



INCA ONE RESOURCES CORP.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
For the Three Months Ended July 31, 2013 and 2012
(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	July 31, 2013	April 30, 2013
		\$	\$
Assets			
Current:			
Cash and cash equivalents	4	65,459	684,724
Receivables	5	5,936	49,181
Prepaid expenses and deposits		36,807	42,338
Deferred financing costs	9	4,815	-
		113,017	776,243
Plant and equipment	6	379,345	31,659
Mining property and development asset	7	279,179	195,390
Exploration and evaluation assets	8	2,418,374	2,392,978
Total assets		3,189,915	3,396,270
Liabilities			
Current:			
Accounts payable and accrued liabilities	11	123,880	179,183
Debenture deposits	9	150,000	-
		273,880	179,183
Shareholders' Equity			
Share capital	10	9,206,889	9,206,889
Reserves	10	733,663	688,801
Deficit		(7,024,517)	(6,678,603)
		2,916,035	3,217,087
Total liabilities and shareholders' equity		3,189,915	3,396,270

Nature of operations and going concern (Note 1)

Commitments (Notes 7, 8, 9, 10, 12 and 14)

Subsequent event (Note 14)

Approved on behalf of the Board of Directors on September 30, 2013

“Edward Kelly”

Director

“Robert McMorran”

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)

		Three months ended July 31,	
	Note	2013	2012
		\$	\$
Administrative expenses:			
Consulting and management fees	11	26,458	62,800
Depreciation		989	231
Office, rent and administration	11	18,418	41,823
Professional fees	11	48,272	2,000
Regulatory fees		934	416
Share-based payments	10 & 11	89,197	20,555
Transfer agent and shareholder information		87,423	1,246
Travel, advertising and promotion		68,937	54,710
Total administrative expenses		(340,628)	(183,781)
Other income (expense):			
Foreign exchange (loss) gain		(4,275)	4,570
Finance and other costs		(2,030)	(1,192)
Finance income		1,019	940
		(5,286)	4,318
Net loss for the period		(345,914)	(179,463)
Other comprehensive loss:			
Foreign currency translation adjustment		(44,335)	(8,434)
Comprehensive loss for the period		(390,249)	(187,897)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average number of common shares outstanding		43,489,174	22,722,374

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(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Expressed in Canadian Dollars)

	Share Capital		Reserves					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	-	-	-	-	(8,434)	-	(8,434)	(179,463)	(187,897)
Expired warrants	-	275,000	-	(275,000)	-	-	(275,000)	-	-
Share-based payments	-	-	23,471	-	-	-	23,471	-	23,471
Balance, July 31, 2012	22,772,374	7,230,586	550,873	60,145	(8,655)	42,931	645,294	(6,009,091)	1,866,789
Comprehensive loss for the period	-	-	-	-	2,202	-	2,202	(703,524)	(701,322)
Private placement	20,716,800	2,071,680	-	-	-	-	-	-	2,071,680
Share issuance costs – cash	-	(153,945)	-	-	-	-	-	-	(153,945)
Share issuance costs – warrants	-	(44,508)	-	44,508	-	-	44,508	-	-
Expired warrants	-	60,145	-	(60,145)	-	-	(60,145)	-	-
Expired options	-	-	(34,012)	-	-	-	(34,012)	34,012	-
Reallocation of shares returned to treasury	-	42,931	-	-	-	(42,931)	(42,931)	-	-
Share-based payments	-	-	133,885	-	-	-	133,885	-	133,885
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 year	-	-	-	-	(44,335)	-	(44,335)	(345,914)	(390,249)
Share-based payments	-	-	89,197	-	-	-	89,197	-	89,197
Balance, July 31, 2013	43,489,174	9,206,889	739,943	44,508	(50,788)	-	733,663	(7,024,517)	2,916,035

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INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Three months ended July 31,	
	2013	2012
	\$	\$
Cash flows provided by (used in):		
Operating activities:		
Net loss for the period	(345,914)	(179,463)
Items not involving cash:		
Depreciation	989	231
Share-based payments	89,197	20,555
Changes in non-cash operating working capital:		
Receivables	43,245	113,947
Prepaid expenses and deposits	5,531	9,699
Accounts payable and accrued liabilities	(55,590)	(9,974)
	(262,542)	(45,005)
Financing activities:		
Debenture deposits received	150,000	-
Deferred financing costs	(4,815)	-
	145,185	-
Investing activities:		
Purchase of plant and equipment	(350,008)	(2,841)
Mining property and development asset	(86,018)	-
Exploration and evaluation assets	(68,519)	(354,090)
	(504,545)	(356,931)
Decrease in cash and cash equivalents	(621,902)	(401,936)
Effect of exchange rates on cash held in foreign currencies	2,637	(8,434)
Cash and cash equivalents, beginning of period	684,724	543,030
Cash and cash equivalents, end of period	65,459	132,660
Supplementary information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Non-cash financing and investing activities:		
Accrued exploration and evaluation expenditures included in accounts payable and accrued liabilities	287	48,010
Share-based payments capitalized to exploration and evaluation assets	-	2,916

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INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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. 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 "Exchange") 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 three months ended July 31, 2013, the Company incurred a net loss of \$345,914 and the accumulated deficit as at July 31, 2013 was \$7,024,517. As at July 31, 2013, the Company had a working capital deficiency of \$160,863 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 advanced by a shareholder and derived from the issue of debenture units (Note 9) and net profits 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 of assets and liabilities and the reported expenses and balance sheet classifications 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 – 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"). 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.

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 September 30, 2013.

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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., Corizona One S.A., and Minera Huaquillas SAC (“Minera”), a private company incorporated in Peru (Note 8). Minera is not a subsidiary of the Company, however, 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.

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 using the proportionate consolidation method, 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.

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, commencement of commercial production, functional currency, and share-based compensation.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES AND FUTURE APPLICABLE ACCOUNTING STANDARDS

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.

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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 7 (Amendment)	Financial Instruments: Disclosure
IFRS 9	Financial Instruments: Classification and Measurement
IFRS 10	Consolidated Financial Statements
IAS 32 (Amendment)	Financial Instruments: Presentation
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	July 31, 2013	April 30, 2013
Cash and cash equivalents consist of:	\$	\$
Cash	65,459	606,724
Guaranteed Investment Certificates	-	78,000
	65,459	684,724

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

NOTE 5 – RECEIVABLES

	July 31, 2013	April 30, 2013
	\$	\$
GST / HST recoverable	5,653	16,720
Other receivable	283	7,461
Share subscription receivable	-	25,000
	5,936	49,181

NOTE 6– PLANT AND EQUIPMENT

	Chala One 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	346,079	-	3,929	350,008
Foreign exchange	-	(315)	(324)	(639)
Balance, July 31, 2013	346,079	18,993	26,645	391,717
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	-	757	1,128	1,885
Foreign exchange	-	(112)	(90)	(202)
Balance, July 31, 2013	-	6,605	5,767	12,372
Net Book Value:				
April 30, 2012	-	12,474	7,124	19,598
April 30, 2013	-	13,348	18,311	31,659
July 31, 2013	346,079	12,388	20,878	379,345

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility (“Chala One”) 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

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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 been paid in connection with the acquisition of the milling facility. An additional US\$59,000, including VAT, is payable once the plant becomes operational, for sourcing and technical advice. 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. Additional plant upgrade costs of \$51,131 and pre-operating costs of \$37,640 have been incurred as at July 31, 2013.

Depreciation during the three months ended July 31, 2013 was \$1,885 (2012 – \$1,371), of which \$896 was capitalized to exploration and evaluation assets (2012 – \$1,140).

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 is also 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 One plant and has paid US\$50,000 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.

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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 July 31, 2013 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	44,807
Geology	8,873
Office and administration	979
Site advisory and development	4,590
Rent, utilities and maintenance	8,418
Travel and accommodation	13,161
Value added tax	5,024
Foreign exchange	(2,063)
	83,789
Balance, July 31, 2013	279,179

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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	1,320
Office and administration	1,554
Professional fees	7,272
Rent, utilities and maintenance	5,385
Travel and accommodation	193
Value added tax	1,990
Wages and contract labor	50,436
Foreign exchange	(42,754)
	25,396
Balance, July 31, 2013	2,418,374

On March 25, 2011, 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 can acquire 100% of the Rial Shares, of which 95% may be acquired by (a) paying an aggregate of US\$5,000,000 to the Optionors; (b) issuing 5,000,000 common shares of the Company to the Optionors; and (c) incurring exploration expenditures of US\$10,000,000 over a period of four years as follows:

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

	Cash	Common	
	US\$	shares	
		#	
Within 5 days of execution of the Letter Agreement	75,000 Paid	-	
Within 5 days of Exchange approval	125,000 Paid	200,000	Issued
Concurrently with the execution of the public deed formalizing the mining assignment agreement dated July 26, 2011	50,000 Paid	-	
On or before January 26, 2012	125,000 Paid	125,000	Issued
Within 5 days from the date on which the Supreme Decree is granted and published in the Official Gazette "EI Peruano"	125,000	125,000	
On or before July 26, 2012 ⁽¹⁾	375,000	375,000	
On or before July 26, 2013 ⁽¹⁾	1,500,000	1,500,000	
On or before July 26, 2014 ⁽¹⁾	1,500,000	1,550,000	
On or before July 26, 2015 ⁽¹⁾	1,125,000	1,125,000	
Total	5,000,000	5,000,000	

⁽¹⁾ Subject to terms as per the Amended Agreement dated January 18, 2012.

Upon the Company acquiring 95% of the Rial Shares, a 1% net smelter royalty shall be payable to the Optionors on all future production. After completion of the above cash and share payments and exploration expenditures, the Company may earn a further 5% of the Rial Shares by issuing an additional 3,000,000 common shares of the Company to one of the Optionors within 15 days of notice of exercise of the option ("Second Option"). In addition, the Company shall issue to one of the Optionors as bonus payments, one common share of the Company per each new ounce of gold or gold equivalent that is found or determined to exist on the Las Huaquillas Project, in excess of 560,000 ounces of gold or gold equivalent, to be delivered upon public announcement of such discovery.

Pursuant to the Agreement, Rial entered into a mining assignment agreement dated July 26, 2011 with Minera, whereby Rial assigned all of its exploration rights and obligations related to the Las Huaquillas Project to Minera for a period of four years. On May 24, 2011, the Company agreed to advance to Minera up to US\$100,000 to fund its exploration activities on the Las Huaquillas Project. The loan is non-interest bearing and due within one year from the date of the last amount advanced. As at July 31, 2013, the Company had advanced \$87,637 (April 30, 2013 – \$85,806) under the loan agreement, the balance of which has been eliminated on consolidation of Minera.

On January 18, 2012, the Company signed an amended agreement with the Optionors ("Amended Agreement") pursuant to which all options payments due on or after July 26, 2012 would be deferred until the drill permits were obtained. In June 2013, these drill permits were received and the Optionors

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

have agreed to defer the option payments until such time that a joint venture partner can be found. The Company is working towards formalization of this agreement.

As consideration for the acquisition, the Company entered into a finder's fee agreement dated July 31, 2011, to pay a finder's fee of US\$282,500 and 400,000 common shares over a period of four years as follows:

	Cash	Common
	US\$	shares
		#
Within 5 days of execution of the Letter Agreement	7,500 Paid	-
Within 5 days of Exchange approval	12,500 Paid	10,000 Issued
Concurrently with the execution of the public deed formalizing the Mining Assignment Agreement dated July 26, 2011	5,000 Paid	-
On or before January 26, 2012	10,625 Paid	6,250 Issued
Within 5 days from the date on which the Supreme Decree is granted and published in the Official Gazette "EI Peruano"	9,375	6,250
On or before July 26, 2012 ⁽¹⁾	28,125	18,750
On or before July 26, 2013 ⁽¹⁾	78,125	75,000
On or before July 26, 2014 ⁽¹⁾	75,000	77,500
On or before July 26, 2015 ⁽¹⁾	56,250	56,250
Within 15 days as of the date on which the Second Option is exercised by the Company ⁽¹⁾	-	150,000
Total	282,500	400,000

⁽¹⁾ Pursuant to a letter agreement with the finder dated January 19, 2012, the payment of finder's fees will be deferred and will resume upon resumption of the Company's option payments to the Optionors.

NOTE 9 – DEBENTURE DEPOSITS

On June 21, 2013, the Company announced a Debenture offering for gross proceeds of up to \$600,000. The Debenture will be sold in units of \$25,000, have a term of five years from the date of regulatory closing of the issue, and bear interest at the rate of 10% per annum calculated and paid quarterly in arrears. During the first year of the Debenture term the unit holder has the option to convert up to 20% of their Debenture principal into common shares based on the weighted average trading price of the shares over the ten days prior to conversion. Gross proceeds of \$150,000 have been received from the issue of Debenture units as of July 31, 2013. Subsequent to July 31, 2013, additional gross proceeds of \$50,000 have been received. Professional fees incurred in connection with the Debenture offering have been recorded as deferred financing costs as of July 31, 2013.

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

NOTE 10 – SHARE CAPITAL AND RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2013, there were 43,489,174 issued and fully paid common shares (April 30, 2013 – 43,489,174).

(c) Escrow Securities

As of July 31, 2013, the Company had 334,934 (April 30, 2013 – 334,934) common shares and 39,000 (April 30, 2013 – 39,000) stock options held in escrow which were released subsequent to the three months ended July 31, 2013 on September 23, 2013.

(d) Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange 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	950,000	0.150
Balance, July 31, 2013	4,156,000	0.231

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

The following table summarizes the options outstanding as at July 31, 2013:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	\$		#
311,000 ⁽¹⁾	0.135	February 18, 2015	Vested
480,000 ⁽¹⁾	0.125	April 7, 2015	Vested
150,000	0.250	February 9, 2017	Vested
250,000	0.150	October 5, 2017	Vested
775,000	0.150	October 30, 2017	Vested
20,000	0.150	December 12, 2017	Vested
950,000	0.150	May 30, 2018	Vested
124,000	0.220	September 23, 2020	Vested
316,000	0.500	May 13, 2021	Vested
780,000	0.430	July 11, 2021	Vested
4,156,000	0.231		

⁽¹⁾ Of these options, 18,000 and 21,000 held in escrow respectively were released subsequent to the three months ended July 31, 2013 on September 23, 2013.

During the three months ended July 31, 2013, the Company recognized share-based payments of \$89,197 (2012 – \$23,471) for stock options granted or vested during the period, of which \$nil (2012 – \$2,916) was included under wages and contract labour in exploration and evaluation assets. The fair value of stock options granted during the three months ended July 31, 2013 of \$87,854 was estimated using the Black-Scholes options pricing model with the following assumptions:

Risk-free interest rate	1.63%
Expected dividends	\$nil
Expected volatility	165.58%
Expected life	5.00 years

The weighted average fair value of stock options granted during the three months ended July 31, 2013 was \$0.09 (2012 – \$Nil) per option.

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

(e) 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	(2,500,000)	0.750
Balance, July 31, 2013	16,267,143	0.200

The following table summarizes the share purchase warrants outstanding at July 31, 2013:

Warrants	Exercise Price	Expiry Date
#	\$	
1,442,843 ⁽¹⁾	0.200	September 28, 2013
4,698,500	0.200	October 12, 2013
10,125,800	0.200	April 5, 2016
16,267,143		

⁽¹⁾ These share purchase warrants expired subsequent to the three months ended July 31, 2013.**NOTE 11 – 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:

	2013	2012
	\$	\$
Accounting fees	28,696	-
Consulting and management fees	24,000	31,500
Legal fees and deferred financing costs	8,887	2,000
Office, rent and administration ⁽¹⁾	-	32,600
	61,583	66,100

⁽¹⁾ Of these fees, \$nil was allocated to the former CFO of the Company for the three months ended July 31, 2013 (2012 – \$7,500).

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

(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 and Chief Financial Officer. Compensation in respect of services provided by key management consists of management fees paid to the President, accounting and administration fees paid to companies in which the CFO is, or former CFO was, an associate and by the issue of options.

	2013	2012
	\$	\$
Management, accounting and CFO administration fees	52,696	39,000
Share-based payments	32,367	39,819
	85,063	78,819

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 \$27,723 (April 30, 2013 – \$10,080) payable to the President for travel expenses, \$8,849 (April 30, 2013 – \$8,836) payable to the President for management fees, and \$14,399 (April 30, 2013 – \$7,371) payable to a Company controlled by a director and in which the CFO is an associate.

NOTE 12 – COMMITMENT

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.

NOTE 13 – 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:

July 31, 2013	Canada	Peru	Total
	\$	\$	\$
Current assets	82,053	30,964	113,017
Plant and equipment	3,738	375,607	379,345
Mining property and development asset	-	279,179	279,179
Exploration and evaluation assets	-	2,418,374	2,418,374
Total assets	85,791	3,104,124	3,189,915

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2013 and 2012

(Unaudited – Expressed in Canadian Dollars)

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 14 – SUBSEQUENT EVENT

On August 13, 2013, a shareholder of the Company advanced to the Company \$100,000, payable on demand with an interest rate of 20% per annum calculated and paid quarterly in arrears.