



**INCA ONE GOLD CORP.**  
(Formerly Inca One Resources Corp.)

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

### **NOTICE TO READER**

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

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

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

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

# INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Condensed Interim Consolidated Statements of Financial Position

As at October 31, 2014 and April 30, 2014

(Unaudited - Expressed in Canadian Dollars)

|  | Note | October 31,<br>2014 | April 30,<br>2014 |
|--|------|---------------------|-------------------|
|  |      | \$                  | \$                |
| <b>Assets</b>  |      |                     |                   |
| Current:   |      |                     |                   |
| Cash and cash equivalents                                      | 4    | 448,079             | 78,710            |
| Receivables  |      | 16,511              | 9,511             |
| Marketable securities  | 5    | 403,270             | 847,448           |
| Prepaid expenses and deposits                                  |      | 133,615             | 65,288            |
| Inventory  | 6    | 434,771             | 408,228           |
|  |      | 1,436,246           | 1,409,185         |
| Deferred financing costs                                       |      | -                   | 23,421            |
| Property, plant and equipment                                  | 7    | 3,314,788           | 1,093,456         |
| Exploration and evaluation assets                              | 8    | 20,000              | 20,000            |
| <b>Total assets</b>  |      | <b>4,771,034</b>    | <b>2,546,062</b>  |
| <b>Liabilities</b>   |      |                     |                   |
| Current:   |      |                     |                   |
| Accounts payable and accrued liabilities                       | 13   | 593,075             | 793,211           |
| Convertible debenture advances                                 | 10   | -                   | 325,000           |
| Promissory notes payable – current portion                     | 9    | -                   | 120,000           |
|  |      | 593,075             | 1,238,211         |
| Promissory notes payable                                       | 9    | 345,859             | 428,998           |
| Convertible debentures – liability component                   | 10   | 393,610             | 197,351           |
| Bond payable   | 11   | 3,653,855           | -                 |
|  |      | 4,986,399           | 1,864,560         |
| <b>Shareholders' (Deficiency) Equity</b>                       |      |                     |                   |
| Share capital  | 12   | 11,420,953          | 11,231,319        |
| Reserves   | 12   | 1,108,322           | 675,005           |
| Accumulated other comprehensive loss                           |      | (655,298)           | (457,566)         |
| Convertible debentures – equity component                      | 10   | 85,136              | 73,087            |
| Deficit  |      | (12,174,478)        | (10,840,343)      |
|  |      | (215,365)           | 681,502           |
| <b>Total liabilities and shareholders' (deficiency) equity</b> |      | <b>4,771,034</b>    | <b>2,546,062</b>  |

Nature of operations and going concern (Note 1)

Commitments (Notes 8, 11 and 14)

Subsequent events (Notes 10, 11 and 17)

Approved on behalf of the Board of Directors on December 24, 2014

*“Edward Kelly”*

Director

*“Gunther Roehlig”*

Director

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

# INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

|   | Note   | Three months ended<br>October 31, |                    | Six months ended<br>October 31, |                    |
|---|--------|-----------------------------------|--------------------|---------------------------------|--------------------|
|   |        | 2014                              | 2013               | 2014                            | 2013               |
|   |        | \$                                | \$                 | \$                              | \$                 |
| <b>Administrative expenses:</b>                             |        |                                   |                    |                                 |                    |
| Consulting and management fees                              | 13     | 145,678                           | 39,647             | 215,608                         | 66,105             |
| Depreciation  | 7      | 2,306                             | 1,731              | 4,626                           | 2,720              |
| Foreign exchange loss (gain)                                |        | 9,338                             | 904                | (2,828)                         | 5,179              |
| Office, rent and administration                             |        | 69,105                            | 23,586             | 111,575                         | 42,005             |
| Professional fees   | 13     | 99,459                            | 66,977             | 173,295                         | 115,250            |
| Regulatory fees   |        | 6,211                             | 5,526              | 8,423                           | 6,460              |
| Share-based payments  | 12, 13 | 64,188                            | 16,461             | 350,172                         | 105,658            |
| Transfer agent and shareholder information                  |        | 157,728                           | 72,191             | 237,861                         | 159,614            |
| Travel, advertising and promotion                           |        | 63,683                            | 31,780             | 118,324                         | 100,717            |
| <b>Total operating expenses</b>                             |        | <b>(617,696)</b>                  | <b>(258,803)</b>   | <b>(1,217,056)</b>              | <b>(603,708)</b>   |
| <b>Finance income (expense):</b>                            |        |                                   |                    |                                 |                    |
| Accretion of convertible debentures                         | 10     | (7,894)                           | -                  | (15,644)                        | -                  |
| Finance and other costs                                     | 13     | (129,706)                         | (16,402)           | (222,576)                       | (18,432)           |
| Finance income  |        | 7,581                             | 29                 | 7,891                           | 1,048              |
| Write-down of exploration and evaluation assets             | 8      | -                                 | (2,452,330)        | -                               | (2,452,330)        |
|   |        | <b>(130,019)</b>                  | <b>(2,468,703)</b> | <b>(230,329)</b>                | <b>(2,469,714)</b> |
| <b>Net loss for the period</b>                              |        | <b>(747,715)</b>                  | <b>(2,727,506)</b> | <b>(1,447,385)</b>              | <b>(3,073,422)</b> |
| <b>Other comprehensive income (loss):</b>                   |        |                                   |                    |                                 |                    |
| Unrealized loss on marketable securities                    | 5      | (68,556)                          | -                  | (444,178)                       | -                  |
| Foreign currency translation adjustment                     |        | 243,659                           | 27,923             | 246,446                         | (16,412)           |
| <b>Comprehensive loss for the period</b>                    |        | <b>(572,612)</b>                  | <b>(2,699,583)</b> | <b>(1,645,117)</b>              | <b>(3,089,834)</b> |
| <b>Basic and diluted loss per share</b>                     |        | <b>(0.01)</b>                     | <b>(0.06)</b>      | <b>(0.02)</b>                   | <b>(0.07)</b>      |
| <b>Weighted average number of common shares outstanding</b> |        | <b>63,935,652</b>                 | <b>43,489,174</b>  | <b>63,810,353</b>               | <b>43,489,174</b>  |

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

# INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

For the six months ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

|  | Share Capital    |            | Reserves         |          |                   | Accumulated<br>Other<br>Comprehensive<br>Loss | Convertible<br>debenture –<br>equity<br>component | Deficit      | Total<br>shareholders'<br>equity |
|--|------------------|------------|------------------|----------|-------------------|---|---|--------------|----------------------------------|
|  | Common<br>shares | Amount     | Stock<br>options | Warrants | Total<br>Reserves |   |   |              |                                  |
|  | #                | \$         | \$               | \$       | \$                | \$  | \$  | \$           | \$                               |
| Balance, April 30, 2013                      | 43,489,174       | 9,206,889  | 650,746          | 44,508   | 695,254           | (6,453)                                       | -   | (6,678,603)  | 3,217,087                        |
| Comprehensive loss for the period            | -                | -          | -                | -        | -                 | (16,412)                                      | -   | (3,073,422)  | (3,089,834)                      |
| Convertible debentures                       | -                | -          | -                | -        | -                 | -   | 76,336  | -            | 76,336                           |
| Convertible debentures issuance costs – cash | -                | -          | -                | -        | -                 | -   | (3,249)   | -            | (3,249)                          |
| Expired warrants                             | -                | 18,004     | -                | (18,004) | (18,004)          | -   | -   | -            | -                                |
| Expired options                              | -                | -          | (98,656)         | -        | (98,656)          | -   | -   | 98,656       | -                                |
| Share-based payments                         | -                | -          | 105,658          | -        | 105,658           | -   | -   | -            | 105,658                          |
| Balance, October 31, 2013                    | 43,489,174       | 9,224,893  | 657,748          | 26,504   | 684,252           | (22,865)                                      | 73,087  | (9,653,369)  | 305,998                          |
| Comprehensive loss for the period            | -                | -          | -                | -        | -                 | (434,701)                                     | -   | (1,196,221)  | (1,630,922)                      |
| Private placements for cash                  | 7,125,500        | 712,550    | -                | -        | -                 | -   | -   | -            | 712,550                          |
| Private placement for GRIT Shares            | 12,000,000       | 1,320,000  | -                | -        | -                 | -   | -   | -            | 1,320,000                        |
| Finder fees paid in shares                   | 960,000          | 105,600    | -                | -        | -                 | -   | -   | -            | 105,600                          |
| Share issuance costs – cash                  | -                | (131,724)  | -                | -        | -                 | -   | -   | -            | (131,724)                        |
| Expired options                              | -                | -          | (9,247)          | -        | (9,247)           | -   | -   | 9,247        | -                                |
| Balance, April 30, 2014                      | 63,574,674       | 11,231,319 | 648,501          | 26,504   | 675,005           | (457,566)                                     | 73,087  | (10,840,343) | 681,502                          |
| Comprehensive loss for the period            | -                | -          | -                | -        | -                 | (197,732)                                     | -   | (1,447,385)  | (1,645,117)                      |
| Issued for convertible debentures            | 550,000          | 114,039    | -                | -        | -                 | -   | (73,087)  | -            | 40,952                           |
| Convertible debentures                       | -                | -          | -                | -        | -                 | -   | 90,215  | -            | 90,215                           |
| Convertible debentures issuance costs – cash | -                | -          | -                | -        | -                 | -   | (5,079)   | -            | (5,079)                          |
| Exercise of options                          | 180,000          | 40,595     | (17,495)         | -        | (17,495)          | -   | -   | -            | 23,100                           |
| Exercise of warrants                         | 175,000          | 35,000     | -                | -        | -                 | -   | -   | -            | 35,000                           |
| Finder's warrants – bond financing           | -                | -          | -                | 213,890  | 213,890           | -   | -   | -            | 213,890                          |
| Expired options                              | -                | -          | (113,250)        | -        | (113,250)         | -   | -   | 113,250      | -                                |
| Share-based payments                         | -                | -          | 350,172          | -        | 350,172           | -   | -   | -            | 350,172                          |
| Balance, October 31, 2014                    | 64,479,674       | 11,420,953 | 867,928          | 240,394  | 1,108,322         | (655,298)                                     | 85,136  | (12,174,478) | (215,365)                        |

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

## INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

|   | Six months ended October 31, |                |
|---|------------------------------|----------------|
|   | 2014                         | 2013           |
| <b>Cash flows provided by (used in):</b>                    | \$                           | \$             |
| <b>Operating activities:</b>                                |                              |                |
| Net loss for the period                                     | (1,447,385)                  | (3,073,422)    |
| Items not involving cash:                                   |                              |                |
| Depreciation  | 4,626                        | 2,720          |
| Share-based payments  | 350,172                      | 105,658        |
| Accretion of convertible debentures                         | 15,644                       | -              |
| Accrued interest  | 16,861                       | -              |
| Write-down of exploration and evaluation assets             | -                            | 2,452,330      |
| Changes in non-cash operating working capital:              |                              |                |
| Receivables   | (7,000)                      | (17,835)       |
| Prepaid expenses and deposits                               | (68,327)                     | (35,280)       |
| Inventory   | (26,543)                     | (74,347)       |
| Accounts payable and accrued liabilities                    | (255,373)                    | 164,710        |
|   | (1,417,325)                  | (475,466)      |
| <b>Financing activities:</b>                                |                              |                |
| (Repayments of) proceeds from promissory notes              | (220,000)                    | 414,960        |
| Convertible debentures issuance costs                       | (18,297)                     | -              |
| Convertible debenture, net of issuance costs                | -                            | 263,295        |
| Bond payable, net   | 3,867,745                    | -              |
| Proceeds on issuance of common shares                       | 58,100                       | -              |
| Deferred financing costs                                    | 23,421                       | -              |
|   | 3,710,969                    | 678,255        |
| <b>Investing activities:</b>                                |                              |                |
| Purchase of property, plant and equipment                   | (2,170,907)                  | (502,163)      |
| Exploration and evaluation assets                           | -                            | (152,763)      |
|   | (2,170,907)                  | (654,926)      |
| Increase (decrease) in cash and cash equivalents            | 122,737                      | (452,137)      |
| Effect of exchange rates on cash held in foreign currencies | 246,632                      | 2,257          |
| Cash and cash equivalents, beginning of period              | 78,710                       | 684,724        |
| <b>Cash and cash equivalents, end of period</b>             | <b>448,079</b>               | <b>234,844</b> |

### Supplemental disclosure with respect to cash flows (Note 16)

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

## **INCA ONE GOLD CORP.**

(Formerly Inca One Resources Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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### **NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN**

Inca One Gold Corp. (formerly Inca One Resources Corp.) (the "Company") was incorporated under the laws of Canada on November 9, 2005 and was continued under the British Columbia Business Corporations Act on November 26, 2010. On September 17, 2014, the Company changed its name from Inca One Resources Corp. to Inca One Gold Corp. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol "IO" and on the Frankfurt Stock Exchange under the symbol "SU9.F". The head office and principal address of the Company are located at Suite 1125 – 595 Howe Street, Vancouver, Canada, V6C 2T5 and its registered office is located at Suite 2600 – 1066 West Hastings Street, Vancouver, Canada, V6E 3X1.

These condensed interim consolidated financial statements ("interim financial statements") are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the six months ended October 31, 2014, the Company incurred a net loss of \$1,447,385. As of that date the Company had a deficit of \$12,174,478 and working capital of \$843,171. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian toll-milling operations and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These interim financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. Subsequent to October 31, 2014, the Company received gross proceeds of \$1,400,000 from the final tranche of a bond financing (Note 11). Management intends to finance operating costs over the next year with the proceeds from the bond financing, its current working capital, additional fund-raising, and net profits from ore processing operations at the Company's gold milling facility in Peru.

### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Presentation**

The interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended April 30, 2014.

These interim financial statements were approved and authorized for issue by the Board of Directors of the Company on December 24, 2014.

**INCA ONE GOLD CORP.**

(Formerly Inca One Resources Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Basis of Consolidation**

These interim financial statements are presented in Canadian dollars unless otherwise noted. The interim financial statements include the accounts of the Company, its wholly owned subsidiaries, Inca One Metals Peru S.A. (“IO Metals”), Dynasty One S.A. (“Dynasty One”), Chala One S.A.C. (“Chala One”), and during the year ended April 30, 2014 Minera Huaquillas SAC (“Minera”), a private company incorporated in Peru (Note 8(b)). Although Minera was not a subsidiary of the Company the Company consolidated 100% of its operations as they had effective control and therefore the right to obtain the majority of the benefits and were exposed to the risks of the activities of Minera.

Control is achieved when the Company is exposed to, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

**(c) Use of Estimates and Judgments**

The preparation of the Company’s interim 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 interim 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. The areas involving a higher degree of judgment or complexity where assumptions and estimates are significant to the financial statements include the going concern assumption, the economic recoverability and probability of future economic benefits of exploration and evaluation assets, exploration and evaluation assets title, the commencement of commercial production, the functional currency, the valuation of marketable securities, convertible debentures and share-based compensation, decommissioning liabilities, and deferred taxes.

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company’s ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



**INCA ONE GOLD CORP.**

(Formerly Inca One Resources Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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

If the going concern assumption were not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

Management has determined the exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, the evaluation of permitting and environmental issues and local support for the project, and the ability to find joint venture partners if necessary.

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

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of exploration and evaluation assets. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements. To the best of the Company's knowledge, title to all of its exploration and evaluation assets is in good standing.

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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

In addition, future changes to environmental laws and regulations may increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for site closure and reclamation. The provision represents management's best estimate of the present value of the future decommissioning obligation. The calculation of this estimate is based on a number of input variables including the quantity and sales price of gold expected to eventually be recovered from the Company's tailings pond.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future decommissioning costs is subject to change based on amendments to laws and regulations, changes in technology, actual quantities and grade of gold eventually recovered from tailings, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

Marketable securities have been classified as available-for-sale financial instruments and are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income (loss). The fair value of the shares currently included in marketable securities has been estimated using their October 31, 2014 share trading price which, due to the absence of a lengthy trading history and restrictive holding periods attached to these shares, may not be indicative of actual fair value. Changes in the share trading price after October 31, 2014 can materially affect the fair value estimates and the Company's earnings.

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

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

Deferred tax assets and liabilities are measured using the tax rates expected to be in effect in future periods. Management estimates these future tax rates based on information available at the period end. Actual future rates may be significantly different. Factors causing such differences include changes in the ruling government or changes in national or regional economic circumstances of the areas where mines are located.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****(d) Significant Accounting Policies**

The accounting policies and methods of computation applied by the Company in these interim financial statements are the same as those applied in the Company’s annual consolidated financial statements as at and for the year ended April 30, 2014, except for the following accounting policy adopted for the materials and supplies inventory in the current financial period:

Materials and supplies inventories are valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

**NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS**

The following revised standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company has not completed its assessment of the impact that the new and amended standard will have on its financial statements.

**IFRS 9 “Financial instruments”**

The IASB intends to replace IAS 39 “Financial Instruments: Recognition and Measurement” in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments.

The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

**NOTE 4 – CASH AND CASH EQUIVALENTS**

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|                                       | October 31,<br>2014 | April 30,<br>2014 |
|---------------------------------------|---------------------|-------------------|
| Cash and cash equivalents consist of: | \$                  | \$                |
| Cash                                  | 318,079             | 78,710            |
| Guaranteed Investment Certificates    | 130,000             | -                 |
|                                       | <hr/> 448,079       | <hr/> 78,710      |

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**INCA ONE GOLD CORP.**

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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**NOTE 5 – MARKETABLE SECURITIES**

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.

As of October 31, 2014 the GRIT shares were recorded at a fair value of \$403,270 (April 30, 2014 – \$847,448) based on the GRIT share trading price of CAD\$0.55 (GBP £0.305), and unrealized losses of \$68,556 and \$444,178 resulting from the revaluation were included in other comprehensive loss for the three and six months ended October 31, 2014 (2013 – \$nil).

**NOTE 6 – INVENTORY**

|                                   | October 31,<br>2014 | April 30,<br>2014 |
|-----------------------------------|---------------------|-------------------|
|                                   | \$                  | \$                |
| Stockpiled ore and ore in process | 287,559             | 8,128             |
| Gold and activated carbon         | -                   | 400,100           |
| Materials and supplies            | 147,212             | -                 |
|                                   | 434,771             | 408,228           |

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**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**

|                                  | Chala<br>Plant | Computer | Furniture and<br>Equipment | Total     |
|----------------------------------|----------------|----------|----------------------------|-----------|
|                                  | \$             | \$       | \$                         | \$        |
| <b>Costs:</b>                    |                |          |                            |           |
| Balance, April 30, 2013          | -              | 19,308   | 23,040                     | 42,348    |
| Additions                        | 1,035,105      | 404      | 35,423                     | 1,070,932 |
| Foreign exchange                 | -              | 281      | 195                        | 476       |
| Balance, April 30, 2014          | 1,035,105      | 19,993   | 58,658                     | 1,113,756 |
| Additions                        | 2,225,244      | 465      | 1,237                      | 2,226,946 |
| Foreign exchange                 | -              | (127)    | (237)                      | (364)     |
| Balance, October 31, 2014        | 3,260,349      | 20,331   | 59,658                     | 3,340,338 |
| <b>Accumulated Depreciation:</b> |                |          |                            |           |
| Balance, April 30, 2013          | -              | 5,960    | 4,729                      | 10,689    |
| Depreciation                     | -              | 3,271    | 6,085                      | 9,356     |
| Foreign exchange                 | -              | 142      | 113                        | 255       |
| Balance, April 30, 2014          | -              | 9,373    | 10,927                     | 20,300    |
| Depreciation                     | -              | 1,191    | 4,237                      | 5,428     |
| Foreign exchange                 | -              | (71)     | (107)                      | (178)     |
| Balance, October 31, 2014        | -              | 10,493   | 15,057                     | 25,550    |
| <b>Net Carrying Value:</b>       |                |          |                            |           |
| April 30, 2014                   | 1,035,105      | 10,620   | 47,731                     | 1,093,456 |
| October 31, 2014                 | 3,260,349      | 9,838    | 44,601                     | 3,314,788 |

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

As at October 31, 2014, total additional plant upgrade costs and capitalized pre-operating costs of \$2,839,135 have been incurred.

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**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (continued)**

Depreciation during the three and six months ended October 31, 2014 was \$2,306 and \$5,428 (2013 – \$2,659 and \$4,544), of which \$nil and \$802 was capitalized to pre-operating costs of the Chala Plant (2013 – \$nil) and none was capitalized to exploration and evaluation assets (2013 – \$928 and \$1,824).

**NOTE 8 – EXPLORATION AND EVALUATION ASSETS****(a) Corizona Project**

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

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

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

On June 5, 2013, the Company committed to a three year renewable Joint Venture Agreement with Canadian Mining for purposes of development and operation of the Corizona Project and further exploration and evaluation. Pursuant to the terms of this agreement the joint venture would be operated by Canadian Mining and the Company would contribute all of the initial funding in exchange for an 80% share of the Corizona Project’s net profits.

During the six months ended October 31, 2014 the Company terminated the Joint Venture Agreement between itself and Canadian Mining and has commenced discussions with SMRL in order to continue exploration activity and acquire an option to purchase the Corizona property. For accounting purposes due to the uncertainty of successfully acquiring an option to purchase the Corizona property from SMRL, a write-down of exploration and evaluation assets of \$367,337 was recorded during the year ended April 30, 2014.

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**NOTE 8 – EXPLORATION AND EVALUATION ASSETS (continued)**

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

|   | Corizona Project<br>Peru |
|---|--------------------------|
|   | \$                       |
| Balance, April 30, 2013                         | 195,390                  |
| Exploration costs:                              |                          |
| Field expenses                                  | 78,639                   |
| Geology   | 40,586                   |
| Office and administration                       | 1,234                    |
| Site advisory                                   | 10,018                   |
| Rent, utilities and maintenance                 | 17,166                   |
| Travel and accommodation                        | 29,276                   |
| Value added tax                                 | 13,244                   |
| Foreign exchange                                | 1,784                    |
|   | 191,947                  |
| Write-down of exploration and evaluation assets | (367,337)                |
| Balance, April 30, 2014 and October 31, 2014    | 20,000                   |

**(b) Las Huaquillas Project**

|   | Las Huaquillas Project<br>Peru |
|---|--------------------------------|
|   | \$                             |
| Balance, April 30, 2013                         | 2,392,978                      |
| Exploration costs:                              |                                |
| Field expenses                                  | 1,343                          |
| Geology   | 93                             |
| Office and administration                       | 2,497                          |
| Professional fees                               | 8,673                          |
| Rent, utilities and maintenance                 | 10,584                         |
| Travel and accommodation                        | 198                            |
| Value added tax                                 | 2,358                          |
| Wages and contract labor                        | 51,324                         |
| Foreign exchange                                | (17,718)                       |
|   | 59,352                         |
| Write-down of exploration and evaluation assets | (2,452,330)                    |
| Balance, April 30, 2014 and October 31, 2014    | -                              |

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**NOTE 8 – EXPLORATION AND EVALUATION ASSETS (continued)**

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 October 31, 2014, the Company has paid US\$375,000 and issued 325,000 shares for acquisition costs payable pursuant to the terms of the Agreement. As further consideration for the acquisition, the Company entered into a finder fees agreement dated July 31, 2011 and later amended by a letter agreement dated January 19, 2012, to pay finder fees of US\$282,500 and to issue 400,000 common shares of the Company over a period of four years. As at October 31, 2014, the Company had issued 16,250 shares and paid US\$35,625 in cash pursuant to the terms of this finder fees agreement.

After entering into the two agreements the Company expended considerable time and expense to obtain the requisite drilling permits for the Las Huaquillas Project and in June 2013, these drill permits were received. After the Company determined that it was unable to source a joint venture partner or formalize an amended agreement with the Optionors the Company terminated the option. For financial reporting purposes, due to the absence of sufficient verifiable information to support a recoverable value of the Las Huaquillas Project and drilling permits thereon, this value has been deemed to be zero. Accordingly a write-down of exploration and evaluation assets of \$2,452,330 was recorded during the year ended April 30, 2014.

**NOTE 9 – PROMISSORY NOTES PAYABLE**

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. \$50,000 of the principal was repaid during the year ended April 30, 2014 and the remaining \$120,000 was repaid during the six months ended October 31, 2014. Interest expense of \$nil and \$3,036 was incurred and paid with respect to these promissory notes during the three and six months ended October 31, 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. At the option of one of the subscribers, accrued interest of \$30,899 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. During the six months ended October 31, 2014, \$100,000 of the promissory notes was redeemed.



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**NOTE 9 – PROMISSORY NOTES PAYABLE (continued)**

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

A cash finder fee of \$2,500 and legal and regulatory costs of \$2,540 incurred in connection with the financing were charged against the promissory notes amount payable. Interest expense of \$19,650 and \$41,572 has been recorded with respect to these promissory notes during the three and six months ended October 31, 2014, and \$1,730 of interest expense incurred to date has been included in accounts payable and accrued liabilities.

**NOTE 10 – CONVERTIBLE DEBENTURES**

|   | Liability<br>Component | Equity<br>Component |
|---|------------------------|---------------------|
|   | \$                     | \$                  |
| Balance, April 30, 2013                         | -                      | -                   |
| October 30, 2013 convertible debenture issuance | 198,664                | 76,336              |
| Issuance costs allocated                        | (8,456)                | (3,249)             |
| Accretion and amortization                      | 7,143                  | -                   |
| Balance, April 30, 2014                         | 197,351                | 73,087              |
| May 23, 2014 convertible debenture issuance     | 234,785                | 90,215              |
| Issuance costs allocated                        | (13,218)               | (5,079)             |
| Accretion and amortization                      | 15,644                 | -                   |
| Conversion to common shares                     | (40,952)               | (73,087)            |
| Balance, October 31, 2014                       | 393,610                | 85,136              |

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 although 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 equity.

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.

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**NOTE 10 – CONVERTIBLE DEBENTURES (continued)**

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 debentures is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. During the three and six months ended October 31, 2014, with respect to this debenture offering the Company recorded accretion expense and amortization of issuance costs of \$3,740 and \$7,411, and interest expense of \$6,932 and \$13,788 all of which has been paid as of October 31, 2014.

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 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. At the date of issue \$234,785 was attributed to the liability component of the convertible debenture and \$90,215 to equity.

Professional fees of \$18,297 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, 2014, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$4,154 and \$8,233, and interest expense of \$8,192 and \$18,486, \$2,760 of which has been included in accounts payable and accrued liabilities as of October 31, 2014.

Subsequent to October 31, 2014, \$81,250 of the convertible debentures were converted to 650,000 common shares of the Company.

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**NOTE 11 – BOND PAYABLE**

On May 20, 2014, the Company announced a bond financing for gross proceeds of \$5,500,000. 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 December 3, 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 connection with the financing the Company and the purchaser have 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 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 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.

For purposes of the calculations of compensation charge associated with the 1,440,000 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

|                         |         |
|-------------------------|---------|
| Risk-free interest rate | 1.13%   |
| Expected dividends      | \$nil   |
| Expected volatility     | 96%     |
| Expected life           | 3 years |

On August 29, 2014, the Company closed the second tranche of this financing after the gross proceeds of \$1,400,000 were received.

The second tranche bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than February 28, 2015. In addition professional fees of \$3,779 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.

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**NOTE 11 – BOND PAYABLE (continued)**

For purposes of the calculations of compensation charge associated with the 746,667 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

|                         |         |
|-------------------------|---------|
| Risk-free interest rate | 1.13%   |
| Expected dividends      | \$nil   |
| Expected volatility     | 94%     |
| Expected life           | 3 years |

Subsequent to October 31, 2014, the Company received the final tranche gross proceeds of \$1,400,000.

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 the bond financing agreement the Company has granted the right of first refusal for future debt and equity financings subject to certain restrictions as outlined in those agreements.

**NOTE 12 – SHARE CAPITAL AND RESERVES****(a) Authorized**

Unlimited number of voting common shares without par value.

**(b) Issued Share Capital**

At October 31, 2014, there were 64,479,674 issued and fully paid common shares (April 30, 2014 – 63,574,674).

**(c) Share Issuances**

On October 30, 2014, 550,000 common shares were issued pursuant to conversion of \$55,000 of the convertible notes (see Note 11). A reclassification of \$40,952 from the liability component and \$73,087 from the equity component of the convertible debentures to share capital was recorded on the conversion.

During the six months ended October 31, 2014, 175,000 common shares were issued for proceeds of \$35,000 on the exercise of 175,000 warrants at \$0.20 per share. Also 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. A reclassification of \$17,495 from stock option reserve to share capital was recorded on the exercise of these options.

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**NOTE 12 – SHARE CAPITAL AND RESERVES (continued)****(d) Stock Options**

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

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

The status of the options outstanding is as follows:

|                           | Options   | Weighted<br>Average<br>Exercise Price |
|---------------------------|-----------|---------------------------------------|
|                           | #         | \$                                    |
| Balance, April 30, 2013   | 3,206,000 | 0.255                                 |
| Granted                   | 1,150,000 | 0.150                                 |
| Forfeited                 | (558,000) | 0.268                                 |
| Balance, April 30, 2014   | 3,798,000 | 0.221                                 |
| Granted                   | 2,550,000 | 0.150                                 |
| Exercised                 | (180,000) | 0.128                                 |
| Forfeited                 | (423,000) | 0.368                                 |
| Balance, October 31, 2014 | 5,745,000 | 0.182                                 |

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**NOTE 12 – SHARE CAPITAL AND RESERVES (continued)**

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

| Options<br># | Exercise Price<br>\$ | Expiry Date        | Vesting Provisions<br># |
|--------------|----------------------|--------------------|-------------------------|
| 150,000      | 0.135                | February 18, 2015  | Vested                  |
| 240,000      | 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                  |
| 500,000      | 0.150                | August 29, 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                  |
| 5,745,000    |                      |                    |                         |

As at October 31, 2014, the weighted average remaining contractual life of the options is 4.08 years.

During the three and six months ended October 31, 2014, the Company recognized share-based payments of \$64,188 and \$350,172 (2013 – \$16,461 and \$105,658) for stock options granted and vested during the year. The fair value of stock options granted during the six months ended October 31, 2014 and 2013 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

|                         | 2014       | 2013       |
|-------------------------|------------|------------|
| Risk-free interest rate | 2.00%      | 1.63%      |
| Expected dividends      | \$nil      | \$nil      |
| Expected volatility     | 158.94%    | 165.03%    |
| Expected life           | 5.00 years | 5.00 years |

The weighted average fair value of stock options granted during the six months ended October 31, 2014 was \$0.14 (2013 – \$0.09) per option.

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**NOTE 12 – SHARE CAPITAL AND RESERVES (continued)****(e) Warrants**

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

|                           | Warrants    | Weighted<br>Average<br>Exercise Price |
|---------------------------|-------------|---------------------------------------|
|                           | #           | \$                                    |
| Balance, April 30, 2013   | 18,767,143  | 0.273                                 |
| Expired                   | (8,641,343) | 0.360                                 |
| Balance, April 30, 2014   | 10,125,800  | 0.200                                 |
| Issued                    | 2,186,667   | 0.150                                 |
| Exercised                 | (175,000)   | 0.200                                 |
| Balance, October 31, 2014 | 12,137,467  | 0.191                                 |

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

| Number of Warrants | Exercise<br>Price | Expiry Date     |
|--------------------|-------------------|-----------------|
| #                  | \$                |                 |
| 9,950,800          | 0.200             | April 5, 2016   |
| 1,440,000          | 0.150             | May 20, 2017    |
| 746,667            | 0.150             | August 29, 2017 |
| 12,137,467         |                   |                 |

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**NOTE 13 – RELATED PARTY TRANSACTIONS****(a) Related Party Transactions**

The Company incurred charges to directors and officers or to companies associated with these individuals during the three and six months ended October 31, 2014 and 2013 as follows:

|   | Three months      |        | Six months        |         |
|---|-------------------|--------|-------------------|---------|
|   | ended October 31, |        | ended October 31, |         |
|   | 2014              | 2013   | 2014              | 2013    |
|   | \$                | \$     | \$                | \$      |
| Accounting fees recorded in professional fees | 50,864            | 30,683 | 78,084            | 59,379  |
| Consulting and management fees                | 45,000            | 34,000 | 90,000            | 58,000  |
| Finance costs                                 | 7,316             | 8,583  | 22,657            | 8,583   |
| Legal fees                                    | 31,917            | 19,958 | 50,472            | 28,845  |
|   | 135,097           | 93,224 | 241,213           | 154,807 |

Accounting fees are paid to companies controlled by a director or the CFO. Consulting and management fees are paid to companies controlled by the President and/or COO. Finance costs on interest bearing debt instruments were paid or accrued to companies owned by either the President or COO or to a company owned by a director. Legal fees and share issuance costs are paid to a legal firm with which the Corporate Secretary is associated.

**(b) Compensation of Key Management Personnel**

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

|  | Three months      |        | Six months        |         |
|--|-------------------|--------|-------------------|---------|
|  | ended October 31, |        | ended October 31, |         |
|  | 2014              | 2013   | 2014              | 2013    |
|  | \$                | \$     | \$                | \$      |
| Management, accounting and CFO fees included in Note 13(a) above | 95,864            | 64,683 | 168,084           | 117,379 |
| Share-based payments   | 32,094            | -      | 209,962           | 32,367  |
|  | 127,958           | 64,683 | 378,046           | 149,746 |

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



**INCA ONE GOLD CORP.**

(Formerly Inca One Resources Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

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**NOTE 13 – RELATED PARTY TRANSACTIONS (continued)****(c) Related Party Balances**

All related party balances payable, including for business expense reimbursements, advances to the Company and services rendered, as at October 31, 2014 are non-interest bearing and payable on demand and are comprised of \$7,586 (April 30, 2014 – \$48,856) payable to the President, \$nil (April 30, 2014 – \$52,670) payable to a company controlled by the President, \$3,866 (April 30, 2014 – \$21,661) payable to the COO, \$973 (April 30, 2014 – \$48,450) payable to a company controlled by the COO, \$3,360 (April 30, 2014 – \$57,739) payable to a company controlled by a director, \$9,528 (April 30, 2014 – \$nil) payable to a company controlled by the CFO, and \$22,328 (April 30, 2014 – \$66,551) payable to a legal firm with which the Corporate Secretary is associated.

**NOTE 14 – 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 \$10,000, and whereby additional fees may be payable if certain conditions exist upon eventual termination of the contract.

**NOTE 15 – SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, currently being the exploration and evaluation of mineral properties for development and gold milling facilities in Peru. Segmented information is provided on the basis of geographic segments consistent with the Company's core long-term and operating assets as follows:

| <b>October 31, 2014</b>                     | Canada       | Peru             | Total            |
|---|--------------|------------------|------------------|
|   | \$           | \$               | \$               |
| Inventory                                   | -            | 434,771          | 434,771          |
| Property, plant and equipment               | 3,654        | 3,311,134        | 3,314,788        |
| Exploration and evaluation assets           | -            | 20,000           | 20,000           |
| <b>Total long-term and operating assets</b> | <b>3,654</b> | <b>3,765,905</b> | <b>3,769,559</b> |

  

| <b>April 30, 2014</b>                       | Canada        | Peru             | Total            |
|---|---------------|------------------|------------------|
|   | \$            | \$               | \$               |
| Inventory                                   | -             | 408,228          | 408,228          |
| Other assets                                | 23,421        | -                | 23,421           |
| Property, plant and equipment               | 2,851         | 1,090,605        | 1,093,456        |
| Exploration and evaluation assets           | -             | 20,000           | 20,000           |
| <b>Total long-term and operating assets</b> | <b>26,272</b> | <b>1,518,833</b> | <b>1,545,105</b> |

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended October 31, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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**NOTE 16 – SUPPLEMENTAL CASH FLOW INFORMATION**

Interest and income taxes paid in cash during the six months ended October 31, 2014 were \$76,458 and \$nil (2013 – \$2,219 and \$nil).

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the six months ended October 31, 2013, there were no transactions excluded from the statements of cash flows. During the six months ended October 31, 2014, the following transactions were excluded from the statements of cash flows:

The Company issued 2,186,667 finder's warrants at the fair value of \$213,890 pursuant to the bond financing.

\$55,000 of the convertible debentures were converted to 550,000 common shares of the Company. A reclassification of \$40,952 from the liability component and \$73,087 from the equity component of the convertible debentures to share capital was recorded on the conversion.

As at October 31, 2014, the Company had accrued \$305,999 (October 31, 2013 - \$74,076) in property, plant and equipment expenditures through accounts payable and accrued liabilities, an increase of \$55,237 from April 30, 2014 (increase of \$74,076 from April 30, 2013).

**NOTE 17 – SUBSEQUENT EVENTS****(a) Convertible Debentures**

Subsequent to October 31, 2014, \$81,250 of the second tranche of the convertible debenture offering were converted to 650,000 common shares of the Company.

**(b) Bond Payable**

Subsequent to October 31, 2014, the Company received the final tranche of the bond financing for gross proceeds of \$1,400,000.

**(c) Stock Options**

Subsequent to October 31, 2014, 281,000 common shares were issued on the exercise of 281,000 stock options at \$0.15 per share.