



MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended April 30, 2014 and 2013

Report Dated August 27, 2014

INCA ONE RESOURCES CORP.

Management Discussion & Analysis
Years Ended April 30, 2014 and 2013

The following information, prepared as of August 27, 2014, should be read in conjunction with the audited consolidated financial statements of Inca One Resources Corp. (“the Company” or “Inca One”) for the year ended April 30, 2014 (the “April 2014 Annual Financial Statements”). This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting principles and methods of computation adopted are consistent with those of the previous financial year and all dollar amounts referred to are expressed in Canadian dollars except where indicated otherwise.

General Overview

Inca One was incorporated on November 9, 2005, and is an exploration stage company engaged in the acquisition, exploration and development of mineral properties, as well as developing toll milling operations, in Peru to service government permitted small scale miners. The Company, through its Peruvian subsidiary, has acquired an existing Peruvian mineral processing plant (“Chala Plant”), at which the Company is currently undertaking a capacity upgrade.

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 had 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.

During the year ended April 30, 2014, due to the absence of sufficient verifiable information to support a recoverable value, the Company wrote down the expenditures incurred with respect to the Las Huaquillas Project located in northern Peru to \$nil as it has terminated the option on this property. Exploration and evaluation expenditures incurred with respect to the Corizona Project were also written down by \$367,337 due to the recent uncertainty of successfully acquiring the option to purchase the property. 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” and on the Frankfurt Stock Exchange under the symbol “SU9.F”.

Management

In October 2013 Mr. George Moen was appointed as Chief Operating Officer, and Mr. George S. Young was appointed to the advisory board, of the Company. In December 2013 Mr. Mark Wright was appointed as VP Operations and New Development.

Chala Plant Acquisition

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of the Chala Plant in Southern Peru for US\$240,000. Of this amount, US\$150,000 has been paid and the remaining US\$90,000 is expected to be payable within one year, once transfer of the permitted facility is complete. Transfer of formal title is subject to a number of conditions. Finder fees of US\$40,000 were paid in connection with the acquisition. The Company believes that acquiring an existing gold milling facility has saved the Company significant

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capital, time and resources by eliminating the construction and permitting process, which building a new gold processing plant would entail.

Effective March 27, 2013 the Company and Canadian Mining S.A. (“Canadian Mining”), a privately held Peruvian company, entered into a Service Provision Agreement, pursuant to which the Company has paid a total of US\$118,000, inclusive of value added tax, to Canadian Mining for the provision of sourcing and technical advice with respect to the acquisition and refurbishment of the Chala Plant and achieving an ore processing milestone of 250 tons in December 2013.

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

As at April 30, 2014, a total Chala Plant cost of \$1,035,105 has been recorded consisting of the US\$280,000 original purchase price and finder fee, US\$118,000 in sourcing and technical fees, and additional plant upgrade costs and capitalized pre-operating costs of \$613,622 incurred during the test milling stage.

Chala Plant Operations

Test Milling

The Chala toll milling facility, almost immediately after acquisition, was refurbished to achieve a processing capacity of 25 TPD and its first production of activated carbon was reported in November 2013. During the period ended April 30, 2014, the Company, while continuing its Chala plant test milling phase, 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. The aforementioned technical information was reviewed on behalf of the Company by Phu Van Bui, P.Geol. a director and a Qualified Person as defined in NI 43-101.

At April 30, 2014 \$400,100 in estimated net sales proceeds from recovered gold and activated carbon was held in inventory which, pursuant to the Company’s accounting policies, was credited against Chala Plant pre-operating costs.

Chala Plant Expansion and Upgrade

In June 2014, the Company received the first \$2,700,000 tranche of an expected \$5,500,000 bond financing which it is now utilizing to upgrade the Chala Plant processing capacity. Inca One believes the Chala Plant upgrade will enable the Company to generate cash flow that can be used to further expand its Peruvian operations.

The Company has engaged ED & ED Engineering Services SA, an experienced and reputable Peruvian engineering firm to oversee the construction and plant expansion undertaken in order to increase capacity to 100 TPD within the current calendar year. To date two new 50 TPD ball mills have been purchased, one of which is scheduled to be added to the current 25 TPD circuits in September 2014 and the second ball mill is scheduled to be installed several weeks later. The Company has begun stockpiling initial ore purchases and continues to pursue ore purchase agreements with several small scale miners who it expects will meet or exceed its gold grade target of 25 gpt.

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Inca One is also in the process of applying for commercial permits to incrementally increase capacity up to 250 TPD. The Chala Plant currently sits on 21 hectares of land, and has ample room for plant expansion. An onsite metallurgical laboratory is now operating, enabling metallurgical tests and analyses to be performed on site with samples of mill feed and product streams continuing to be analyzed by independent laboratories.

The Corizona Project – Mineral Property Option

Pursuant to the underlying Mining Lease with Purchase Option Agreement (“Underlying 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, and holds an option to purchase, the Corizona Project until February 27, 2015.

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, the Company was granted an exclusive right to acquire 100% of a mining lease and purchase option for the Corizona Project in exchange for a cash payment of US\$50,000.

The Community of Llambilla is the legal owner of the surface land where the Corizona Project is located. On April 28, 2013, Canadian Mining held a Community Assembly and successfully obtained the consent for the use of the surface land for a five-year term from the Community of Llambilla.

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.

The mineral property consists of approximately 259 hectares located in the Lahuaytambo District, Huarochiri province in the Department of Lima, in the area known as Cruz de Laya and La Mina, approximately 85 kilometers from the city of Lima (“the Corizona Project”). Previous work on infrastructure, exploration and engineered development has been performed on the Corizona Project and the property is accessible by road with an office, running water and electricity found on site. Corizona is not a mine and any materials taken from Corizona are bulk sampling materials only. In light of variable gold grades realized from Corizona’s bulk sampling program the Company has decided to temporarily suspend work on the Corizona project while it focuses its resources on the Chala Plant expansion.

A revised Form 43-101F1 Technical Report of the Corizona Project dated February 23, 2014 was prepared by Mr. John Buckle, P.Geol., a Qualified Person as defined in NI 43-101 and it is available on the SEDAR website.

The Corizona Project – Joint Operation

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 further exploration, evaluation, development and operation of the Corizona Project. Pursuant to the terms of this agreement the joint venture was to be operated by Canadian Mining and the Company was to contribute all of the initial funding in exchange for an 80% share of the Corizona Project’s net profits, if any. Subsequent to April 30, 2014 this agreement was terminated.

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To date blasting, widening and timbering has been completed and as at April 30, 2014 Inca One has incurred acquisition costs of \$92,299 and exploration costs of \$295,038 with respect to the Corizona Project. A finder fee of US\$25,000 was also paid and expensed with respect to a bulk sample processing agreement which was terminated in the current year.

Subsequent to April 30, 2014 the Company determined that Canadian Mining was not adhering to the terms of the Underlying Agreement it held with SMRL and therefore the Company is currently negotiating directly with SMRL to ensure the Company can continue to hold an interest in the Corizona Project. As of the date of this report a new agreement has not yet been finalized with SMRL. Therefore due to the uncertainty of successfully acquiring an option to purchase the Corizona property from SMRL, for accounting reasons a write-down of exploration and evaluation assets of \$367,337 has been recorded during the year ended April 30, 2014.

The Las Huaquillas Property

The Las Huaquillas Property is located in the Department of Cajamarca in northern Peru. It is easily accessible by road and is situated at a relatively low elevation of between 1,000 to 1,800 meters.

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

As at April 30, 2014, the Company has paid US\$375,000 and issued 325,000 shares for acquisition costs payable pursuant to the terms of the Agreement. As further consideration for the acquisition, the Company entered into a finder fees agreement dated July 31, 2011 and later amended by a letter agreement dated January 19, 2012, to pay finder fees of US\$282,500 and to issue 400,000 common shares of the Company over a period of four years. As at April 30, 2014, the Company had issued 16,250 shares and paid US\$35,625 in cash pursuant to the terms of this finder fees agreement. During the year ended April 30, 2013, Minera staked an additional 16,700 hectares of land surrounding the Las Huaquillas Project, increasing the total continuous claim holdings in the area to approximately 20,300 hectares.

After entering into the two agreements the Company expended considerable time and expense to obtain the requisite drilling permits for the Las Huaquillas Project and in June 2013, these drill permits were received. The Company then worked on locating a joint venture partner or formalizing an amended agreement with the Optionors, but was unable to achieve either goal. As a result Management terminated the option in December 2013.

For financial reporting purposes, due to the absence of sufficient verifiable information to support a recoverable value of the Las Huaquillas Project and drilling permits thereon, this value has been deemed to be zero. Accordingly a write-down of exploration and evaluation assets of \$2,452,330 has been recorded during the year ended April 30, 2014. The Company continues to both hold the permits or Environmental Impact Statement ("DIA"), allowing for a drilling program to be conducted with respect to the Las Huaquillas Project,

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and also to evaluate potential opportunities to monetize the permits.

Future Outlook:

The Company is moving forward with its business plan to further explore and develop Peruvian mineral properties and milling facilities and believes the Chala Plant operations will provide the necessary cash flow to achieve this objective. Subsequent to April 30, 2014, the Company received gross proceeds of \$2,700,000 from the first tranche of a bond financing. The Company intends to use the funds and revenues from toll-milling operations to execute its business plan and expand toll-milling operations, so that it can continue to achieve its long-term objectives.

Selected Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited financial statements of the Company for the years ended April 30, 2014, 2013 and 2012. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Years ended April 30,		
	2014	2013	2012
	\$	\$	\$
Interest income	1,111	1,786	10,332
Net loss	(4,269,643)	(882,987)	(1,179,539)
Net loss per share	(0.09)	(0.03)	(0.05)
Other comprehensive loss – unrealized			
loss on marketable securities	472,552	-	-
Exploration and evaluation asset	20,000	2,588,368	1,395,072
Total assets	2,546,062	3,396,270	2,128,195
Total long term liabilities	626,349	Nil	Nil
Dividends declared	Nil	Nil	Nil

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Summary of Quarterly Information

The following table sets out selected quarterly financial data from the Company's unaudited quarterly financial statements. There were no significant revenues reported in any of the periods reflected below.

Quarter ended	Working capital (deficiency)	Deferred exploration / development expenditures	Total assets	Net loss	Long term liabilities	Basic loss per share
	\$	\$	\$	\$	\$	\$
April 30, 2014	170,974	-	2,546,062	(848,541)	626,349	(0.02)
January 31, 2014	(114,588)	57,392	1,887,745	(347,680)	613,944	(0.01)
October 31, 2013	(114,144)	100,990	1,329,135	(2,727,506)	455,168	(0.06)
July 31, 2013	(160,863)	109,185	3,189,915	(345,916)	-	(0.00)
April 30, 2013	597,060	153,836	3,396,270	(219,812)	-	(0.01)
January 31, 2013	329,422	238,260	2,662,312	(211,476)	-	(0.01)
October 31, 2012	760,780	252,884	2,886,957	(272,236)	-	(0.01)
July 31, 2012	97,723	352,926	1,948,575	(179,463)	-	(0.00)

During the three months ended October 31, 2013 the Company wrote down \$2,452,330 pertaining to its interest in the Las Huaquillas Project and during the three months ended April 30, 2014 it wrote down \$367,337 of expenditures incurred with respect to the Corizona Project thus decreasing total assets and increasing net loss reported for each of these periods. Other than these write-downs the Company's quarterly net losses remained consistent through the quarters.

During the three months ended April 30, 2014 the company issued common shares in exchange for marketable securities which as of April 30, 2014 had an estimated fair value of \$847,448. Other than the increase in working capital and total assets arising from this share exchange and the write-down recorded on the exploration and evaluation assets, total assets have increased and working capital has trended downward in recent quarters as funds were expended on exploration and the acquisition of the Chala Plant. These expenditures were offset by private placement financings in the quarters ended October 31, 2012, April 30, 2013, October 31, 2013, January 31, 2014 and April 30, 2014.

Results of Operations

During the year ended April 30, 2014, the Company reported a net loss of \$4,269,643 compared to a net loss of \$882,987 during the year ended April 30, 2013, representing an increase in loss of \$566,989 in addition to the write-downs of exploration and evaluation assets of \$2,819,667. In addition it recorded other comprehensive loss of \$451,113 (2013 – \$6,232) primarily in relation to its investment in marketable securities.

Consulting and management fees in the current year increased by \$57,781 compared to fiscal 2013, with the services of more consultants, including those of the recently appointed Chief Operating Officer, being utilized for the expansion of Peruvian operations.

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Professional fees increased by \$155,431 compared to fiscal 2013 due to increased accounting and legal services incurred in order to incorporate three new Peruvian subsidiaries and finalize the recent significant number of Peruvian legal and Canadian financing agreements.

During the year ended April 30, 2014, the Company recorded share-based compensation of \$105,658 compared to \$136,035 during the year ended April 30, 2013. 1,150,000 stock options were granted during the year ended April 30, 2014 while 1,085,000 stock options were granted during the year ended April 30, 2013. Although all option grants were valued at estimated fair value using the same pricing model the weighted average assumptions incorporated in the model vary over time.

Transfer agent and shareholder information expense increased in the current year by \$253,604 compared to fiscal 2013, primarily due to the increased use of financing expertise in both Canada and Europe, including a one year investor relations agreement entered into on October 5, 2012.

Finance and other costs increased in the current year by \$92,603 as a result of the promissory notes and convertible debentures financing undertaken during the current year.

Fourth Quarter

During the fourth quarter, the Company reported a net loss of \$848,541, the most significant components of which were the Corizona Project write-down of \$367,337, consulting and management fees of \$62,967, professional fees of \$91,377, shareholder information expenses of \$146,273 and travel costs of \$75,190.

Consulting and management fees were primarily for the services of the President and Chief Operating Officer of the Company. As mentioned previously, professional fees related to the costs incurred in order to finalize the increased number of Peruvian legal and Canadian financing agreements. Shareholder information expenses were incurred mainly with respect to fees charged pursuant to investor relation agreements. Travel costs were associated with Peruvian travel incurred to complete the Las Huaquillas DIA as well as to further increase Peruvian operations.

In addition during the fourth quarter the Company recorded an unrealized loss on marketable securities of \$472,552 due to a decrease in share trading price since acquisition.

Liquidity and Capital Resources

As at April 30, 2014 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 and convertible debentures. As at April 30, 2014, the Company had cash and cash equivalents of \$78,710 representing a decrease of \$606,014 compared with cash and cash equivalents of \$684,724 at April 30, 2013.

The Company reported working capital of \$170,974 at April 30, 2014 as compared to working capital of \$597,060 as at April 30, 2013, representing a decrease in working capital of \$426,086 resulting from the final costs of acquiring the Las Huaquillas Project DIA, the acquisition and development costs on the Corizona Project, the investment in the Chala Plant and general and administrative expenditures offset by the acquisition of marketable securities.

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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. 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 April 30, 2014 the GRIT shares were recorded at a fair value of \$847,448 (2013 – \$nil) based on the GRIT share trading price of CDN\$1.156 (GBP £0.625). To date in August 2014 the average GRIT share trading price was trading at a lesser value than as at April 30, 2014. Until September 7, 2014 sales of the Company’s GRIT shares are required to be arranged by GRIT and the Company has not yet sold any of these securities. 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.

During the year ended April 30, 2014 the Company continued to advance funds to the Corizona Project for purposes of a bulk sampling program and continued the process of acquiring and refurbishing the Chala Plant which started test milling in November 2013. Subsequent to April 30, 2014 the Company has commenced an upgrade to the Chala Plant processing capacity and expects that a reliable revenue stream will soon be generated from the Chala Plant operations.

Management intends to finance operating costs and plant expansion over the next year with funds received from a bond financing completed subsequent to April 30, 2014. Other than convertible debentures issued and bond and promissory notes payable, the Company has no other long-term debt and is not subject to any capital requirements imposed by a regulator.

Capital Expenditures

During the year ended April 30, 2014, the Company incurred costs of \$191,947 (2013 – \$195,390) with respect to its Corizona Project, \$59,352 (2013 – \$997,906) for Las Huaquillas exploration and evaluation expenditures, and \$1,070,932 (2013 – \$18,384) in property, plant and equipment expenditures, primarily for the purchase, refurbishment and test milling operations of the Chala Plant.

Financings

Promissory Notes

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, which are unsecured and payable on demand bearing interest at 20% per annum calculated and paid quarterly in arrears. \$50,000 of the promissory notes principal has been repaid and \$120,000 remains outstanding as at April 30, 2014.

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 \$150,000 was issued to a director and officer and to a company controlled by a director. The promissory notes mature after 24 months and bear interest at 20% per annum. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. The notes are secured by a security interest in all of the Company’s present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures. A cash finder fee of \$2,500 and legal and regulatory costs of \$2,540 were incurred in connection with the financing. The funds are to be used for purposes of a lock-box arrangement relating to the purchase of ore for Chala mill feed purposes.

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Convertible Debentures

On October 30, 2013, the Company completed a secured convertible debenture offering for gross proceeds of \$275,000. Of this amount \$75,000 was issued to two directors and officers or to individuals to who they were related. The debentures mature on October 30, 2018 although are redeemable at the Company's option after October 30, 2016. The debentures are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement and hold preference to any security held by holders of the promissory notes.

Until October 30, 2014 each debenture holder has the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal will be based on a share price of \$0.10 and the conversion of any interest payable will be based on the greater of \$0.10 per share or the closing share price on the date the Company receives notice from the Holder. Interest on the debentures is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 were incurred in connection with the debenture offering. The proceeds of the convertible debenture offering are to be used for the exploration and development of the Company's assets in Peru.

Share Issuances

In December 2013 the Company completed a private placement of 5,115,500 shares at \$0.10 per share for gross proceeds of \$511,550. Share issuance costs with respect to the private placement included legal fees of \$6,164, regulatory expenses of \$2,250, and other issue costs of \$3,822.

On February 19, 2014, the Company completed a private placement of 2,010,000 shares at \$0.10 per share for gross proceeds of \$201,000. Share issuance costs with respect to the private placement included legal fees of \$2,776 and regulatory expenses of \$2,555.

On February 28, 2014, the Company completed a private placement with GRIT whereby it issued 12,000,000 common shares with a value of \$0.11 per share, in exchange for 733,007 GRIT Shares. GRIT commenced to trade its shares on the London Stock Exchange's main market on March 7, 2014 and commenced trading at GBP £1.00. GRIT was established to exploit investment opportunities in the junior mining and natural resources sectors worldwide, with an investment objective to generate medium and long-term capital growth. GRIT has conducted share exchange transactions with 41 junior resource companies (32 headquartered in Canada), acquiring an initial portfolio of their securities in exchange for 39,520,012 ordinary shares having a deemed value of £39,520,012 (approximately C\$73,250,000). A finder's fee in the form of 960,000 common shares at a value of \$0.11 per share was paid in connection with this share exchange. Other share issuance costs with respect to the private placement included legal fees and regulatory expenses of \$8,557.

Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 63,929,674 common shares issued and the following options and warrants outstanding:

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Stock Options:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	\$		#
90,000	0.135	February 18, 2015	Vested
120,000	0.125	April 7, 2015	Vested
150,000	0.250	February 9, 2017	Vested
250,000	0.150	October 5, 2017	Vested
675,000	0.150	October 30, 2017	Vested
850,000	0.150	May 30, 2018	Vested
200,000	0.150	October 31, 2018	Vested
2,050,000	0.150	June 4, 2019	Vested
75,000	0.220	September 23, 2020	Vested
10,000	0.500	May 13, 2021	Vested
595,000	0.430	July 11, 2021	Vested
5,065,000			

Warrants:

Number of Warrants	Exercise Price	Expiry Date
	\$	
9,950,800	0.200	April 5, 2016
1,440,000	0.150	May 20, 2017
11,390,800		

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
- Rapid Time Networks Inc., a company owned by George Moen, the Company's Chief Operating Officer
- Malaspina Consultants Inc., a company owned by Robert McMorran, a director, and in which Sharon Muzzin, the Company's CFO, is an associate
- McCullough O'Connor Irwin LLP, a company in which James Harris, the Company's Corporate Secretary, is of counsel
- James L. Harris Law Corporation, a company owned by James Harris, the Company's Corporate Secretary
- Remstar Resources Ltd. and Ultra Lithium Inc., companies in which Nilda Rivera, the Company's former CFO, is the CFO

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The following expenditures were charged by related parties for the years ended April 30, 2014 and 2013:

	2014	2013
	\$	\$
Accounting fees ⁽¹⁾	106,424	29,618
Consulting and management fees ⁽²⁾	217,000	96,000
Finance costs ⁽³⁾	44,734	-
Legal fees and share issuance costs ⁽⁴⁾	102,018	63,594
Office, rent and administration ⁽⁵⁾	-	65,950
	470,176	255,162

⁽¹⁾ Fees include amounts paid for accounting, paralegal and CFO services paid to Malaspina Consultants Inc.

⁽²⁾ The amount includes consulting and management fees paid to EKelly Investments Ltd. and Rapid Time Networks Inc.

⁽³⁾ The amount includes interest incurred on promissory notes and convertible debentures.

⁽⁴⁾ The amount includes legal fees paid to McCullough O'Connor Irwin LLP and James L. Harris Law Corporation.

⁽⁵⁾ The amount in 2013 included office, rent and administration fees paid to Remstar Resources Ltd. and Ultra Lithium Inc. Of these fees, \$nil was allocated to the former CFO of the Company for the year ended April 30, 2014 (2013 – \$15,000).

(b) Compensation of Key Management Personnel

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

	2014	2013
	\$	\$
Management, consulting, accounting, paralegal and CFO administration fees	298,424	140,618
Share-based payments	55,487	117,805
	353,911	258,423

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

(c) Related Party Balances

All related party balances payable as at April 30, 2014 are non-interest bearing and payable on demand and are comprised of \$48,856 (2013 – \$10,080) payable to Ed Kelly, \$52,670 (2013 – \$8,836) payable to EKelly Investments Ltd., \$21,661 (2013 – \$nil) payable to George Moen, \$48,450 (2013 – \$nil) payable to Rapid Time Networks Inc., \$57,739 (2013 – \$7,371) payable to Malaspina Consultants Inc., and \$66,551 (2013 – \$15,689) payable to McCullough O'Connor Irwin LLP.

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Commitments

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

During the year ended April 30, 2014, the Company committed to pay \$10,000 per month to a company controlled by the Chief Operating Officer for both his services and those of the VP Operations and New Developments.

Financial Instruments

As at April 30, 2014, the Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, accounts payable and accrued liabilities, due to related parties, and promissory notes payable. Cash and cash equivalents 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, due to related parties, and promissory notes payable are designated as other financial liabilities, which are measured at amortized cost.

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at April 30, 2014, the Company believes that the carrying values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, due to related parties, and promissory notes payable approximate their fair values because of their nature and relatively short maturity dates or durations. The value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

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 particularly with respect to liquidity, foreign currency and commodity price risk. These are more fully described in the audited consolidated financial statements as at April 30, 2014. The Company does not currently believe it is exposed to significant credit or interest rate risk.

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Subsequent Events

(a) Convertible Debenture Financing

On May 23, 2014, the Company closed a debenture financing for gross proceeds of \$325,000. As at April 30, 2014, in advance of the closing, the Company had received all of the proceeds and accordingly they are reflected as current liabilities 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 23, 2019 and are redeemable by the Company at any time after May 23, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement.

A finder's fee of \$13,000 was paid in connection with this debenture financing.

(b) Bond Financing

On May 20, 2014, the Company announced a transferable bond financing for gross proceeds of \$5,500,000. On June 3, 2014, the Company closed the first tranche of this financing after the gross proceeds of \$2,700,000 were received.

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

In connection with the financing the Company and the purchaser have entered into a financing fee agreement whereby the Company will 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 US\$1,500,000 or a corresponding pro-rata portion thereof and otherwise the fee will continue to be payable until December 31, 2034.

In addition a finder fee of \$216,000 was paid in cash and 1,440,000 finder's warrants were issued in connection with the financing. The warrants are convertible into shares at \$0.15 for 3 years.

The bond is secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but ranks secondary to any prior ranking security held by holders of the promissory notes and debentures. Pursuant to the terms of both the debenture and bond financing agreements the Company has granted the right of first refusal for future debt and equity financings subject to certain restrictions as outlined in those agreements.

(c) Promissory Notes

Subsequent to April 30, 2014, the Company repaid \$120,000 of the current portion of the promissory notes payable.

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(d) Share Issuances

Subsequent to April 30, 2014, 175,000 common shares were issued for proceeds of \$35,000 on the exercise of 175,000 warrants at \$0.20 per share.

Subsequent to April 30, 2014, 180,000 common shares were issued for proceeds of \$23,100 on the exercise of 120,000 stock options at \$0.125 per share and 60,000 stock options at \$0.135 per share.

(e) Corizona Project

Subsequent to April 30, 2014 the Company determined that Canadian Mining was not adhering to the terms of the Underlying Agreement it held with SMRL with respect to the Corizona Project and therefore the Company is currently negotiating directly with SMRL to ensure the Company can continue to hold an interest in the Corizona Project.

The Company also terminated its Corizona Joint Venture Agreement with Canadian Mining subsequent to April 30, 2014.

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 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 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, marketable securities, decommissioning obligations and deferred taxes.

These accounting judgments and estimates are further discussed in the Company's annual audited consolidated financial statements at April 30, 2014.

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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. 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

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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 audited consolidated financial statements for the year ended April 30, 2014 and this accompanying MD&A (together, the "Annual 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 Annual Filings on SEDAR at www.sedar.com.

Additional Disclosures for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in any of its last two financial periods, the following is a breakdown of the material costs incurred during the year ended April 30, 2014 and 2013:

	2014	2013
	\$	\$
Deferred exploration and development expenditures incurred in year	251,299	1,193,296
Operating expense	4,166,130	879,895

The capital expenditures incurred to acquire and refurbish the Chala Plant and further develop the Corizona Project have also been identified previously in this document. Operating expenses are provided by category of major expense items in the Consolidated Statements of Loss and Comprehensive Loss included in the April 30, 2014 Annual Financial Statements. Additional disclosures pertaining to the Company's news releases and other information are available on the SEDAR website at www.sedar.com.