022 | Vested |
| 150,000 | 0.50 | August 1, 2023 | Unvested |
| **2,225,000** | | | |

## NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

As at April 30, 2020, the weighted average remaining contractual life of the share-based options was 1.37 years (April 30, 2019 – 1.18 years).

During the year ended April 30, 2020, the Company recognized share-based payments of $110,786 (April 30, 2019 - $151,624) for share-based options granted and vested during the period.

Share based options transactions for the year ended April 30, 2020 were:

On July 30, 2019, pursuant to the Company's share-based option plan, 300,000 incentive share based options were granted. The share-based options have an exercise price of CAD$0.50 per share and are subject to a vesting period of 25% vesting immediately, 25% in one year, 25% in two years and 25% in three years. The options are exercisable until August 1, 2023.

On December 5, 2019, pursuant to the Company's share-based option plan, 230,000 incentive share based options were granted. The share-based options have an exercise price of CAD$0.50 per share, expiration day November 7, 2021 and are subject to the following vesting conditions:

- 15,000 vesting in six months
- 15,000 vesting in one year
- 100,000 vesting upon achieving 90 consecutive days of production averaging 300tpd and net revenue averaging $150/t or greater.
- 100,000 vesting upon achieving 90 consecutive days of production averaging 450tpd and net revenue averaging $150/t or greater.

On March 30, 2020, 735,000 incentive share based options were granted. The share-based options have an exercise price of CAD$0.19 per share, immediate vesting and are exercisable until March 30, 2022.

On April 21, 2020, 200,000 incentive share based options were granted. The share-based options have an exercise price of CAD$0.30 per share, immediate vesting and are exercisable until April 21, 2021.

Share based options transactions for the year ended April 30, 2019 were:

On June 14, 2018, 833,334 incentive share based options were granted. The share-based options have an exercise price of CAD$0.06 per share, immediate vesting and are exercisable until June 14, 2020.

On October 23, 2018, 2,400,000 incentive share-based options were granted of which:

- 1,200,000 have an exercise price of CAD$0.05 per share immediate vesting and are exercisable 600,000 until April 23, 2019 and 600,000 until October 23, 2019 and
- 1,200,000 have an exercise price of CAD$0.06 per share immediate vesting and are exercisable 600,000 until October 23, 2019 and 600,000 until April 23, 2020

On November 14, 2018, 2,000,000 incentive share-based options were granted to employees of the Company. The share-based options have an exercise price of CAD$0.05 per share and are subject to a vesting period of 25% vesting immediately, 25% in one year, 25% in two years and 25% in three years. The options are exercisable until November 14, 2022.

**NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (Continued)**

On December 20, 2018, 5,600,000 incentive share-based options were granted to an officer, director and employees of the Company. The share-based options have an exercise price of CAD$0.05 per share, immediate vesting and are exercisable until December 20, 2019.

On December 20, 2018, 7,100,000 incentive share-based options were granted to officers, directors and employees of the Company. The share-based options have an exercise price of CAD$0.05 per share, with vesting provisions 50% in six months and 50% in twelve months and are exercisable until December 20, 2020.

On February 13, 2019, 300,000 incentive share-based options were granted to an employee of the Company. The share-based options have an exercise price of CAD$0.05 per share, immediate vesting and are exercisable until February 5, 2020.

On February 13, 2019, 2,500,000 incentive share-based options were granted to officers and employees of the Company. The share-based options have an exercise price of CAD$0.05 per share, with vesting provisions 50% in six months and 50% in twelve months and are exercisable until February 5, 2021.

The fair value of share-based options granted during the year ended April 30, 2020 was estimated using the Black-Scholes options pricing model using a risk free rate between 1.00% to 1.35% (April 30, 2019 – 0.73% to 1.30%), a volatility between 58.14% to 84.92% (April 30, 2019 – 45.62% to 57.68%) and an expected life in between 1.0 to 2.5 years (April 30, 2019 – 0.82 to 1.14 years).

The weighted average fair value of share-based options granted during the year ended April 30, 2020 was CAD$0.08 (April 30, 2019 - CAD$0.01) per option.

**(e) Warrants**

On March 16, 2020, the Company repriced 4,540,001 warrants, that were issued pursuant to a private placement on January 31, 2018. The warrants had an original exercise price of CAD$1.00 and have been repriced to CAD$0.40. The warrants are subject to an accelerated expiry of 30 days after 10 consecutive trading days closing above CAD$0.50

Warrants transactions for the year ended April 30, 2019 were nil

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 13(b)), is as follows:

(Expressed in US Dollars)

## NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

| | Warrants # | Weighted Average Exercise Price CAD$ |
|---|---|---|
| Balance, April 30, 2018 | 9,582,181 | 2.21 |
| Expired/Cancelled | (1,101,150) | 1.50 |
| Balance April 30, 2019 | 8,481,031 | 2.43 |
| Granted | 1,388,889 | 0.18 |
| Expired/Cancelled | (3,708,662) | 4.10 |
| **Balance, January 31, 2020** | **6,161,258** | **0.43** |

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 13(b)), as at April 30, 2020:

| Warrants | Exercise Price | Expiry Date |
|---|---|---|
| # | $ | |
| 65,702 | 12.60 | December 22, 2020 |
| 4,540,001 | 0.40 | January 31, 2021 |
| 59,999 | 1.00 | January 31,2021 |
| 106,667 | 1.00 | September 1, 2021 |
| 1,388,889 | 0.18 | March 16, 2022 |
| **6,161,258** | | |

As at April30, 2020, the weighted average remaining contractual life of the warrants was 0.57 years (April 30, 2019 – 1.13 years).

## NOTE 14 – RELATED PARTY TRANSACTIONS

### (a) Related Party Transactions

Consulting and management fees are and were paid to companies controlled by the CEO and VP Operations & New Projects. The Company incurred charges to directors and officers or to companies associated with these individuals during the year ended April 30, 2020 and 2019 as follows:

| | Year Ended April 30, **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Management, salaries and consulting fees | **386,506** | 589,020 |
| Director fees | **28,432** | 29,364 |
| Share-based payments | **71,243** | 114,154 |
| | **486,181** | 732,538 |

(Expressed in US Dollars)

## NOTE 14 – RELATED PARTY TRANSACTIONS (continued)

### (b) Compensation of Key Management Personnel

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, CEO, CFO, and VP Operations & New Projects. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO and VP Operations & New Projects and by the issue of options. The compensation for key management personnel paid as management were for the years ended April 30, 2020 and 2019 as follows:

| | Year Ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Management fees | **236,861** | 347,772 |
| Salaries | **149,645** | 241,248 |
| Share-based payments | **46,128** | 114,154 |
| | **432,634** | 703,174 |

### (c) Related Party Balances

All related party balances payable, including for business expenses reimbursements, annual bonuses approved by the board of directors, and for services rendered as at April 30, 2020 are non-interest bearing and payable on demand, and are comprised of $0.3 million (April 30, 2019 - $0.12 million) payable to the CEO and a company controlled by the CEO, $0.3 million (April 30, 2019 - $0.11 million) payable to the CFO and $0.3 million payable (April 30, 2019 – $0.02 million payable) to the Directors or companies controlled by the Directors.

## NOTE 15 – COMMITMENTS

In addition to the commitments in connection with the Company's financings (note 11 and note 13), the Company has:

- a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of $3,574 and termination date on July 31, 2021, and

- a five-year rent agreement for its corporate office in Vancouver, Canada with a monthly payment of CAD$3,768 and termination date on July 31, 2023.

(Expressed in US Dollars)

**NOTE 15 – COMMITMENTS (continued)**

On March 16, 2020 the Company reached an agreement to restructure its Derivative Financial Liability, for which it had an obligation to deliver 742 ounces of gold to several related parties (the “Creditors”) of the Company. The value of the gold deliverable under the Gold Agreements was approximately $1.1 million based on the price of gold at the date of the Gold Agreements and was payable on demand. The Creditors agreed to restructure the Gold Agreements (the "Loan Restructuring") in exchange for aggregate notes payable (the “Notes”) in the amount of $0.93 million (note 11), representing a reduction in the liabilities of the Company of approximately $0.17 million. The Notes have a three-year term and bear interest at an annual rate of 10%. The Notes are repayable at any time at the Company’s option and are secured by general security agreements.

As partial consideration for the Loan Restructuring, the Company agreed to issue an aggregate of 1,388,889 warrants (the "Bonus Warrants") to the Creditors. Each Bonus Warrant entitles the holder to acquire one common share of the Company at a price of CAD$0.18 per share with an expiry date on March 16, 2023.

As at April 30, 2020 the Company had commitments to sell approximately 2,278 ounces of gold doré to third parties, which was settled subsequent to April 30, 2020 through the delivery of gold. At April 30, 2020 the fair value of these commitments is $3.2 million. Additionally, the Company received advances of $0.50 million to be offset against future sales of gold doré. Both amounts, totaling $3.7 million (April 30, 2019 - $1.8 million) have been included as deferred revenues.

A summary of undiscounted liabilities and future operating commitments at April 30, 2020 are as follows:

| | **Total** | Within One Year | One to Five Years |
|---|---|---|---|
| **Maturity analysis of financial liabilities** | **$** | $ | $ |
| Accounts payable and accrued liabilities | **3,150,839** | 3,150,839 | |
| Secured debentures and notes payable | **2,354,620** | 300,000 | 2,054,620 |
| Contractual liabilities as result of the acquisition of Anthem United | **6,730,393** | 4,572,830 | 2,157,563 |
| | **12,235,852** | 8,023,669 | 4,212,183 |
| **Commitments** | | | |
| Office lease rental | **166,012** | 77,473 | 88,539 |
| Gold sale deferred revenue | **3,726,500** | 3,726,500 | - |
| Asset retirement and reclamation obligations | **1,088,094** | - | 1,088,094 |
| | **4,980,606** | 3,803,973 | 1,176,633 |
| | **17,216,458** | 11,827,642 | 5,388,816 |

(Expressed in US Dollars)

## NOTE 15 – COMMITMENTS (continued)

Contingent Debenture

In September 2016 the Company completed a comprehensive capital restructuring which involved: (i) negotiating with debt holders to reduce long and short term debt, (ii) a private placement to provide sufficient working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company's shares. As result of this restructuring, the Company issued a $0.78 million 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, 2020 the value of the contingent debenture was $nil. However, the first milestone of 300 tonnes per day mineral processing capacity in Peru was achieved as result of the acquisition of Anthem.

## NOTE 16 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for $0.4 million (April 30, 2019 - $0.3 million) of cash and other current assets which are held in Canada.

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

| | Year ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| **Peru segment** | **$** | $ |
| Revenue | **31,392,930** | 34,573,628 |
| Cost of goods | **(31,591,559)** | (32,279,248) |
| Gross margin (deficit) | **(198,629)** | 2,294,380 |
| Income (loss) for the period | **(2,037,909)** | (389,491) |

During the year ended April 30, 2020, the Company received 100% of its metal revenues from three major customers (April 30, 2019, received 100% from two major customers), noting that the Company has business relationships with other customers, and is not dependent on them.

## NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### (a) Fair Value of Financial Instruments

As at April 30, 2020, the Company's financial instruments consist of cash, receivables, long term receivables, accounts payable and accrued liabilities, promissory notes payable, contractual liabilities as result of the acquisition of Anthem United, secured debentures and notes payable.

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, 2020 and 2019, the Company believes that the carrying values of the financial instruments noted above approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The gold delivery contracts, being a derivative financial liability have been assessed on the fair value hierarchy described above and are classified as Level 2.

### (b) Financial Instruments Risk

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

*(i) Credit risk*

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

*(ii) Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at April 30, 2020, the Company had cash of $3.7 million (April 30, 2019 - $1.8 million) and current working capital deficit of $0.7 million (April 30, 2019 – working capital of $3.4 million) with total liabilities of $17 million (April 30, 2019 - $15.1 million).

## NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A summary of the Company's future operating commitments is presented in note 14.

*(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 January 31, 2020, the Company had no variable rate debt.

b. Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates associated with the fluctuations in its Canadian 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 Canadian dollar and Sol on financial instruments, in US dollar equivalents, is as follows:

| | **April 30, 2020** | April 30, 2019 |
|---|---|---|
| | **$** | $ |
| CAD dollar: | | |
| Cash | **37,900** | 7,140 |
| Receivables | **23,386** | 23,857 |
| Accounts payable and accrued liabilities | **(439,474)** | (430,578) |
| Secured debentures | **(1,124,620)** | (1,148,011) |
| Contractual liabilities as result of the acquisition of Anthem United | **(5,928,811)** | (5,813,425) |
| Derivative financial liability | **-** | (951,467) |
| Net assets (liabilities) | **(7,431,619)** | (8,312,484) |
| Sol: | | |
| Cash | **185,920** | 109,747 |
| Receivables | **859,798** | 4,144,524 |
| Accounts payable and accrued liabilities | **(601,000)** | (625,297) |
| Net assets (liabilities) | **444,718** | 3,628,974 |

## NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assuming all other variables constant, an increase or a decrease of 10% of the Canadian dollar against the US dollar, as of April 30, 2020 would have changed the Company's net loss by approximately $0.79 million. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the US dollar, as of April 30, 2020 would have changed the Company's net loss by approximately $0.05 million.

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 derivative financial liability balance and future gold price expectations as it relates to sales revenues. The Company continuously monitors precious metal trading prices as they are included in projections prepared to determine its future strategy.

## NOTE 18 – 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, plant operations and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders.

The Company's current capital structure consists of secured debentures and notes payables of $2.4 million (April 30, 2019 - $1.4 million), promissory notes of $5.9 million (April 30, 2019 - $7.6 million) and shareholders' equity of $4.3 million (April 30, 2019 - $7.7 million). The Company's ability to generate sufficient funds to service its debts and to provide funding for future operations are dependent on its capital resources which are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements.

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

(Expressed in US Dollars)

## NOTE 19 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| **Cost of sales:** | **$** | $ |
| Ore | **23,715,849** | 24,701,604 |
| Salaries, benefits and other employee expenses | **1,542,140** | 1,492,910 |
| Production supplies | **1,846,133** | 1,912,887 |
| Transportation | **453,329** | 367,089 |
| Other production costs | **2,662,132** | 2,272,406 |
| Depreciation of property plant and equipment | **1,301,754** | 1,177,946 |
| Write-down fair value on inventory | **70,222** | 354,406 |
| **Total cost of sales** | **31,591,559** | 32,279,248 |

| | Years Ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| **Corporate and administrative expenses:** | | |
| Consulting fees | **31,180** | 46,665 |
| Management fees and salaries | **1,373,857** | 1,357,660 |
| Depreciation | **27,456** | 23,416 |
| Directors fees | **28,432** | 29,364 |
| Investor relations and regulatory fees | **170,292** | 344,592 |
| Office, rent, utilities, insurance and other | **317,974** | 568,249 |
| Professional fees | **457,724** | 334,994 |
| Share-based payments | **110,786** | 151,624 |
| Terminated transaction costs | **13,908** | 12,600 |
| Travel and accommodation | **91,342** | 93,354 |
| **Total corporate and administrative expenses** | **2,622,951** | 2,962,518 |
| **Finance costs:** | | |
| Accretion expense | **(60,902)** | (72,535) |
| Loss in disposition of property, plant and equipment | **(17,625)** | (13,077) |
| Impairment of property plant and equipment | **(31,339)** | - |
| Other Impairments | **(111,319)** | - |
| Interest costs | **(394,164)** | (450,534) |
| Foreign exchange gain | **5,865** | 189,437 |
| Fair value loss on derivative financial liability | **(253,347)** | (20,058) |
| Accretion of financial liability | **(600,634)** | (386,553) |
| **Total finance and other income (expense)** | **(1,463,465)** | (753,320) |

(Expressed in US Dollars)

## NOTE 20 – INCOME TAXES

### (a) Income tax expense (recovery)

| | Years ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| **Current tax expense (recovery)** | | |
| Current period | **-** | - |
| **Deferred tax expense (recovery)** | | |
| Origination and reversal of temporary differences | **(358,031)** | 397,374 |
| Change in unrecognized deductible temporary differences | **358,031** | (397,347) |
| Total income tax expense (recovery) | **-** | - |

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

| | Years ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Net loss before income taxes for the year | **(4,236,473)** | (84,491) |
| Statutory income tax rate | **27%** | 27% |
| Expected income tax | **(1,143,848)** | (22,813) |
| Increase (decrease) resulting from | | |
| Impact of different foreign statutory tax rates | **(52,332)** | 66,979 |
| Non-deductible amounts | **447,200** | 232,983 |
| Impact on change in foreign exchange rate | **390,949** | 120,225 |
| Change in unrecognized deductible temporary differences | **358,031** | (397,374) |
| Income tax expense (recovery) | **-** | - |

(Expressed in US Dollars)

**NOTE 20 – INCOME TAXES (continued)**

**(b) Recognized deferred tax assets and liabilities**

| | Years ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Deferred tax assets are attributable to the following: | | |
| Loss carryforwards | **1,119,917** | 906,784 |
| Set-off of tax | **(1,119,917)** | (906,784) |
| Net deferred tax asset | **-** | - |
| | | |
| Deferred tax liabilities are attributable to the following: | | |
| Property, plant and equipment | **(1,119,917)** | (906,784) |
| Set-off of tax | **1,119,917** | 906,784 |
| Net deferred tax liabilities | **-** | - |

**(c) Unrecognized deferred tax assets**

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized, because it is not probable that future taxable profits will be available against which the Company can use the benefits

| | Years ended April 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Loss carryforwards | **25,571,627** | 24,946,770 |
| Deductible temporary differences | **1,425,315** | 1,778,196 |
| | **26,996,942** | 26,724,966 |

The Company has tax losses for Peruvian purposes of approximately $11.6 million (2019 - $11.8 million) available to offset against future years' taxable income in Peru. The Company also has non-capital losses available to reduce taxes in future years of approximately $16.59 million (2019 - $16.19 million) in Canada which expire over 2026 through 2039 which have not been recognized in these financial statements.

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

(Expressed in US Dollars)

## NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the year ended April 30, 2020, were $0.28 million (April 30, 2019 - $0.2 million) and $0.05 million (April 30, 2019 - $0.04 million). Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

## NOTE 22 – SUBSEQUENT EVENTS

### (a) Warrants exercised

On July 16, 2020 the Company announced that pursuant to the warrants repricing (note 15(e)) and following the accelerated expiry clause, a total of approximately 4.5 million of shares purchase warrants were exercised for total proceeds of CAD$1.8 million.

### (b) Restructuring of contractual liabilities payable to Equinox Gold Corp.

On August 18, 2020 the Company announced it has agreed to terms with Equinox to amend the payment dates of its existing non-interest bearing secured promissory note (see note 12).

The payment dates have been amended as follows:

| | Amount | Original payment dates | **Amended payment dates** |
|---|---|---|---|
| First Installment | $1.45 million | August 20, 2019 | **August 20, 2023** |
| Second Installment | $2.5 million | August 20, 2020 | **August 20, 2024** |
| Cash Only Installment | $1.5 million | August 20, 2020 | **August 20, 2022** |
| Third Installment | $2.5 million | August 20, 2021 | **August 20, 2025** |
| | **$7.95 million** | | |

Equinox has also agreed to extend the payment date for approximately US$0.7 million related to a working capital loan, from August 20, 2021 to August 20, 2023.