INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended January 31, 2014 and 2013
(Unaudited – Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

INCA ONE RESOURCES CORP.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Note	January 31, 2014	April 30, 2013
		$	$
Assets			
Current:			
Cash and cash equivalents	4	132,635	684,724
GST recoverable		11,290	49,181
Prepaid expenses and deposits		77,389	42,338
Inventory	5	416,886	-
Deferred financing costs		7,940	-
		646,140	776,243
Property, plant and equipment	6	851,359	31,659
Mining property and development asset	7	390,246	195,390
Exploration and evaluation assets	8	-	2,392,978
Total assets		1,887,745	3,396,270
Liabilities			
Current:			
Accounts payable and accrued liabilities	12	640,728	179,183
Promissory notes payable – current portion	9(a)	120,000	-
		760,728	179,183
Promissory notes payable	9(b)	421,289	-
Convertible debentures – liability component	10	192,655	-
		1,374,672	179,183
Shareholders' Equity			
Share capital	11	9,724,207	9,206,889
Shares to be issued	11	50,000	-
Reserves	11	666,828	688,801
Convertible debentures – equity component	10	73,087	-
Deficit		(10,001,049)	(6,678,603)
		513,073	3,217,087
Total liabilities and shareholders' equity		1,887,745	3,396,270

Nature of operations and going concern (Note 1)
Commitments (Notes 7, 9, 10, 11, 13 and 15)
Subsequent events (Notes 2 and 15)

Approved on behalf of the Board of Directors on April 1, 2014

"Edward Kelly"	*"Oliver Foeste"*
Director	Director

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

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended January 31, 2014	Three months ended January 31, 2013	Nine months ended January 31, 2014	Nine months ended January 31, 2013
		$	$	$	$
Administrative expenses:					
Consulting and management fees	12	109,470	39,395	175,576	145,042
Depreciation	6	2,276	244	4,997	731
Office, rent and administration	12	49,996	17,870	92,000	98,497
Professional fees	12	54,352	43,217	169,602	55,082
Regulatory fees		2,771	1,234	9,231	6,445
Share-based payments	11, 12	-	11,294	105,658	130,249
Transfer agent and shareholder information		45,309	38,048	204,922	44,423
Travel, advertising and promotion		44,429	55,310	145,146	166,591
Total administrative expenses		(308,603)	(206,612)	(907,132)	(647,060)
Other income (expense):					
Accretion of convertible debentures	10	(2,447)	-	(2,447)	-
Foreign exchange gain (loss)		2,630	(3,807)	(2,549)	(11,318)
Finance and other costs	12	(39,313)	(1,244)	(57,745)	(5,925)
Finance income		53	187	1,101	1,128
Write-down of exploration and evaluation assets		-	-	(2,452,330)	-
		(39,077)	(4,864)	(2,513,970)	(16,115)
Net loss for the period		(347,680)	(211,476)	(3,421,102)	(663,175)
Other comprehensive income (loss):					
Foreign currency translation adjustment		5,441	578	(10,971)	26,521
Comprehensive loss for the period		(342,239)	(210,898)	(3,432,073)	(636,654)
Basic and diluted loss per share		(0.01)	(0.01)	(0.08)	(0.02)
Weighted average number of common shares outstanding		46,455,152	33,954,174	44,477,833	27,408,023

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

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited – Expressed in Canadian Dollars)

	Share Capital		Reserves					Shares to be issued	Convertible debenture – equity component	Deficit	Total shareholders' equity
	Common shares	Amount	Stock options	Warrants	Foreign currency translation	Other	Total				
	#	$	$	$	$	$	$	$	$	$	$
Balance, April 30, 2012	22,772,374	6,955,586	527,402	335,145	(221)	42,931	905,257	-	-	(5,829,628)	2,031,215
Comprehensive loss for the period	-	-	-	-	26,521	-	26,521	-	-	(663,175)	(636,654)
Private placement	11,181,800	1,118,180	-	-	-	-	-	-	-	-	1,118,180
Share issuance costs – cash	-	(75,204)	-	-	-	-	-	-	-	-	(75,204)
Share issuance costs – warrants	-	(18,004)	-	18,004	-	-	18,004	-	-	-	-
Expired warrants	-	335,145	-	(335,145)	-	-	(335,145)	-	-	-	-
Share-based payments	-	-	151,106	-	-	-	151,106	-	-	-	151,106
Balance, January 31, 2013	33,954,174	8,315,703	678,508	18,004	26,300	42,931	765,743	-	-	(6,492,803)	2,588,643
Comprehensive loss for the period	-	-	-	-	(32,753)	-	(32,753)	-	-	(219,812)	(252,565)
Private placement	9,535,000	953,500	-	-	-	-	-	-	-	-	953,500
Share issuance costs – cash	-	(78,741)	-	-	-	-	-	-	-	-	(78,741)
Share issuance costs – warrants	-	(26,504)	-	26,504	-	-	26,504	-	-	-	-
Expired options	-	-	(34,012)	-	-	-	(34,012)	-	-	34,012	-
Reallocation of shares returned to treasury	-	42,931	-	-	-	(42,931)	(42,931)	-	-	-	-
Share-based payments	-	-	6,250	-	-	-	6,250	-	-	-	6,250
Balance, April 30, 2013	43,489,174	9,206,889	650,746	44,508	(6,453)	-	688,801	-	-	(6,678,603)	3,217,087
Comprehensive loss for the period	-	-	-	-	(10,971)	-	(10,971)	-	-	(3,421,102)	(3,432,073)
Private placement	5,115,500	511,550	-	-	-	-	-	-	-	-	511,550
Share issuance costs – cash	-	(12,236)	-	-	-	-	-	-	-	-	(12,236)
Shares to be issued	-	-	-	-	-	-	-	50,000	-	-	50,000
Convertible debentures	-	-	-	-	-	-	-	-	76,336	-	76,336
Convertible debentures issuance costs – cash	-	-	-	-	-	-	-	-	(3,249)	-	(3,249)
Expired warrants	-	18,004	-	(18,004)	-	-	(18,004)	-	-	-	-
Expired options	-	-	(98,656)	-	-	-	(98,656)	-	-	98,656	-
Share-based payments	-	-	105,658	-	-	-	105,658	-		-	105,658
Balance, January 31, 2014	48,604,674	9,724,207	657,748	26,504	(17,424)	-	666,828	50,000	73,087	(10,001,049)	513,073

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

INCA ONE RESOURCES CORP.
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

	Nine months ended January 31, 2014	2013
	$	$
Cash flows provided by (used in):		
Operating activities:		
Net loss for the period	(3,421,102)	(663,175)
Items not involving cash:		
Depreciation	4,997	731
Share-based payments	105,658	130,249
Write-down of exploration and evaluation assets	2,452,330	-
Accretion of convertible debentures	2,447	-
Changes in non-cash operating working capital:		
GST recoverable	37,891	103,870
Prepaid expenses and deposits	(35,051)	4,036
Inventory	(416,886)	-
Accounts payable and accrued liabilities	347,029	(59,137)
	(922,687)	(483,426)
Financing activities:		
Promissory notes payable, net of issuance costs	541,289	-
Convertible debentures, net of issuance costs	263,295	-
Proceeds on issuance of common shares	511,550	1,118,180
Share issuance cost	(12,236)	(75,204)
Shares to be issued	50,000	-
Deferred financing costs	(7,940)	-
	1,345,958	1,042,976
Investing activities:		
Purchase of property, plant and equipment	(826,113)	(3,208)
Mining property and development asset	(75,981)	-
Exploration and evaluation assets	(77,070)	(766,846)
	(979,164)	(770,054)
Decrease in cash and cash equivalents	(555,893)	(210,504)
Effect of exchange rates on cash held in foreign currencies	3,804	7,976
Cash and cash equivalents, beginning of period	684,724	543,030
Cash and cash equivalents, end of period	132,635	340,502
Supplementary information:		
Cash paid for interest	33,908	-
Cash paid for income taxes	-	-
Non-cash financing and investing activities:		
Broker warrants issued for finder's fees	-	18,004
Accrued mining property and exploration asset expenditures included in accounts payable	114,516	35,826
Share-based payments capitalized to exploration assets	-	20,857

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Resources Corp. (the "Company") was incorporated under the laws of Canada on November 9, 2005 and was continued under the British Columbia Business Corporations Act on November 26, 2010. On May 11, 2011, the Company changed its name from SUB Capital Inc. to Inca One Metals Corp. and on October 26, 2011, to Inca One Resources Corp. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol "IO" and on the Frankfurt Stock Exchange under the symbol "SU9.F". The head office and principal address of the Company are located at Suite 1125 – 595 Howe Street, Vancouver, Canada, V6C 2T5 and its registered office is located at Suite 2600 – 1066 West Hastings Street, Vancouver, Canada, V6E 3X1.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended January 31, 2014, the Company incurred a net loss of $3,421,102 and the accumulated deficit as at January 31, 2014 was $10,001,049. As at January 31, 2014, the Company had a working capital deficiency of $114,588 which will not be sufficient to finance exploration and operating costs over the next twelve months without additional funding. Management intends to finance operating costs over the next year with funds raised from equity financings, debt financings and revenues from its Peruvian mining interests but there is no certainty that these funds will be received. These conditions cast significant doubt on the Company's ability to continue as a going concern. 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

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34"), using accounting policies consistent 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").

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended April 30, 2013.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 1, 2014.

(b) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Inca One Metals Peru S.A. ("IO Metals"), Dynasty One S.A., Chala One S.A.C., Corizona One S.A., and Minera Huaquillas SAC ("Minera"), a private company incorporated in Peru (Note 8). Although Minera is not a subsidiary of the Company the Company consolidates 100% of its operations as they have effective control and therefore the right to obtain the majority of the benefits and are exposed to the risks of the activities of Minera. In February 2014 the Company also purchased the shares of another privately held Peruvian company, Minera San Isidro Labrador El Molino SRL.

The Company conducts a portion of its business through a joint venture whereby the joint venture participants are bound by a contractual agreement establishing joint control. Joint control exists when unanimous consent of the joint venture participants is required regarding strategic, financial and operating policies of the joint venture. The Company has chosen to account for its interest in the joint venture as a joint operation whereby the Company's proportionate interest in the assets, liabilities, revenues and expenses are recognized within each applicable line item of the consolidated financial statements. The Company's share of results in its joint venture will be recognized in the Company's consolidated financial statements from the date the Company obtained joint control to the date at which it loses joint control.

(c) Use of Estimates and Judgments

The preparation of these financial statements in accordance with IAS 1, *Presentation of Financial Statements*, requires management to make certain critical accounting estimates and to exercise judgment in applying the Company's accounting policies. Estimates and judgments 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. The areas involving a higher degree of judgment or complexity where assumptions and estimates are significant to the financial statements include the going concern assumption, the economic recoverability and probability of future economic benefits of mineral property interests, the commencement date of commercial production, the functional currency, the valuation of convertible debentures and share-based compensation.

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 financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

Management has determined the exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several

criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, the evaluation of permitting and environmental issues and local support for the project, and the ability to find joint venture partners if necessary.

Management has determined that operations have not yet progressed beyond the test toll milling stage and therefore has not begun to deplete property, plant and equipment or record revenue. The Company assesses the stage of its mining property or processing plant to determine when they estimate it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production include the level of capital expenditures incurred relative to the expected costs to complete, the completion of a reasonable period of testing of the property, plant and equipment, the ability to produce saleable metals, the attainment of relevant permits, the ability to sustain ongoing production; and the achievement of pre-determined production targets. Once management determines that a property or plant has reached commercial production, costs capitalized during development begin to be amortized.

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

For accounting purposes, each convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible debenture assuming a 20% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible 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.

(d) Significant Accounting Policies

The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended April 30, 2013, except for the following accounting policies adopted in the current financial period:

(i) Inventory

Finished goods, work-in-process and stockpiled ore are measured at the lower of average 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 production cost of inventories is determined on a weighted average basis and includes cost of production consumables, direct labor, overhead and depreciation of property, plant and equipment.

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

(ii) Revenue

Revenue is recognized when:

- The significant risks and rewards of ownership have been transferred;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of consideration received or receivable. Proceeds from the sale of finished goods produced prior to the date that the Chala Plant commences commercial production are credited to property, plant and equipment.

(iii) Promissory notes payable

Promissory notes payable are recognized initially at fair value, net of transaction costs incurred. The notes are subsequently stated at amortized cost with any difference between the proceeds and redemption value recognized in profit or loss over the term of the debt using the effective interest rate method. Debt is classified as current unless the Company has an unconditional right to defer settlement for at least 12 months after the statement of financial position date.

(iv) Convertible debentures

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt with similar terms at the time of issue. The fair value of the equity component (conversion feature) is determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The following new standards and amendments were adopted effective May 1, 2013. Adoption of these standards and amendments had no significant impact on the financial results or disclosures.

New standard IFRS 11, Joint Arrangements
This standard supercedes IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non-monetary Contributions by Venturers*, and establishes principles for financial reporting by parties to a joint arrangement.

New standard IFRS 12, Disclosure of Interest in Other Entities
This is a new standard which applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

New standard IFRS 13, Fair Value Measurement
This is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures (amendment)
IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

IAS 19, Employee Benefits (amendment)
This standard has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits including redefining short term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

IAS 1, Presentation of Financial Statements (amendment)
This standard has been amended to require entities to separate items presented in Other Comprehensive Income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The following IFRS Standards, Amendments and Interpretations have been issued but are not yet adopted:

IFRS 2 (Interpretation)	Share-based Payments
IFRS 3 (Amendment)	Business Combinations
IFRS 7 (Amendment)	Financial Instruments: Disclosure
IFRS 8 (Amendment)	Operating Segments
IFRS 9	Financial Instruments: Classification and Measurement
IFRS 10	Consolidated Financial Statements
IFRS 13 (Interpretation)	Fair Value Measurement
IAS 19 (Interpretation)	Employee Benefits
IAS 24 (Amendment)	Related Party Disclosures
IAS 32 (Amendment)	Financial Instruments: Presentation
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRIC 21	Levies

The Company anticipates that the application of these standards amendments and interpretations will not have a material impact on the results of operations and the financial position of the Company.

NOTE 4 – CASH AND CASH EQUIVALENTS

	January 31, 2014	April 30, 2013
Cash and cash equivalents consist of:	$	$
Cash	132,635	606,724
Guaranteed Investment Certificates	-	78,000
	132,635	684,724

NOTE 5 – INVENTORY

	January 31, 2014	April 30, 2013
	$	$
Stockpiled ore	8,128	-
Gold and activated carbon	408,758	-
	416,886	-

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	$	**$**	**$**	**$**
Costs:				
Balance, April 30, 2012	-	14,865	8,381	23,246
Additions	-	4,128	14,256	18,384
Foreign exchange	-	315	403	718
Balance, April 30, 2013	-	19,308	23,040	42,348
Additions	807,349	-	18,764	826,113
Foreign exchange	-	386	397	783
Balance, January 31, 2014	807,349	19,694	42,201	869,244
Accumulated Depreciation:				
Balance, April 30, 2012	-	2,391	1,257	3,648
Depreciation	-	3,529	3,426	6,955
Foreign exchange	-	40	46	86
Balance, April 30, 2013	-	5,960	4,729	10,689
Depreciation	-	2,306	4,523	6,829
Foreign exchange	-	204	163	367
Balance, January 31, 2014	-	8,470	9,415	17,885
Net Book Value:				
April 30, 2012	-	12,474	7,124	19,598
April 30, 2013	-	13,348	18,311	31,659
January 31, 2014	807,349	11,224	32,786	851,359

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility ("Chala Plant") in Southern Peru for US$240,000. Of this amount, US$150,000 has been paid and the remaining US$90,000 is expected to be payable within one year, once transfer of the permitted facility is complete. Completion of the acquisition of the milling facility is subject to a number of conditions including completion of a definitive agreement. A finder fee of US$40,000 and a sourcing and technical advice fee of US$59,000, inclusive of value added taxes ("VAT"), have now been paid in connection with the acquisition of the milling facility. An additional US$59,000, including VAT for sourcing and technical advice, was paid once the plant became operational and had processed 250 tons of ore. All VAT paid is not currently refundable to the Company, but the amounts may be used in the future to offset amounts due to the Peruvian tax administration by the Company, resulting from VAT charged on future sales.

As at January 31, 2014, additional plant upgrade costs of $193,360 and pre-operating costs of $290,473 have been incurred.

Depreciation recorded during the nine months ended January 31, 2014 was $6,829 (2013 –$3,632), of which $1,832 was capitalized to exploration and evaluation assets (2013 –$2,901).

NOTE 7 – MINING PROPERTY AND DEVELOPMENT ASSET

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

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

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

Effective March 27, 2013 the Company entered into a Service Provision Agreement with Canadian Mining whereby the Company committed to pay cash of US$50,000 to Canadian Mining for the provision of sourcing and technical advice which results in the Company acquiring a plant, and an additional US$50,000 payable once this plant becomes operational. On June 6, 2013 the Company entered into a contract to purchase the Chala Plant and has recorded US$100,000 in satisfaction of this service provision commitment – see Note 6.

The Company has also agreed to pay Canadian Mining US$125,000 per plant in stages for sourcing and technical advice leading to the acquisition of each of three additional plants.

On May 7, 2013, the Company and Canadian Mining secured a toll milling agreement with a Peruvian ore processor Grupo Dore to process the bulk sample material produced from the Corizona Project. The agreement states that the Company and Canadian Mining will fulfill all necessary requirements to sell bulk sample material from the Corizona Project, and will pay to Grupo Dore the cost to mill its material, including a capital charge plus a toll milling fee per ton of bulk sample material produced. A finder fee of US$25,000 was paid with respect to this agreement.

As agreed to in January 2013 but not formalized legally until June 5, 2013, the Company committed to a three year renewable Joint Venture Agreement with Canadian Mining for purposes of development and operation of the Corizona Project and further exploration and evaluation. Pursuant to the terms of this agreement the joint venture will be operated by Canadian Mining and the Company will contribute all of the initial funding in exchange for an 80% share of the Corizona Project's net profits.

As at January 31, 2014, the Company has paid the following amounts with respect to the Corizona Project:

	Corizona Project Peru
	$
Balance, April 30, 2012	-
Acquisition costs:	
Option payments	50,235
Finder fee – cash	20,000
Professional and regulatory fees	22,064
	92,299
Development costs:	
Field expenses	25,845
Geology	8,497
Office and administration	1,156
Plant sourcing	30,228
Site advisory and development	10,269
Rent, utilities and maintenance	9,936
Travel and accommodation	9,831
Value added tax	7,329
	103,091
Balance, April 30, 2013	195,390
Development costs:	
Field expenses	86,251
Geology	40,351
Office and administration	1,236
Site advisory and development	10,018
Rent, utilities and maintenance	17,166
Travel and accommodation	29,277
Value added tax	13,244
Pre-production revenue	(5,214)
Foreign exchange	2,527
	194,856
Balance, January 31, 2014	390,246

NOTE 8 – EXPLORATION AND EVALUATION ASSETS

	Las Huaquillas Project Peru
	$
Balance, April 30, 2012	1,395,072
Exploration costs:	
Field expenses	204,054
Geology	43,479
Office and administration	30,833
Professional fees	110,090
Rent, utilities and maintenance	29,881
Travel and accommodation	75,807
Value added tax	26,118
Wages and contract labor	468,679
Foreign exchange	8,965
	997,906
Balance, April 30, 2013	2,392,978
Exploration costs:	
Field expenses	1,343
Geology	93
Office and administration	2,497
Professional fees	8,673
Rent, utilities and maintenance	10,584
Travel and accommodation	198
Value added tax	2,358
Wages and contract labor	51,324
Foreign exchange	(17,718)
	59,352
Write-down of exploration and evaluation assets	(2,452,330)
Balance, January 31, 2014	-

On March 25, 2011 and later amended on January 18, 2012, the Company entered into a definitive letter agreement (the "Agreement") with Rial Minera SAC ("Rial") and its shareholders (collectively the "Optionors") pursuant to which the Company was granted an option to acquire all of the issued and outstanding shares of Rial (the "Rial Shares"). Rial is a private Peruvian company that owns a 100% interest in the Las Huaquillas gold-copper project (the "Las Huaquillas Project"). Pursuant to the Agreement, the Company could acquire 100% of the Rial Shares, by paying an aggregate of US$5,000,000 to the Optionors; issuing 8,000,000 common shares of the Company; and incurring exploration expenditures of US$10,000,000 over a period of four years. As at January 31, 2014, the Company has paid US$375,000 and issued 325,000 shares for acquisition costs payable pursuant to the terms of the Agreement. As further consideration for the acquisition, the Company entered into a finder fees agreement

dated July 31, 2011 and later amended by a letter agreement dated January 19, 2012, to pay finder fees of US$282,500 and to issue 400,000 common shares of the Company over a period of four years. As at January 31, 2014, the Company had issued 16,250 shares and paid US$35,625 in cash pursuant to the terms of this finder fees agreement.

After entering into the two agreements the Company expended considerable time and expense to obtain the requisite drilling permits for the Las Huaquillas Project and in June 2013, these drill permits were received. After the Company determined that it was unable to source a joint venture partner or formalize an amended agreement with the Optionors the Company terminated the option. For financial reporting purposes, due to the absence of sufficient verifiable information to support a recoverable value of the Las Huaquillas Project and drilling permits thereon, this value has been deemed to be zero. Accordingly a write-down of exploration and evaluation assets of $2,452,330 has been recorded during the nine months ended January 31, 2014.

NOTE 9 – PROMISSORY NOTES PAYABLE

(a) Promissory Notes Payable – current portion

During the nine months ended January 31, 2014, two directors and officers of the Company advanced to the Company a total of $170,000 in cash in exchange for promissory notes. The notes are unsecured and payable on demand with an interest rate of 20% per annum calculated and paid quarterly in arrears. As at January 31, 2014, $50,000 of the principal has been repaid and interest expense of $11,660 has been recorded with respect to these promissory notes.

(b) Promissory Notes Payable – long term portion

On October 22, 2013, the Company closed the first tranche of a non-brokered private placement of secured, redeemable promissory notes for gross proceeds of $270,000. Of this amount $150,000 was issued to a director and officer and to a company controlled by a director. On November 6, 2013, the Company closed the second tranche of the non-brokered private placement of secured, redeemable promissory notes for gross proceeds $150,000. The promissory notes mature after 24 months and bear interest at 20% per annum. At the option of one of the subscribers, the accrued interest of $6,329 has been added to the principal of the promissory notes instead of being paid. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods.

The notes are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures.

A cash finder fee of $2,500 and legal and regulatory costs of $2,540 incurred in connection with the financing were charged against the promissory notes amount payable. As at January 31, 2014 interest expense of $22,565 has been recorded with respect to these promissory notes.

NOTE 10 – CONVERTIBLE DEBENTURES

On October 30, 2013, the Company completed a secured convertible debenture offering for gross proceeds of $275,000. Of this amount $75,000 was issued to two directors and officers or to individuals to who they were related. The debentures mature on October 30, 2018 although are redeemable at the Company's option after October 30, 2016.

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

Until October 30, 2014 each debenture holder has the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal will be based on a share price of $0.10 and the conversion of any interest payable will be based on the greater of $0.10 per share or the closing share price on the date the Company receives notice from the holder.

For accounting purposes, each convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming a 20% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

Interest on the debentures is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of $11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis.

	Liability Component	Equity Component
	$	$
Balance, April 30, 2013	-	-
October 30, 2013 – Amount at date of issue	198,664	76,336
Issuance costs allocated	(8,456)	(3,249)
Accretion	2,447	-
Balance, January 31, 2014	192,655	73,087

NOTE 11 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At January 31, 2014, there were 48,604,674 issued and fully paid common shares (April 30, 2013 – 43,489,174).

(c) Share issuances

In December 2013 the Company completed a private placement of 5,115,500 shares at $0.10 per share for gross proceeds of $511,550. All of the shares were acquired by directors and officers of the Company who sold an equivalent number of shares in the market at a price of $0.10. The Company has agreed to reimburse the subscribers for the cost of the sale of their shares in the market.

Share issuance costs with respect to the private placement included legal fees of $6,164, regulatory expenses of $2,250, and other issue costs of $3,822.

(d) Shares to be issued

During the nine months ended January 31, 2014, the Company received $50,000 in advance for shares that were issued subsequent to January 31, 2014 (Note 15).

(e) Escrow Securities

As of January 31, 2014, the Company had nil (April 30, 2013 – 334,934) common shares and nil (April 30, 2013 – 39,000) stock options held in escrow.

(f) Stock Options

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

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of twelve months after such death, subject to the expiry date of such option. The status of the options outstanding is as follows:

	Options	Weighted Average Exercise Price
	#	$
Balance, April 30, 2012	2,261,000	0.313
Granted	1,085,000	0.150
Forfeited	(140,000)	0.380
Balance, April 30, 2013	3,206,000	0.255
Granted	1,150,000	0.150
Forfeited	(458,000)	0.260
Balance, January 31, 2014	3,898,000	0.219

The following table summarizes the options outstanding as at January 31, 2014:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	$		#
311,000	0.135	February 18, 2015	Vested
360,000	0.125	April 7, 2015	Vested
150,000	0.250	February 9, 2017	Vested
250,000	0.150	October 5, 2017	Vested
675,000	0.150	October 30, 2017	Vested
950,000	0.150	May 30, 2018	Vested
200,000	0.150	October 31, 2018	Vested
124,000	0.220	September 23, 2020	Vested
208,000	0.500	May 13, 2021	Vested
670,000	0.430	July 11, 2021	Vested
3,898,000			

As at January 31, 2014, the weighted average remaining contractual life of the options is 4.38 years.

On May 30, 2013 and October 31, 2013 the Company granted respectively 950,000 and 200,000 fully vested options to directors, officers, employees and consultants exercisable at $0.15 per shares for a period of five years. Accordingly during the nine months ended January 31, 2014, the Company recognized share-based payments of $105,658 (2013 – $130,249) for stock options granted or vested during the period, and an additional $nil (2013 – $20,857) was included under wages and contract labour in exploration and evaluation assets. The fair value of stock options granted during the nine months ended January 31, 2014 and 2013 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.63%	1.63%
Expected dividends	$nil	$nil
Expected volatility	165.03%	182.68%
Expected life	5.00 years	4.95 years

The weighted average fair value of stock options granted during the nine months ended January 31, 2014 was $0.09 (2013 – $0.11) per option.

(g) Warrants

The status of the share purchase warrants outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, April 30, 2012	3,760,352	0.956
Issued	16,267,143	0.200
Expired	(1,260,352)	1.360
Balance, April 30, 2013	18,767,143	0.273
Expired	(8,641,343)	0.360
Balance, January 31, 2014	10,125,800	0.200

The following table summarizes the share purchase warrants outstanding at January 31, 2014:

Number of Warrants	Exercise Price	Expiry Date
10,125,800	0.200	April 5, 2016

NOTE 12 – RELATED PARTY TRANSACTIONS

(a) Related Party Transactions

The Company incurred charges to directors and officers, former directors and officers, or to companies associated with these individuals as follows:

	Three months ended January 31,		Nine months ended January 31,	
	2014	2013	2014	2013
	$	$	$	$
Accounting fees	19,230	12,876	78,609	12,876
Consulting and management fees	89,000	24,000	147,000	72,000
Finance costs	16,020	-	24,603	-
Legal fees	36,926	20,456	65,771	23,356
Office, rent and administration [(1)]	-	-	-	65,950
	161,176	57,332	315,983	174,182

[(1)] Of these fees, $nil and $15,000 was allocated to the former CFO of the Company for the three and nine months ended January 31, 2013, respectively.

Accounting fees are paid to a company which is owned by a director and in which the CFO is an associate. Consulting and management fees are paid to companies controlled by the President and/or Chief Operating Officer. Finance costs were paid to companies which are owned by either the President or Chief Operating Officer or to a company owned by a director in which the CFO is an associate. Legal fees are paid to a legal firm with which the Corporate Secretary is associated.

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, President, Chief Financial Officer, and Chief Operating Officer. Compensation in respect of services provided by key management consists of consulting and management fees paid to the President and the COO, accounting and administration fees paid to companies in which the CFO is, or former CFO was, an associate and by the issue of options.

	Three months ended January 31,		Nine months ended January 31,	
	2014	2013	2014	2013
	$	$	$	$
Management, accounting and CFO administration fees	108,230	36,876	225,609	99,876
Share-based payments	-	2,513	32,367	124,047
	108,230	39,389	257,976	223,923

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

(c) Related Party Balances

All related party balances payable are non-interest bearing and payable on demand and are comprised of $27,666 and $2,377 (April 30, 2013 – $10,080 and $nil) payable to the President for travel expenses and interest expense, $28,653 (April 30, 2013 – $8,836) payable to a company controlled by the President for management fees, $6,504 and $10,349 (April 30, 2013 – $nil and $nil) payable to the Chief Operating Officer for travel expenses and interest expense, $51,450 (April 30, 2013 – $nil) payable to a company controlled by the Chief Operating Officer for consulting fees, $37,772 and $247 (April 30, 2013 – $7,371 and $nil) payable to a company controlled by a director and in which the CFO is an associate for accounting, paralegal, administration fees and interest expense, and $38,667 (April 30, 2013 – $15,689) for legal fees payable to a legal firm with which the Corporate Secretary is associated.

NOTE 13 – COMMITMENTS

The Company has a consulting agreement with a company controlled by the President of the Company whereby it has committed to pay fixed monthly management fees of $8,000. Additional fees may be payable if certain conditions exist upon eventual termination of the contract.

Subsequent to January 31, 2014 the Company committed to pay $10,000 per month to a company controlled by the Chief Operating Officer for both his services and those of the VP Operations and New Developments.

NOTE 14 – SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and evaluation of mineral properties for development. Segmented information is provided on the basis of geographic segments consistent with its operations as follows:

January 31, 2014	Canada	Peru	Total
	$	$	$
Current assets	151,873	494,267	646,140
Property, plant and equipment	3,252	848,107	851,359
Mining property and development asset	-	390,246	390,246
Total assets	155,125	1,732,620	1,887,745

April 30, 2013	Canada	Peru	Total
	$	$	$
Current assets	750,068	26,175	776,243
Equipment	3,981	27,678	31,659
Mining property and development asset	-	195,390	195,390
Exploration and evaluation assets	-	2,392,978	2,392,978
Total assets	754,049	2,642,221	3,396,270

NOTE 15 – SUBSEQUENT EVENTS

(a) Private Placement with Global Resources Investment Trust PLC

On February 28, 2014, the Company completed a private placement with Global Resources Investment Trust PLC (“GRIT) whereby it issued 12,000,000 common shares with an ascribed value of $0.11 per share, in exchange for 733,007 ordinary shares of GRIT at a price of GBP £1.00 per share (the “GRIT Shares”).

The GRIT Shares were distributed pursuant to a prospectus published by GRIT in the United Kingdom on February 28, 2014. GRIT’s application to list its ordinary shares on the premium listing segment of the Official List and to trade on the London Stock Exchange’s main market became effective on March 7, 2014. The Company will now seek to sell the GRIT Shares through the facilities of the London Stock Exchange. During the first six months of the holding period, all sales of GRIT Shares will be arranged by GRIT. While the Company will seek to maximize the proceeds it receives from the sale of its GRIT Shares, there is no assurance as to the timing of disposition or the amount that will be realized.

A finder's fee in the form of 960,000 common shares was paid in connection with this private placement.

(b) Non-Brokered Private Placements

On February 19, 2014, the Company completed a private placement of 2,010,000 shares at $0.10 per share for gross proceeds of $201,000. 650,000 of the shares were issued to directors and officers of the Company who sold an equivalent number of shares in the market at a price of $0.10. The Company has agreed to reimburse the subscribers for the costs incurred on sale of their shares. $50,000 of the total proceeds was received prior to January 31, 2014 and accordingly has been recorded as "Shares to be issued" within Shareholders' equity (Note 11(d)).