



MANAGEMENT DISCUSSION AND ANALYSIS

For the Three and Six Months Ended October 31, 2015 and 2014

Report Dated December 30, 2015

INCA ONE GOLD CORP.

Management Discussion & Analysis

For the Three and Six Months Ended October 31, 2015 and 2014

The following information, prepared as of December 30, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Inca One Gold Corp. (the “**Company**” or “**Inca One**”) for the three and six months ended October 31, 2015 (the “October 2015 Interim Financial Statements”). This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. All financial amounts are expressed in Canadian Dollars, unless otherwise indicated.

The October 2015 Interim Financial Statements have been prepared in conformity with International Accounting Standard (“**IAS**”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s audited consolidated financial statements for the year ended April 30, 2015. The October 2015 Interim Financial Statements do not include all the information required for complete annual financial statements 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**”) and therefore should be read together with the audited annual financial statements for the year ended April 30, 2015 and the related MD&A for the year then ended.

General Overview

Inca One was incorporated on November 9, 2005, and is engaged in the business of developing toll milling operations in Peru, to service government permitted small scale miners. The Company, through its Peruvian subsidiary Chala One SAC, (“**Chala One**”) has acquired an existing Peruvian mineral processing plant (the “**Chala Plant**”), which the Company has successfully upgraded to approximately 100 tonnes per day (“**TPD**”) capacity.

In recent years the Peruvian government instituted a formalization process for informal miners as part of its efforts to regulate their activities. The deadline for registering informal miner concessions expired on April 19, 2014 and online Peruvian news sources have recently reported that the government has started to deploy aggressive measures to eradicate any remaining illegal miners in Peru. While the Company is aware of the tensions created by the foregoing it intends to continue with its business plan to source high grade gold mill feed from legally recognized Peruvian artisanal and small scale miners.

The Company continues to actively evaluate other potential mineral projects including additional toll milling operations. Inca One is listed for trading 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**”.

Operational and Financial Highlights

The following is a summary of the Chala Plant’s production statistics for three months ended October 31, 2015 (“**Q2 fiscal 2016**” or “**Q2 2016**”) and July 31, 2015 (“**Q1 fiscal 2016**” or “**Q1 2016**”) and April 30, 2015 (“**Q4 fiscal 2015**” or “**Q4 2015**”). Note that the Chala Plant commenced commercial production on February 1, 2015, and therefore no operational comparative figures are applicable for the three months ended October 31, 2014 (“**Q2 fiscal 2015**” or “**Q2 2015**”). The quarterly periods summarized below represent all the periods during which the Company was in commercial production.

During Q2 2016 the Company reduced operating capacity to better manage cash flows while it waited for SUNAT, the Peruvian government tax authority, to complete its audit of the Company’s initial IGV/VAT (the “**IGV**”) submission.

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This initial IGV submission audit process (the “initial IGV audit”) may take up to six months and based on advice from the Company’s Peruvian tax advisors, the expected completion date is now mid to late January 2016, which is the end of the six month period. It is noted that no material issues have arisen during this initial IGV audit as of the date of this MD&A.

The strategic lower operating capacity in Q2 2016 resulted in a \$337,237 gross operating deficit for the quarter, while for the six months ended October 31, 2015 the Company had a \$98,262 gross operating margin.

Select factors contributed to this quarterly deficit were a lower margin per tonne due to a declining gold price from US\$1,201 to US\$1,134 and from an increase in the fixed production cost per tonne processed as a result of management’s decision to reduce the process volumes during the quarter. In addition, there was a negative impact on the operating margin that arose from the lower grade of purchased ore processed in the quarter from 0.73 oz/t, compared to 0.80 oz/t in Q1 2016 and 0.84 oz/t in Q4 2015.

Quarter over Quarter highlights	Q2 2016	Q1 2016	Q4 2015	Variance % Q2 vs Q1	Variance % Q2 vs Q4	Variance % Q1 vs Q4
Tonnes processed (t)	3,698	7,453	4,433	(50.4%)	(16.6%)	68.1%
Average daily processing volume (t) ¹	43	88	52	(51.1%)	(17.3%)	69.2%
Mineral grade (oz/t)	0.73	0.80	0.84	(8.8%)	(13.1%)	(4.8%)
Gold sold (oz)	2,935	4,438	3,159	(33.9%)	(7.1%)	40.5%
Silver sold (oz)	3,155	5,669	2,262	(44.3%)	39.5%	150.6%
Sales (\$)	4,330,350	6,549,870	4,304,802	(33.9%)	0.6%	52.2%
Gross operating (deficit) margin (\$)	(337,237)	435,499	131,142	(177.5%)	(357.2%)	232.1%
Gross operating margin %	(7.79%)	6.65%	3.05%	(217.2%)	(355.4%)	118.3%
Gross margin / ounce of gold sold (\$)	(115)	98	42	(217.3%)	(373.8%)	133.3%
Gross margin / ton processed (\$)	(91)	58	30	(256.9%)	(403.3%)	93.3%
Revenue per tonne processed (\$)	1,171	879	971	33.3%	20.6%	(9.5%)
Cost per tonne processed (\$)	1,262	820	941	53.9%	34.1%	(12.9%)
Average gold price per ounce sold (\$)	1,477	1,449	1,481	2.0%	(0.3%)	(2.2%)
Cost per ounce sold (\$)	1,590	1,378	1,321	15.4%	20.4%	4.3%
Average London Close price (\$USD)	1,134	1,168	1,201	(2.9%)	(5.6%)	(2.7%)
Average London Close price (\$)	1,487	1,457	1,498	2.1%	(0.7%)	(2.8%)

¹ Based on a 28.5 day monthly utilization period

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Highlights during Q2 fiscal 2016 include:

- Total gold and silver sales of \$4,330,350 with total cost of goods sold of \$4,667,587 and gross margin deficit of \$337,237 or a 7.79% deficit;
- 3,698 tonnes of mineral was processed with an average gold grade of 0.73 oz/t;
- Average daily processing volume of 43 TPD (based on a 28.5 day monthly utilization period);
- Strategically reduced processing throughput was enacted while waiting for the SUNAT IGV/VAT audit process to complete;
- Purchased approximately 3,753 tonnes of gold-bearing material;
- Closed a financing arrangement with Standard Tolling Corp (“TON”) for loan proceeds of US\$550,000 less US\$55,000 of prepaid interest for net proceeds of US\$495,000; and a mineral purchase agreement whereby US\$425,000 was advanced to the Company during the quarter.
- Closed a private placement of 4,009,726 common shares at \$0.15 per share for gross proceeds of \$601,459.

Operating Activity – Q2 2016 Compared to Q1 2016

During Q2 2016, the Company processed a total of 3,698 tonnes of gold-bearing material with an average grade of 0.73 oz/t compared to 7,453 tonnes of gold-bearing material with an average grade of 0.80 oz/t during Q1 2016. Q2 2016 was the third quarter of commercial production. Production decreased during Q2 2016 due to a strategic decision by the Company to scale back production in order to wait for the receipt of the IGV receivable from the Peruvian tax authorities, which as of October 31, 2015 had a value of \$2,889,976. The IGV has not been received as of the date of this report.

The average daily processing volume (based on a 28.5 day monthly utilization period) during Q2 2016 was 43 TPD compared to 88 TPD during Q1 2016. Q2 2016 production figures include fewer days during which the Chala Plant operated at its full 100 TPD capacity (all TPD amounts based on a 28.5 day monthly utilization period). The TPD decrease in Q2 2016 was directly due to the strategic decision to scale back production.

During Q2 2016, the Company sold 2,935 ounces of gold and 3,155 ounces of silver compared to 4,438 ounces of gold and 5,669 ounces of silver sold during Q1 2016, with the decrease a result of the lower levels of tonnes processed during Q2 2016 of 3,698 compared to 7,453 in Q1 2016.

The gross margin deficit per gold ounces sold during Q2 2016 amounted to \$115 compared to a gross margin of \$98 during Q1 2016, a decrease of \$213 arising primarily from the decrease in average daily processing volume relative to certain fixed operational costs.

The Company also achieved various operating improvements during the six months ended October 31, 2015 such as the purchase of a desorption plant and chemical laboratory to better maximize plant efficiency and lower operating cost, implement adjustments to the leaching circuit and grind size of the mill feed to improve recovery, and began expansion of the tailings pond.

Chala Plant – Commercial Production (effective February 1, 2015)

As above, the Company accomplished many integral targets since commercial production began February 1, 2015, including improved mineral purchasing terms and recovery rates, which are key factors driving operating profitability. During Q3 of fiscal 2016 the Company anticipates it will continue to gradually ramp up production, and in January 2016, the Company expects to receive confirmation from SUNAT that the IGV/VAT audit process is complete and refund payments will begin to be processed.

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During Q4 of fiscal 2016 the Company anticipates to benefit from regular IGV refunds, and from the operating initiatives in order to realize greater gross margins and profitability.

Mineral Purchasing

A key component of the business is mineral purchasing. The Company continues to enact initiatives to improve the efficiency and effectiveness of the mineral purchasing team including incentive programs, mini-games, and targets for quantity, grade, and price with a gold grade target of 25 grams per tonne (“gpt”). To accomplish a relatively steady mill feed for the Chala Plant the Company has entered into various multi-delivery letters of agreement (“LOA”). The Company’s target is to have approximately 1,500 tonnes per month under LOA’s, or 50% of the total expected 3,000 tonnes per month to supply the expanded operating capacity. The balance of the mill feed is expected to come from ongoing spot purchases in the market.

Property, Plant and Equipment

As at October 31, 2015, total plant upgrade costs and capitalized pre-operating costs was \$5,437,164 (April 30, 2015 - \$5,241,843) which includes \$1,855,686 (April 30, 2015 - \$1,712,199) of incidental revenue generated during the pre-operating period and \$286,699 (April 30, 2015 - \$264,531) of capitalized interest.

During the six months ended October 31, 2015, the Company reclassified \$384,963, respectively, of VAT in Peru previously included in pre-operating expenses as a result of the review of the VAT receivable from the Peruvian tax authorities.

Chala Plant – Pre-Commercial Production

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of the Chala Plant in Southern Peru for USD\$240,000. Of this amount, USD\$150,000 has been paid and the remaining USD\$90,000 will be payable once transfer of the fully permitted facility is complete (see Title and Permitting below). Finder fees of USD\$40,000 were paid in connection with the acquisition and sourcing and technical advice fees of USD\$118,000, inclusive of value added tax, were also paid with respect to the acquisition and refurbishment of the Chala Plant in December 2013.

The Chala Plant was refurbished almost immediately after acquisition in calendar 2013 in order to achieve a processing capacity of 25 TPD and its first production of activated carbon was reported in November 2013. During the year ended April 30, 2014, the Company estimated a recovery of 347.97 ounces of gold and 144.50 ounces of silver from the harvest of activated carbon from the Chala Plant during the initial test milling phase.

In March 2014 an incident occurred at the Chala Plant during which certain Government officials caused some minor damage under the mistaken belief that the plant was not operating legally. The damage was subsequently repaired.

In June 2014 the Company closed the first tranche of a \$5,500,000 bond financing (see Financings below) for gross proceeds of \$2,700,000 which enabled the Company to begin expansion of the Chala Plant from 25 TPD capacity to 100 TPD capacity as well as provide working capital for mineral purchases and general operating purposes. During August 2014 and November 2014, the Company closed the second and third tranches, for gross proceeds of \$1,400,000 and \$1,400,000 respectively.

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To oversee expansion the Company engaged an established Peruvian engineering firm to oversee the construction and plant expansion to 100 TPD capacity. Two new 50 TPD ball mills were installed and commissioned over that period and many other aspects of the plant were expanded and upgraded including the crushing and leaching systems, expansion of the camp, new scale and reception area, new lab and storage facilities, and expanded mineral stockpile area. By December 31, 2014 the construction was substantially complete. The Company conducted test milling and commissioning beginning November 2014, and with the appropriate assessment management determined that at February 1, 2015 the Chala Plant had commenced commercial production.

This commercial production assessment included key parameters being met such as: a) all major and auxiliary processing circuits were fully operational including ball mill, crushing, and leaching circuits, and related facilities in place; b) average production throughput at the plant since February 1, 2015 has been in excess of 50 TPD with production ramping up to the full 100 TPD production capacity; and c) a reasonable testing and commissioning period had completed. As a result of the commencement of commercial production the Company began amortizing the capitalized costs of its milling plant.

The aforementioned technical information was reviewed on behalf of the Company by Phu Van Bui, P.Geo., a director and a Qualified Person as defined in NI 43-101.

Chala Plant - Title and Permitting

Transfer of formal title of the Chala Plant is subject to a number of conditions. As part of the terms of the original purchase agreement for the Chala Plant, Inca One has an agreement between its wholly owned subsidiary, Chala One, and the seller and initial permit applicant, to operate under the umbrella of formalization until the successful completion of all the environmental and operating permits. As part of the formalization process the Chala Plant is currently in compliance and able to operate up to 100 TPD capacity. The Company has recently made significant progress on the various long-term licenses and permits required for the Chala Plant to operate at 100 TPD. The Company is also proceeding with the application of commercial permits to incrementally increase capacity up to 350 TPD. The Chala Plant currently sits on 21 hectares of land, and has ample room for plant expansion.

Exploration and Evaluation Assets

Previously the Company had interests in exploration and evaluation assets including the Corizona Project and the Las Haquillas Project. No exploration expenditure has been incurred on these projects through either the year ended April 30, 2015 or Q2 fiscal 2016, and both projects were fully impaired as of April 30, 2015. For further detail on these projects refer to the annual MD&A for the years ended April 30, 2015 and 2014.

Future Outlook

The Company is moving forward with its business plan to focus on gold-bearing mineral processing facilities in Peru and believes that the Chala Plant operations may provide the necessary cash flow to achieve profitability in calendar 2016. The Company intends to use the funds and net profits from mineral processing operations at the Chala Plant, and additional fundraising (see Financings and Subsequent Events below) to execute its business plan and expand mineral processing operations, so that it can continue to achieve its long-term objectives.

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Inca One management believes that the Chala Plant will enable the Company to generate sufficient cash flows to achieve profitable operations and further expand its Peruvian operations.

Selected Quarterly Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the unaudited condensed interim consolidated financial statements of the Company for the three months ended October 31, 2015 and 2014 and from the audited consolidated financial statements for the year ended April 30, 2015. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

Three months ended:	October 31, 2015	July 31, 2015	April 30, 2015
	\$	\$	\$
Revenue	4,330,350	6,549,870	4,304,802
Cost of goods sold	4,667,587	6,114,371	4,173,660
Gross margin	(337,237)	435,499	131,142
Finance and other income (expense), net	887,305	86,079	326,532
Net loss	(1,928,949)	(581,084)	(779,718)
Net loss per share (basic and diluted)	(0.02)	(0.01)	(0.01)
Other comprehensive income (loss)	234,791	(375,064)	(361,829)

	As at October 31, 2015	As at April 30, 2015	As at April 30, 2014
	\$	\$	\$
Exploration and evaluation assets	-	-	20,000
Total assets	11,152,022	8,328,493	2,546,062
Total long term liabilities	5,863,988	5,673,756	626,349
Dividends declared	Nil	Nil	Nil

The following table sets out selected quarterly financial data from the Company's unaudited quarterly financial statements for the last eight quarters.

Quarter ended	Working capital (deficiency)	Total assets	Long term liabilities	Net loss	Basic loss per share
	\$	\$	\$	\$	\$
October 31, 2015	(2,215,694)	11,152,022	5,863,988	(1,928,949)	(0.02)
July 31, 2015	(1,201,165)	11,433,207	5,787,037	(581,084)	(0.01)
April 30, 2015	(516,327)	8,328,493	5,673,756	(779,718)	(0.01)
January 31, 2015	677,365	6,739,337	5,162,576	(1,980,269)	(0.03)
October 31, 2014	843,171	4,771,034	4,393,324	(747,715)	(0.01)
July 31, 2014	1,501,008	3,889,948	3,082,066	(699,670)	(0.01)
April 30, 2014	170,974	2,546,062	626,349	(848,541)	(0.02)
January 31, 2014	(114,588)	1,887,745	613,944	(347,680)	(0.01)

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The working capital deficiency as at October 31, 2015 is a result of the net loss and is impacted by \$4,208,307 of increase in current liabilities, of which \$3,925,314 is related to an increase in debt financings which are included as a current liability. These new debt financings were closed by the Company during the six months ended October 31, 2015, and are primarily comprised of the USD\$500,000 and USD\$400,000 convertible debenture second and third tranches, respectively, USD\$500,000 second debenture units with warrants, and USD\$500,000, USD\$425,000 and USD\$550,000 promissory notes (see financings below).

Total assets increased during the six months ended October 31, 2015, due to increases in certain current assets including prepaids and receivables (including VAT) arising from operations as well as the impact of foreign exchange of translating US dollar functional currency assets to the Canadian dollar reporting currency.

The increase in long term liabilities for the three and six months ended October 31, 2015 primarily arose from the recognition of accretion expense and amortization of issuance costs related to debt.

Major changes in quarterly net loss arose as follows:

- During the three months ended October 31, 2015, the \$1,928,949 net loss increased relative to prior quarters (other than January 31, 2015) primarily as a result of the commencement of commercial production on February 1, 2015 and the strategic decision by the Company to scale back production in order to wait for the receipt of the IGV receivable from the Peruvian tax authorities, which as of October 31, 2015 had a value of \$2,889,976.
- The gross operating deficit during the three months ended October 31, 2015, was \$337,237 from total metal revenue of \$4,330,350 and costs of goods sold of \$4,667,587. This was offset by increases in both finance costs and accretion expense due to new financings closed during the period and during prior periods and a \$106,369 gain in foreign exchange (see results of operations analysis below).
- During the three months ended April 30, 2015, the \$779,718 net loss increased relative to prior quarters (other than January 31, 2015 and October 31, 2014). Despite the gross margin of \$131,142 during the three months ended April 30, 2015, there were increases in both consulting and management fees as well as office, rent, utilities and other expenses arising from expanded corporate and Peruvian administrative teams, and commencement of commercial production, while being offset by a \$529,458 gain in foreign exchange.
- During the three months ended January 31, 2015, the \$1,980,269 net loss included a \$990,835 impairment of marketable securities from devaluation of the Global Resources Investment Trust PLC (“GRIT”) shares. Through October 31, 2014 the unrecognized losses were recorded through other comprehensive income.

Results of Operations

Three months ended October 31, 2015 compared with the three months ended October 31, 2014

Revenue for the three months ended October 31, 2015 was \$4,330,350 and cost of goods sold was \$4,667,587 resulting in a gross margin deficit of \$337,237. Commercial production started on February 1, 2015, as such, for the three months ended October 31, 2014 there was no revenue or cost of goods sold.

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During the three months ended October 31, 2015, the Company reported a net loss of \$1,928,949 the most significant components of which were, aside from the gross operating loss of \$337,237, consulting and management fees of \$158,007; foreign exchange gain of \$106,369; office, rent, utilities and other expenses of \$195,951; salaries and benefits of \$119,129; finance costs of \$465,420; accretion expense of \$191,138; and impairment of marketable securities of \$124,360.

Consulting and management fees during the three months ended October 31, 2015 increased by \$69,484 to \$215,162 compared to \$145,678 in the three months ended October 31, 2014. This increase was the result of an increase in corporate and administrative staff and contractors in both the Peruvian and Canadian offices as the Company commenced commercial production at the Chala Plant on February 1, 2015.

Foreign exchange loss during the three months ended October 31, 2015 increased by \$97,031 resulting in a loss of \$106,369 compared to a loss of \$9,338 in the three months ended October 31, 2014. The foreign exchange gain was primarily the result of the \$5.5 million bond allocated to the Chala One subsidiary which has the US dollar as functional currency, and due to the devaluation in the Canadian dollar relative to the US dollar during the period, a foreign exchange gain arose. Note that as of October 31, 2014, only \$4.1 million out of the \$5.5 million was closed and the remaining \$1.4 million was closed after October 31, 2014.

Office, rent, utilities and other expenses during the three months ended October 31, 2015 increased by \$128,867 to \$195,951 compared to \$67,084 in the three months ended October 31, 2014, while salaries and benefits expense increased by \$108,683 to \$119,129 compared to \$10,446. Overall there was an increase in corporate and administrative staff and contractors in both the Peruvian and Canadian offices during Q2 2016 as the Company expanded the Peruvian operations and commenced commercial production on February 1, 2015.

Finance costs increased during the three months ended October 31, 2015 by \$335,714 to \$465,420 compared to \$129,706 during October 31, 2014 primarily due to higher interest paid related to new financings closed during and before Q2 2016. During Q1 2016, the Company closed the USD\$500,000 and USD\$400,000 convertible debenture second and third tranches, respectively, USD\$500,000 second debenture units with warrants, and USD\$500,000 promissory note. During Q1 2015 the company closed \$325,000 of convertible debenture, \$2.7 million of bond financing. During Q2 2016, the Company closed a USD\$425,000 and USD\$550,000, promissory note (see financings below).

Accretion expense increased in the three months ended October 31, 2015 by \$183,244 to \$191,138 compared to \$7,894 in the three months ended October 31, 2014. This was a result of higher accretion and amortization of issuance costs related to new financings closed during and before Q2 2016.

Six months ended October 31, 2015 compared with the six months ended October 31, 2014

Revenue for the six months ended October 31, 2015 was \$10,880,220 and cost of goods sold was \$10,781,958 resulting in a gross margin of \$98,262. Commercial production started on February 1, 2015, as such, for the six months ended October 31, 2014 there was no revenue or cost of goods sold.

During the six months ended October 31, 2015, the Company reported a net loss of \$2,520,256 the most significant components of which were consulting and management fees of \$424,083; foreign exchange gain of \$533,656; office, rent, utilities and other expenses of \$311,314; salaries and benefits of \$321,063; share-based payments of \$361,633; finance costs of \$814,892; accretion expense of \$386,655; and impairment of marketable securities of \$151,580.

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Consulting and management fees during the six months ended October 31, 2015 increased by \$208,475 to \$424,083 compared to \$215,608 in the six months ended October 31, 2014. This increase was the result of an increase in corporate and administrative staff and contractors in both the Peruvian and Canadian offices as the Company commenced commercial production at the Chala Plant on February 1, 2015.

Foreign exchange gain during the six months ended October 31, 2015 increased by \$533,656 resulting in a gain of \$530,828 compared to a gain of \$2,828 in the six months ended October 31, 2014. The foreign exchange loss was primarily the result of the \$5.5 million bond allocated to the Chala One subsidiary which has the US dollar as functional currency, and due to the devaluation in the Canadian dollar relative to the US dollar during the period, a foreign exchange gain arose. Note that as of October 31, 2014, only \$4.1 million out of the \$5.5 million was closed and the remaining \$1.4 million was closed after October 31, 2014.

Office, rent, utilities and other expenses during the six months ended October 31, 2015 increased by \$210,854 to \$311,314 compared to \$100,460 in the six months ended October 31, 2014, while salaries and benefits expense increased by \$301,523 to \$321,063 compared to \$19,540. Overall there was an increase in corporate and administrative staff and contractors in both the Peruvian and Canadian offices during Q2 2016 as the Company expanded the Peruvian operations and commenced commercial production on February 1, 2015.

Share-based payments increased in the six months ended October 31, 2015 by \$11,462 to \$361,633 compared to \$350,172 in the six months ended October 31, 2014. 2,780,000 stock options granted during the six months ended October 31, 2016, compared to 2,550,000 stock options granted during the six months ended October 31, 2015.

Finance costs increased during the six months ended October 31, 2015 by \$592,316 to \$814,892 compared to \$222,576 during the six months ended October 31, 2014 primarily due to higher interest paid related to new financings closed during and before Q2 2016. During Q1 2016, the Company closed the USD\$500,000 and USD\$400,000 convertible debenture second and third tranches, respectively, USD\$500,000 second debenture units with warrants, and USD\$500,000 promissory note. During Q1 2015 the company closed \$325,000 of convertible debenture, \$2.7 million of bond financing. During Q2 2016, the Company closed a USD\$425,000 and USD\$550, promissory note (see financings below).

Accretion expense increased in the six months ended October 31, 2015 by \$353,011 to \$368,655 compared to \$15,644 in the six months ended October 31, 2014 as a result of higher accretion and amortization of issuance costs related to new financings closed during and before Q2 2016.

Liquidity and Capital Resources

As at October 31, 2015 the Company has financed its operations and met its capital requirements primarily through the issuance of capital stock by way of private placements, the exercise of share purchase warrants previously issued and more recently, from the issue of promissory notes, convertible debentures and debenture units with warrants. As at October 31, 2015, the Company had cash of \$121,080 representing a decrease of 333,241 compared with cash of \$454,321 at April 30, 2015.

The Company reported working capital deficiency of \$2,215,694 at October 31, 2015 as compared to working capital deficiency of \$516,327 as at April 30, 2015, representing an increase in working capital deficiency of \$1,699,367 primarily resulting from the current portion of long-term debts including the closing of the USD\$500,000 and USD\$400,000 convertible debenture second and third tranches, respectively, closing of the USD\$500,000 second debenture units with warrants, and USD\$500,000, USD\$425,000 and USD\$550,000 promissory note (see financings below), offset by increases to inventory, prepaids, and receivables.

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

The fair value of the shares in GRIT at acquisition was determined based on a value of \$0.11 per share for the 12,000,000 common shares issued by the Company. As of October 31, 2015 the GRIT shares were recorded at a fair value of \$96,258 (April 30, 2015 – \$217,838) based on the GRIT share trading price of CDN\$0.13 (GBP £0.07). To date in December 2015 the average GRIT share trading price was trading at a lesser value than as at October 31, 2015. 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.

As of October 31, 2015 the TON shares were recorded at a fair value of \$300,000 (April 30, 2015 – \$nil) based on the TON share trading price of CDN\$0.05, as a result an impairment of marketable securities of \$30,000 was included in operating expenses (2014 - \$nil) for the three and six months ended October 31, 2015. Subsequent to period end TON halting trading of their shares and announced that they are illiquid, consequently management included this fact pattern in their determination that the TON share impairment is permanent.

The Company continued developing the Chala Plant which was successfully upgraded to approximately 100 TPD capacity during the year ended April 30, 2015. The Chala Plant commenced commercial production on February 1, 2015.

Management intends to finance operating costs and plant expansion over the year with funds received from the convertible loan, debenture, and promissory notes financings completed during the six months ended October 31, 2015. Other than convertible debentures and bond financing the Company has no other long-term debt and is not subject to externally imposed capital requirements except for the right of first refusal for future debt and equity financings provided to bond and debenture holders per financings entered during the year.

Capital Expenditures

As at October 31, 2015, total plant upgrade costs and capitalized pre-operating costs was \$5,437,164 (April 30, 2015 - \$5,241,843) which includes \$1,855,686 (April 30, 2015 – \$1,712,199) of incidental revenue generated during the pre-operating period and \$286,699 (April 30, 2015 - \$264,531) of capitalized interest. During the six months ended October 31, 2015, the Company reclassified \$384,963 of VAT in Peru previously included in pre-operating expenses as a result of the review of the VAT receivable from the Peruvian tax authorities.

Financings - Debt

Promissory Notes – Directors and Officers

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

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

During May 2015, a director and officer and an officer of the Company advanced to the Company a total of \$100,000 in cash in exchange for short term promissory notes. The notes are unsecured with an interest rate of 20% per annum payable on maturity in six months. Subsequent to period end, the parties agreed to extend the maturity date for an additional three months. As at October 31, 2015, the principal balance was \$100,000 (April 30, 2015 - \$nil) and interest expense of \$9,490 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

During June 2015 a company controlled by an individual who was subsequently appointed a director of the Company on July 8, 2015 advanced to the Company USD\$500,000 in cash in exchange for a short term promissory note of which USD\$100,000 was repaid during August 2015. The note is unsecured with an interest rate of 20% per annum payable on maturity in six months. Subsequent to period end, the parties agreed to extend the maturity date for an additional three months. As at October 31, 2015, the principal balance was US\$400,000 (CAD\$523,000) (April 30, 2015 - \$nil), and interest expense recorded during the three and six months ended October 31, 2015 was of \$28,686 and \$43,737, respectively (2014 - \$nil and \$nil, respectively), of which \$12,830 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Promissory Notes – Third party advances

On January 14, 2015, the Company received USD\$200,000 in cash in exchange for a promissory note with a third party. The note is unsecured, originally had a six month term, and carried an interest rate of 20% per annum calculated and payable on the maturity date. In July 2015 and in October 2015, the Parties agreed to cumulatively extend the maturity date for an additional six months. As at October 31, 2015, the principal balance was \$261,500 (April 30, 2015 - \$241,280) and interest expense of \$14,894 (2014 - \$nil) and \$30,392 (2014 - \$nil) was incurred during the three and six months ended October 31, 2015, respectively, of which \$19,102 has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Promissory Notes – Redeemable notes

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

At the option of one of the subscribers, accrued interest of \$55,846 (2014 – \$14,038) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. The notes are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures.

During the year ended April 30, 2015, \$100,000 of the promissory notes were redeemed by an officer of the Company and \$50,000 of the promissory notes were redeemed by a company controlled by a director of the Company. On May 31, 2015, \$120,000 of the notes were repaid.

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During October 2015 and subsequent to period end, the remaining subscriber agreed to extend repayment of the remaining balance owing of \$219,884, whereby subsequent to period end \$125,000 was repaid.

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 October 31, 2015, the principal balance, including capitalized interest, was \$219,884 (April 30, 2015 - \$318,264) and interest expense recorded during the three and six months ended October 31, 2015 was \$10,605 and \$22,743, respectively (2014 - \$19,650 and \$41,572, respectively) of which \$1,085 (2014 - \$1,730) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015. In addition, accretion of transaction costs of \$1,125 (2014 - \$1,119) has been recorded.

Promissory Notes – TON Mineral Loan

On October 6, 2015, the Company entered into a binding letter of intent with TON (the “**Binding LOI**”) to acquire all of the issued and outstanding shares of TON under a plan of arrangement, subject to due diligence and other conditions. As part of the Binding LOI, the Company entered into a loan with TON for US\$550,000 less US\$55,000 of prepaid interest for net proceeds of US\$495,000 (the “**Mineral Loan**”). The Mineral Loan bears an annual interest rate of 20% and is due April 6, 2016 or earlier subject to certain maturity conditions including 30 days after the termination of the Binding LOI, which was terminated on November 30, 2015 (see Note 23 – Subsequent Events). As at October 31, 2015, the principal balance of the Mineral Loan was \$719,125 (April 30, 2015 - \$nil) and interest expense recorded during the three and six months ended October 31, 2015 was \$11,976 and (2014 - \$nil), which was offset against the prepaid interest amount.

Promissory Notes – TON Purchase Note

As part of the Binding LOI, on October 21, 2015, the Company also entered into a mineral purchase agreement with TON (the “**Mineral Purchase Note**”) whereby TON would advance the Company up to US\$1,750,000 for the purpose of the acquisition of mineral at the Company’s Chala One toll milling plant. The Mineral Purchase Note pays a profit sharing fee to TON at a fixed rate of 12% per annum on advances approximately four weeks after the advance. The Mineral Purchase Note is subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015 (see Note 23 – Subsequent Events). As at October 31, 2015, US\$425,000 (CAD\$555,688) (April 30, 2015 - \$nil) had been advanced and interest expense recorded during the three and six months ended October 31, 2015 was \$1,225 and (2014 - \$nil) which has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

CAD denominated 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 whom they were related. The debentures mature on October 30, 2018 and are redeemable at the Company’s option after October 30, 2016. At the date of issue \$198,664 was attributed to the liability component of the convertible debenture and \$76,336 to the equity component based on an effective interest rate of 20%.

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

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Until October 30, 2014 each debenture holder had the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal was based on a share price of \$0.10 and the conversion of any interest payable was based on the greater of \$0.10 per share or the closing share price on the date the Company received notice from the holder. On October 30, 2014, \$55,000 of the convertible debentures were converted to 550,000 common shares of the Company.

Interest on the debenture is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. During the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$3,221 and \$6,383, respectively, (2014 – \$3,740 and \$7,411, respectively), and interest expense of \$1,474 and \$4,011, respectively, (2014 – \$6,932 and \$13,788, respectively) of which \$nil (2014 - \$2,760) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

On May 23, 2014, the Company closed a second debenture financing for gross proceeds of \$325,000. The Company had received all of the proceeds in advance of the closing and accordingly they were reflected as current liabilities on the Consolidated Statements of Financial Position as at April 30, 2014. The debentures bear interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which shall be convertible into shares during the first year of the debenture term. Also during the first year of the debenture term a maximum of 25% of the principal may, at the option of the holder, be converted into common shares of the Company at a price of \$0.125 per common share. The debentures mature on May 22, 2019 and are redeemable by the Company at any time after May 22, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement. At the date of issue \$234,785 was attributed to the liability component of the convertible debenture and \$90,215 to the equity component based on an effective interest rate of 20%. On December 1, 2014, \$81,250 of the convertible debentures were converted to 650,000 common shares of the Company.

Professional fees of \$18,297 have been incurred in connection with the debenture offering and have been recorded against the liability and equity component on a pro-rata basis. During the three and six months ended October 31, 2015, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$3,352 and \$6,642, respectively, (2014 - \$4,154 and \$8,233, respectively), and interest expense of \$6,127 and \$12,288, respectively, (2014 - \$8,192 and \$18,486, respectively) of which \$2,071 (2014 - \$2,760) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

USD denominated Convertible Debentures

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

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The Company paid an arrangement fee of 5% of the proceeds of the USD Convertible Loan to a third party for its role in arranging the USD Convertible Loan. In certain circumstances, up to 40% of the outstanding indebtedness under the USD Convertible Loan will be convertible into common shares the Company at the option of the Lenders at a conversion price of CAD\$0.25. The conversion amount will be based on a fixed foreign exchange rate which will result in maximum of 2,987,800 common shares issuable upon conversion.

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

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

During the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$28,383 and \$55,560, respectively (2014 - \$nil and \$nil), and interest expense of \$29,661 and \$59,277, respectively (2014 - \$nil and \$nil, respectively) which has been totally paid.

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

Professional and arrangement fees of \$36,089 have been incurred in connection with the second tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$4,291 and \$5,718, respectively (2014 - \$nil and \$nil), and interest expense of \$20,859 and \$38,993 (2014 - \$nil and \$nil, respectively) of which \$16,389 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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

Professional and arrangement fees of \$29,281 have been incurred in connection with the second tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$3,491 and \$4,652, respectively (2014 - \$nil and \$nil, respectively), and interest expense of \$26,292 and \$39,193, respectively (2014 - \$nil and \$nil, respectively), of which \$13,111(2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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Bond Payable

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

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

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

Also in connection with the financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment to pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement. All or a portion of the financing fee can be repurchased by the Company on either December 31, 2024 or December 31, 2029 in exchange for the cash payment of USD\$1,500,000 or a corresponding pro-rata portion thereof and otherwise the fee will continue to be payable until December 31, 2034.

In connection with the financing, during the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$130,594 (2014 - \$nil).

First tranche

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

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

During the three and six months ended October 31, 2015, with respect to this first tranche of the bond financing the Company recorded interest expense of \$74,860 and \$ 149,721, respectively, (2014 - \$51,671 and \$119,726, respectively) of which \$65,095 (2014 - \$119,726) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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Second tranche

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

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

During the three and six months ended October 31, 2015, with respect to this second tranche of the bond financing the Company recorded interest expense of \$38,816 and \$77,633, respectively (2014 - \$ nil and \$28,839) of which \$30,800 (2014 - \$28,839) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Third tranche

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

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

During the three and six months ended October 31, 2015, with respect to this third tranche of the bond financing the Company recorded interest expense of \$39,238 and \$77,633, respectively, (2014 - \$nil and \$nil, respectively) of which \$2,532 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

First Debenture Units

On March 18, 2015, the Company closed a non-brokered private placement of debenture units with warrants (the "**Debenture Unit Financing**") for gross proceeds of USD\$1,600,000 including a USD\$100,000 over-subscription. Pursuant to the closing of the Debenture Unit Financing, the Company issued 64 units (the "**Units**"), with each Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 25,000 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$0.25 until a date that is 12 months from the respective closing date of the Debenture Unit Financing. The holders of the debenture are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debenture is 12 months. A finder's fee of 8% of the gross proceeds of the Debenture Unit Financing was payable in cash by the Company to the finders, as applicable.

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The Company will also issue to the finders that number of finder's warrants equal to 8% of the proceeds of the Debenture Unit Financing, divided by the exercise price of CAD\$0.25. Each finder warrant is exercisable into one common share of the Company at a price of CAD\$0.25 until a date that is 18 months from the closing date of the Debenture Unit Financing.

In addition professional and finder's fees of \$182,029 were paid in cash, 643,600 finder's warrants were issued, and 1,600,000 subscriber warrants were issued. The warrants are exercisable at \$0.25 per share for 18 months and 12 months respectively.

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

During the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$70,275 and \$140,398, respectively, (2014 - \$nil and \$nil, respectively), and interest expense of \$73,942 and \$135,970, respectively (2014 - \$nil) of which \$23,884 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Second Debenture Units

On July 10, 2015, the Company closed a non-brokered debenture financing (the "**Second Debenture Unit Financing**") for gross proceeds of USD\$500,000. The Second Debenture Unit Financing consists of 20 units (the "**Second Units**") with each Second Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 25,000 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$0.25 for 12 months from the closing date of the Second Debenture Unit Financing.

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

In addition professional and finder's fees of \$35,818 were paid in cash. 500,000 subscriber warrants were issued with an exercise price of \$0.25 per share, expiring on July 9, 2016. At the date of issue \$599,432 was attributed to the debenture and \$26,008 to the warrants based on an effective interest rate of 20%.

As at October 31, 2015, the principal balance was \$719,125 (April 30, 2015 - \$nil) and during the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$6,537 and \$7,672, respectively (2014 - \$nil and \$nil, respectively) and interest expense of \$35,295 and \$48,196, respectively (2014 - \$nil and \$nil, respectively), of which \$7,716 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Financings - Equity

Share Issuances – Options and Warrants Exercised

During the three months ended July 31, 2015, 100,000 common shares were issued for proceeds of \$20,000 on the exercise of 100,000 warrants at \$0.20 per share.

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During the three months ended July 31, 2015, 210,000 common shares were issued for proceeds of \$37,500 on the exercise of 150,000 stock options at \$0.15 per share and 60,000 stock options at \$0.25 per share. A reclassification of \$31,261 from stock option reserve to share capital was recorded on the exercise of these options.

Share Issuances – Private Placement

On August 25, 2015 the Company closed a private placement of 4,009,726 shares at \$0.15 per share for gross proceeds of \$601,459. No finder's fees were incurred.

Share Issuances – Shares for Services

On October 16, 2015, the Company issued 158,285 common shares valued at \$23,743 to a related party as a form of compensation for services. No share issuance costs were incurred.

Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 78,686,347 common shares issued and the following options and warrants outstanding:

Stock Options:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	\$		#
150,000	0.25	February 9, 2017	Vested
250,000	0.15	October 5, 2017	Vested
396,000	0.15	October 30, 2017	Vested
2,780,000	0.25	May 5, 2018	Vested
275,000	0.15	May 30, 2018	Vested
200,000	0.15	October 31, 2018	Vested
950,000	0.15	June 4, 2019	Vested
450,000	0.15	August 29, 2019	Vested
100,000	0.25	April 15, 2020	Vested
75,000	0.22	September 23, 2020	Vested
575,000	0.43	July 11, 2021	Vested
6,201,000			

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Warrants:

Number of Warrants	Exercise Price	Expiry Date
#	\$	
1,600,000	0.25	March 18, 2016
8,123,800	0.20	April 5, 2016
400,000	0.25	July 3, 2016
100,000	0.25	July 9, 2016
643,600	0.25	September 18, 2016
1,440,000	0.15	May 20, 2017
746,667	0.15	August 29, 2017
746,667	0.15	November 20, 2017
4,599,132	0.18	December 23, 2020
18,399,866		

Transactions with Related Parties

(a) Related Party Transactions

The Company's related parties consist of the Company's directors, officers, former officer and companies associated with these individuals including the following:

- EKelly Investments Ltd., a company owned by Edward Kelly, the Company's President (also a director).
- Invictus Accounting Group LLP, a company controlled by Oliver Foeste, the Company's CFO effective September 1, 2014 (also a director).
- Rapid Time Networks Inc., a company owned by both George Moen, the Company's Chief Operating Officer and Mark Wright, the Company's VP Operations & New Projects.
- Sisyphus Ventures Limited, a company owned by Mark Wright, the Company's VP Operations & New Projects.
- Malaspina Consultants Inc., a company owned by Robert McMorrان, a director, and in which Sharon Muzzin, the Company's previous CFO (until August 31, 2014) is an associate.
- McCullough O'Connor Irwin LLP, a company in which James Harris, the Company's Corporate Secretary, was counsel through December 2014.

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The following expenditures were charged by related parties for the three and six months ended October 31, 2015 and 2014:

	Three months ended October 31,		Six months ended October 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Accounting fees in professional fees	4,168	50,864	11,974	78,084
Consulting and management fees	171,546	45,000	301,873	90,000
Finance costs	2,016	7,316	4,011	22,657
Legal fees	-	31,917	-	50,472
	177,730	135,097	317,858	241,213

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

During the six months ended October 31, 2015 there was a \$15,000 repayment of advances to officers of the Company and \$35,000 to companies controlled by the President or CFO.

Compensation of Key Management Personnel

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

	Three months ended October 31,		Six months ended October 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Management, accounting and CFO fees included in Note 16(a) above	130,328	95,864	301,873	168,084
Share-based payments	-	32,094	-	209,962
	130,328	127,958	301,873	378,046

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

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(b) Related Party Balances

All related party balances payable, including for business expenses reimbursements, interim advances to the Company, annual bonuses as approved by the board of directors, and for services rendered as at October 31, 2015 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes (see Note 10), convertible debenture financing (see Note 11(a) and (b)), and are comprised of \$81,546 (April 30, 2015 - \$30,958) payable to the President and a company controlled by the President, \$25,801 (April 30, 2015 - \$7,826) payable to the CFO or a company controlled by the CFO, \$155,477 (April 30, 2015 - \$71,424) payable to the COO and a company controlled by the COO, \$27,234 (April 30, 2015 - \$9,128) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$1,835,175 (April 30, 2015 - \$504,278) payable to a companies controlled by directors, and \$nil (April 30, 2015 - \$36,724) payable to a legal firm with which a former Corporate Secretary was associated. Included in prepaid expense is \$32,550 (April 30, 2015 - \$52,000) relating to the remuneration to officers of the Company, which will be amortized to management and consulting fees over the balance of calendar 2015-2016.

Commitments

In addition to the commitments in connection with the Company's financings, the Company has a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of USD\$4,210 and termination date on July 31, 2018.

Financial Instruments

As at October 31, 2015, the Company's financial instruments consist of cash, other receivables, marketable securities, accounts payable and accrued liabilities, promissory notes payable convertible debentures, debentures and loan payable. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value through other comprehensive income or loss. Accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable are designated as other financial liabilities, which are measured at amortized cost.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at October 31, 2015, the Company believes that the carrying values of cash, other receivables, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The fair value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

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

(i) Credit risk

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

(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 October 31, 2015, the Company had cash of \$121,080 (April 30, 2015 - \$454,321) and current working capital deficiency of \$2,215,694 (April 30, 2015 - \$516,327) with total liabilities of \$13,738,411 (April 30, 2015 - \$9,339,872).

(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 October 31, 2015, the Company has no variable rate debt.

b. Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates associated with the fluctuations in its US dollar and the Peruvian New Sol ("Sol") bank accounts as well as the translation of foreign held assets and liabilities at current exchange rates.

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

	October 31, 2015	April 30, 2015
	\$	\$
US dollar:		
Cash	80,914	321,099
Receivables	16,626	54,643
Accounts payable and accrued liabilities	(707,976)	(525,948)
Debenture, convertible debenture and promissory note	(6,766,313)	(2,895,360)
Net assets	(7,376,749)	(3,045,566)
Sol:		
Cash	44,851	38,858
Receivables	2,889,975	589,500
Accounts payable and accrued liabilities	(403,614)	(347,062)
Net liabilities	2,531,212	281,296

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the three and six months ended October 31, 2015 would have varied by approximately \$379,000 and \$731,000, respectively.

Assuming all other variables constant, an increase or a decrease of 10% of the Sol against the Canadian dollar, the net loss of the Company and the equity for the three and six months ended October 31, 2015 would have varied by approximately \$164,000 and \$232,000, respectively.

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

c. Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's price risk relates primarily to future gold price expectations and the share trading price of its GRIT shares. The Company continuously monitors precious metal and GRIT share trading prices as they are included in projections prepared to determine its future strategy.

Subsequent Events

On November 18, 2015, the Company announced a non-brokered private placement of mineral/ore backed purchase notes for gross proceeds of up to US\$2,500,000 at a price of US\$100 per note (the "Mineral Notes"). The Mineral Notes private placement was not closed as of the date of these financial statements.

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On November 18, 2015, the Company also announced a non-brokered private placement of up to 22,700,000 units at a subscription rate of \$0.11 per unit (the “Units”), and subject to amendments announced on December 21, 2015, each Unit is comprised of one common share and one full transferrable common share purchase warrant which will be exercisable to purchase additional common shares at an exercise price of \$0.18 per share for a period of 60 months from the closing date. On December 23, 2015 the Company closed the first tranche of the Unit private placement for gross proceeds of \$505,905.

On November 30, 2015, the Company announced that the October 7, 2015 Binding LOI with Standard Tolling Corp. had been terminated, and a revised binding letter of intent was being negotiated which would reflect material revisions to the transaction terms (the “TON Transaction”). The TON transaction would no longer constitute a business combination; rather the parties are negotiating an asset purchase and debt assumption agreement.

On December 23, 2015, Standard Tolling advised the Company that select creditors (the “TON Ore Note Holders”) had concerns regarding the debt assumption agreement that had been under discussion with Inca One. Accordingly Standard Tolling delivered notice to Inca One that all amounts outstanding on the TON Mineral Loan and the TON Mineral Purchase Note will be payable by the end of February 2016, in accordance with the terms of the respective agreements. Standard Tolling and Inca One intend to together negotiate repayment terms with the TON Ore Note Holders in the first part of 2016 to reach the optimum resolution for repayment to the TON Ore Note Holders.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

Significant accounting judgments that Management has made in the process of applying accounting policies which it considers have had the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to going concern, title to and economic recoverability and probability of future economic benefits of exploration and evaluation assets, date of commencement of commercial production, and determination of functional currency. Management considers the areas currently requiring a significant degree of estimation and assumption and which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, to include, but not be limited to, the value attributed to share-based compensation, convertible debentures and debentures with warrants, marketable securities, asset retirement and reclamation obligation, and deferred taxes.

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These accounting judgments and estimates are further discussed in the Company's unaudited condensed interim consolidated financial statements at October 31, 2015.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include: the Company may not be able to find and develop resources economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental laws and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions, there is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and seeks to adhere to all regulations governing its operations.

Financial risks include commodity prices, interest rates and fluctuating foreign exchange rates, all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital to continue funding its operations.

Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward-looking statements. All statements, other than statements of historical fact, constitute "forward-looking statements" and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company's strategy, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. All such forward-looking information and statements are based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed, implied by or projected in the forward-looking information or statements.

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Important factors that could cause actual results to differ from these forward-looking statements include but are not limited to: risks related to the exploration and potential development of the Company's projects, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of minerals, as well as those factors discussed in the sections relating to risk factors of the Company set out in this MD&A.

There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. Except as required by law, the Company does not intend to revise or update these forward-looking statements after their date of issue, or to revise them to reflect the occurrence of future unanticipated events.

Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the three and six months ended October 31, 2015 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.