



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

Consolidated Financial Statements
For the Years Ended April 30, 2015 and 2014
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Inca One Gold Corp. (formerly Inca One Resources Corp.)

We have audited the accompanying consolidated financial statements of Inca One Gold Corp. (formerly Inca One Resources Corp.), which comprise the consolidated statements of financial position as at April 30, 2015 and 2014 and the consolidated statements of operations, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Inca One Gold Corp. (formerly Inca One Resources Corp.) as at April 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Inca One Gold Corp. (formerly Inca One Resources Corp.)'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

August 27, 2015



INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	April 30, 2015	April 30, 2014
		\$	\$
Assets			
Current:			
Cash and cash equivalents	4	454,321	78,710
Receivables	5	631,480	9,511
Marketable securities	6	217,838	847,448
Prepaid expenses and deposits		377,729	65,288
Inventory	7	1,468,421	408,228
		3,149,789	1,409,185
Deferred financing costs		-	23,421
Property, plant and equipment	8	5,178,704	1,093,456
Exploration and evaluation assets	9	-	20,000
Total assets		8,328,493	2,546,062
Liabilities			
Current:			
Accounts payable and accrued liabilities	10	848,520	793,211
Promissory notes payable	11	559,544	120,000
Convertible debentures	12	607,681	325,000
Debenture units	14	1,650,371	-
		3,666,116	1,238,211
Promissory notes payable	11	-	428,998
Convertible debentures	12	348,716	197,351
Bond payable	13	4,884,211	-
Deferred income tax	22	162,000	-
Asset retirement and reclamation obligations	15	278,829	-
		9,339,872	1,864,560
Shareholders' Equity (Deficiency)			
Share capital	16	12,520,642	11,231,319
Reserves	16	1,066,126	675,005
Convertible debentures – equity component	12	15,432	73,087
Accumulated other comprehensive income (loss)		312,557	(457,566)
Deficit		(14,926,136)	(10,840,343)
		(1,011,379)	681,502
Total liabilities and shareholders' equity (deficiency)		8,328,493	2,546,062

Nature of operations and going concern (Note 1)

Commitments (Notes 11, 12, 13, 14, and 18)

Subsequent events (Notes 11, 12 and 24)

Approved on behalf of the Board of Directors on August 27, 2015

“Robert McMorran”

Director

“Gunther Roehlig”

Director

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

INCA ONE GOLD CORP.
(Formerly Inca One Resources Corp.)
Consolidated Statements of Operations
(Expressed in Canadian Dollars)

		Years ended April 30,	
	Note	2015	2014
		\$	\$
Revenue		4,304,802	-
Cost of goods sold (including \$66,037 of depreciation)		4,173,660	-
Gross margin		131,142	-
Corporate and administrative expenses:			
Consulting and management fees	17	788,892	238,542
Depreciation	8	9,802	7,074
Directors fees		36,000	-
Foreign exchange (gain) loss		(475,029)	21,541
Office, rent and administration	17	604,988	126,408
Professional fees	17	290,462	260,978
Regulatory fees		20,736	14,731
Share-based payments	16	377,733	105,658
Transfer agent and investor relations		474,014	351,195
Travel and accommodation		350,165	220,336
Impairment of marketable securities	6	1,102,162	-
Write-down of exploration and evaluation assets	9	20,000	2,819,667
Total operating expenses		3,599,925	4,166,130
Finance income (expense):			
Accretion expense		(194,931)	(7,143)
Finance and other costs		(410,701)	(97,481)
Finance income		2,043	1,111
		(603,589)	(103,513)
Loss before income taxes for the year		(4,072,372)	(4,269,643)
Deferred income tax expense	22	135,000	-
Net loss for the year		(4,207,372)	(4,269,643)
Other comprehensive income (loss):			
Unrealized gain (loss) on marketable securities	6	472,552	(472,552)
Foreign currency translation adjustment		297,571	21,439
		770,123	(451,113)
Comprehensive loss for the year		(3,437,249)	(4,720,756)
Basic and diluted loss per share		(0.06)	(0.09)
Weighted average number of common shares outstanding		65,249,258	47,993,952

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

INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital		Reserves			Convertible debenture – equity component	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficiency)
	Common shares	Amount	Stock options	Warrants	Total				
	#	\$	\$	\$	\$	\$	\$	\$	\$
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 year	-	-	-	-	-	-	(451,113)	(4,269,643)	(4,720,756)
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)
Convertible debentures – equity portion	-	-	-	-	-	76,336	-	-	76,336
Convertible debentures issuance costs – cash	-	-	-	-	-	(3,249)	-	-	(3,249)
Expired warrants	-	18,004	-	(18,004)	(18,004)	-	-	-	-
Expired options	-	-	(107,903)	-	(107,903)	-	-	107,903	-
Share-based payments	-	-	105,658	-	105,658	-	-	-	105,658
Balance, April 30, 2014	63,574,674	11,231,319	648,501	26,504	675,005	73,087	(457,566)	(10,840,343)	681,502
Comprehensive loss for the year	-	-	-	-	-	-	770,123	(4,207,372)	(3,437,249)
Convertible debentures – equity portion	-	-	-	-	-	78,568	-	-	78,568
Issuance of shares on conversion of debentures	1,200,000	235,682	-	-	-	(136,223)	-	-	99,459
Warrants issued on financings	-	-	-	414,722	414,722	-	-	-	414,722
Exercised warrants	1,902,000	380,400	-	-	-	-	-	-	380,400
Exercised options	2,424,000	631,204	(279,755)	-	(279,755)	-	-	-	351,449
Expired options	-	-	(121,579)	-	(121,579)	-	-	121,579	-
Shares issued for services	280,240	42,037	-	-	-	-	-	-	42,037
Share-based payments	-	-	377,733	-	377,733	-	-	-	377,733
Balance, April 30, 2015	69,380,914	12,520,642	624,900	441,226	1,066,126	15,432	312,557	(14,926,136)	(1,011,379)

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

INCA ONE GOLD CORP.

(Formerly Inca One Resources Corp.)

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Years ended April 30,	
	2015	2014
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(4,207,372)	(4,269,643)
Items not involving cash:		
Depreciation	108,858	7,074
Share-based payments	377,733	105,658
Write-down of exploration and evaluation assets	20,000	2,819,667
Impairment of marketable securities	1,102,162	-
Accretion of convertible debentures	194,931	7,143
Accrued interest	130,497	14,038
Interest expense	622,574	85,593
Shares issued for consulting services	42,037	-
Unrealized foreign exchange	23,402	-
Deferred income taxes	135,000	-
Changes in non-cash operating working capital:		
Receivables	(621,969)	14,670
Prepaid expenses and deposits	(312,441)	(22,298)
Inventory	(1,060,193)	(392,138)
Accounts payable and accrued liabilities	(34,664)	333,604
	(3,479,445)	(1,296,632)
Financing activities:		
Proceeds from promissory notes payable, net of issuance costs	239,001	584,960
Repayments of promissory notes	(270,000)	(50,000)
Proceeds from convertible debentures, net of issuance costs	605,809	263,295
Proceeds on issuance of common shares	731,850	737,550
Share issuance costs	-	(26,124)
Proceeds from debenture financing	1,834,568	-
Proceeds from bond financing	5,042,306	-
Convertible debenture advances	-	325,000
Deferred financing costs	23,421	(23,421)
Interest paid	(438,312)	(71,555)
	7,768,643	1,739,705
Investing activities:		
Purchase of property, plant and equipment	(3,841,021)	(762,368)
Exploration and evaluation assets	(68,000)	(236,106)
	(3,909,021)	(998,474)
Increase (decrease) in cash and cash equivalents	380,177	(555,401)
Effect of exchange rates on cash held in foreign currencies	(4,566)	(50,613)
Cash and cash equivalents, beginning of year	78,710	684,724
Cash and cash equivalents, end of year	454,321	78,710

Supplemental disclosure with respect to cash flows (Note 23)

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

INCA ONE GOLD CORP.

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Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2015 and 2014

(Expressed in Canadian Dollars)

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", on the Frankfurt Stock Exchange under the symbol "SU9.F", and the Santiago Stock Exchange Venture under the symbol "IOCL". The head office and principal address of the Company are located at Suite 1125 – 595 Howe Street, Vancouver, Canada, V6C 2T5 and its registered office is located at Suite 2600 – 1066 West Hastings Street, Vancouver, Canada, V6E 3X1.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended April 30, 2015, the Company incurred a net loss of \$4,207,372. As of that date the Company had a deficit of \$14,926,136 and working capital deficiency of \$516,327. 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 consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. Management intends to finance operating costs over the next year with the proceeds from debt financing, equity financing, its current working capital, proceeds from option and warrant exercises, and net profits from processing operations at the Company's gold milling facility in Peru.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Presentation**

These consolidated 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 adopted are consistent with those of the previous financial year.

These consolidated financial statements have been prepared on a historical cost basis and were approved by the board of directors for issue on August 27, 2015.

INCA ONE GOLD CORP.

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Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2015 and 2014

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

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Inca One Metals Peru S.A. (“IO Metals”), Dynasty One S.A. (“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 9(b)). Although Minera was not a subsidiary of the Company, the Company consolidated 100% of its operations during the year ended April 30, 2014 as the Company 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. The investment in Minera was fully impaired as of April 30, 2014.

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 consolidated financial statements in accordance with IAS 1, *Presentation of Financial Statements*, requires management to make certain critical accounting estimates and to exercise judgment that affect the accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant accounting judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include but are not limited to the following:

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Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2015 and 2014

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)*(i) Going concern*

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

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.

(iii) Commencement of commercial production

Management conducted an assessment of commercial production indicators and concluded that commercial production commenced as at February 1, 2015. This assessment included key parameters being met such as: a) all major and auxiliary processing circuits were fully operational including ball mill, crushing, and leaching circuits, and related facilities in place; b) average production throughput at the plant since February 1, 2015 has been in excess of 50 tonnes per day ("TPD") with production ramping up to the full 100 TPD production capacity; and c) a reasonable testing and commissioning period had completed. As a result of the commencement of commercial production the Company began on that date reporting the results of its mineral processing operations in the consolidated statement of operations and amortizing the capitalized costs of its milling plant.

(iv) Determination of functional currency

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.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Exploration and evaluation assets title

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. As at April 30, 2015, the Company fully impaired all of its exploration and evaluation assets.

Significant estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

(i) Value of share-based compensation

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.

(ii) Value of convertible debentures and debenture units with warrants

For accounting purposes, each convertible debenture and debenture units with warrants 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 Debentures 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 or warrant feature) was determined at the time of issue as the difference between the face value of the Debentures 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.

(iii) Value of marketable securities

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 April 30, 2015 share trading price which, due to the low volume of trading activity and restrictive holding periods initially attached to these shares, may not be indicative of actual fair value. Changes in the share trading price after April 30, 2015 can materially affect the fair value estimates and the Company's earnings.

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Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2015 and 2014

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Asset retirement and reclamation obligations

The Company assesses its asset retirement and reclamation obligation at each reporting date. Significant estimates and assumptions are made in determining the asset retirement obligation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(v) Deferred taxes

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.

(d) Functional and Presentation of Foreign Currency

(i) Functional and presentation currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Canadian company. The functional currency of IO Metals and Minera is the Peruvian Sol. The functional currency of Dynasty One, Chala One, and Corizona One is the US dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit or loss.

(iii) Consolidated entities

The results and financial position of consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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Notes to the Consolidated Financial Statements

For the Years Ended April 30, 2015 and 2014

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustment.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

(e) Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and guaranteed investment certificates that are cashable at any time at the option of the holder.

(f) Inventory

Finished goods, work-in-process, stockpiled gold-bearing materials, and materials and supplies are measured at the lower of average cost and net realizable value. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of production consumables, direct labor, applicable overhead and depreciation of property, plant and equipment.

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

(g) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The expected useful lives used to compute depreciation is as follows:

Building and facilities	20 to 30 year straight line basis
Plant equipment	10 to 20 years straight line basis
Mobile site equipment	5 to 10 years straight line basis
Furniture and office equipment	5 years declining-balance basis
Computers	3 years declining-balance basis

Upon commencement of commercial production (see “Significant accounting judgements”) related property, plant and equipment are depreciated over their estimated economic life.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Exploration and Evaluation Assets**

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage. Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration costs include value added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the right of tenure is current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties. The Company reviews its exploration and evaluation assets for indicators of impairment on a periodic basis.

(i) Impairment of Non-financial Assets

The carrying amount of the Company's non-financial assets (which include property, plant and equipment, and exploration and evaluation assets) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

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Notes to the Consolidated Financial Statements

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

(k) Assets Retirement Obligations, Contingent Liabilities and Contingent Assets

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, property, plant and equipment retirement obligations, or onerous contracts. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets and are not recognized.

The Company is subject to environmental laws and regulations enacted by Peruvian authorities. To take account of estimated cash flows required to settle the obligations arising from environmentally acceptable closure plans (such as dismantling and demolition of infrastructures, removal of residual matter and site restoration), provisions are recognized in the period that the harm to the environment occurs, that is when the Company has an actual obligation resulting from harm to the environment, it is likely that an outflow will be required in settlement of the obligation and the obligation is reasonably determinable.

Asset retirement obligations are determined on the basis of the best estimates of future costs, based on information available on the reporting date. Best estimates of future costs are the amount the Company would reasonably pay to settle its obligation on the closing date to transfer it to a third party on the same date. Future costs are discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability. A corresponding asset is recognized in property, plant and equipment when establishing the provision.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The provision is reviewed at each reporting date to reflect changes in the estimated outflow of resources as a result of changes in obligations or legislation, changes in the current market-based discount rate or an increase that reflects the passage of time. The accretion expense is recognized in comprehensive income as a financial expense as incurred. The cost of the related asset is adjusted to reflect changes in the reporting period. Costs of asset retirement are deducted from the provision when incurred.

(l) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's common shares and share purchase warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(m) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

(n) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable. Revenue includes sales of precious metal derived from the mineral processing operation. Sales of precious metals, based on spot metal prices, are recorded on delivery when rights and obligations related to the ownership are transferred to the purchaser and reasonable assurance regarding collectability of the consideration exists. Proceeds from the sale of finished goods produced prior to the date of commercial production are credited to property, plant and equipment.

The Company recognizes interest income on an accrual basis, dividends when declared, and investment gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded in the Company's consolidated statement of operations.

(o) Loss per Share

The Company calculates basic loss per share by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants. All potential dilutive common shares are anti-dilutive for the years presented.

(p) Comprehensive Loss

Comprehensive loss consists of loss for the year and other comprehensive loss. Unrealized gains and losses on financial assets classified as available-for-sale are recorded in other comprehensive loss until the criteria for recognition in profit or loss are met.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired.

Non-derivative financial assets

(i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are either held for trading for purposes of short-term profit taking or classified at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period. The Company does not have any financial assets at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company has designated its cash and cash equivalents and receivables as loans and receivables.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses. The Company does not have any held-to-maturity financial assets.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than permanent impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are sold or a permanent impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has designated its marketable securities as available-for-sale financial assets.

Non-derivative financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities. All financial liabilities are recognized initially at fair value less any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures, and bond payable; which are designated as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

In the case of equity instruments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in profit or loss.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(r) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets liabilities and assets.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2015. Pronouncements that are not applicable to the Company have been excluded from this note.

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

- a) IFRS 15 - Revenue from Contracts with Customers - Establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. In May 2015, the IASB proposed to defer the effective date to January 1, 2018. Management is currently assessing the impact of the new standard.

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NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS (continued)

- b) IFRS 9 - Financial Instruments (effective January 1, 2018) - This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management is currently assessing the impact of the new standard.

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

	April 30, 2015	April 30, 2014
Cash and cash equivalents consist of:	\$	\$
Cash	454,321	78,710

NOTE 5 – RECEIVABLES

	April 30, 2015	April 30, 2014
	\$	\$
GST recoverable (Canada)	24,435	9,511
VAT recoverable (Peru)	589,422	-
Other receivable	17,623	-
	631,480	9,511

NOTE 6 – 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 April 30, 2015 the GRIT shares were recorded at a fair value of \$217,838 (2014 – \$847,448) based on the GRIT share trading price of CDN\$0.30 (GBP £0.16). Due to the persistent reduction in its market price, management has determined that the GRIT shares were permanently impaired as at April 30, 2015. The impairment resulted in the Company recognizing an unrealized loss of \$1,102,162 in the consolidated statement of loss for the year ended April 30, 2015 (2014 – \$nil). Previously the adjustment to fair value was recorded through other comprehensive income. As a result of the impairment, all previously recorded adjustments to fair value related to the GRIT investment were reclassified from the other comprehensive income to net loss including \$472,552 recorded during the year ended April 30, 2014.

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NOTE 7 – INVENTORY

	April 30, 2015	April 30, 2014
	\$	\$
Stockpiled gold-bearing material and in process inventory	1,331,480	8,128
Finished goods - gold	-	400,100
Materials and supplies	136,941	-
	1,468,421	408,228

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
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	4,098,871	1,023	1,237	4,101,131
Impairment	(92,079)	(761)	(13,163)	(106,003)
Foreign exchange	199,946	158	7,595	207,699
Balance, April 30, 2015	5,241,843	20,413	54,327	5,316,583
Accumulated Depreciation:				
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	96,748	2,324	9,786	108,858
Foreign exchange	6,126	72	2,523	8,721
Balance, April 30, 2015	102,874	11,769	23,236	137,879
Net Book Value:				
April 30, 2014	1,035,105	10,620	47,731	1,093,456
April 30, 2015	5,138,969	8,644	31,091	5,178,704

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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

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. As part of the terms of the original purchase agreement for the Chala Plant, Inca One has an agreement between its wholly owned subsidiary, Chala One, and the seller and initial permit applicant, to operate under the umbrella of formalization until the successful completion of all the environmental and operating permits. 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 gold-bearing material. VAT paid became refundable to the Company in fiscal 2015 as the Company began commercial production and the exportation of gold.

As at April 30, 2015, total plant upgrade costs and capitalized pre-operating costs was \$5,241,843 (2014 - \$1,035,105) which includes \$1,712,199 (2014 - \$nil) of incidental revenue generated during the pre-operating period and \$264,531 (2014 - \$nil) of capitalized interest.

Depreciation during the year ended April 30, 2015 was \$108,858 (2014 - \$9,356), of which \$nil (2014 - \$2,282) was capitalized to exploration and evaluation assets.

NOTE 9 – 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 was 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 was registered in the Lima, Peru Mining Registry office and was also required to pay US\$490,000 to Canadian Mining within five days of the date that the option was legally acquired by the Company. A finder fee of \$20,000 was paid with respect to the option assignment acquisition.

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NOTE 9 – EXPLORATION AND EVALUATION ASSETS (continued)

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 year ended April 30, 2015 the Company terminated the Joint Venture Agreement between itself and Canadian Mining and 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.

During the year ended April 30, 2015 the Company determined that the likelihood of successful re-negotiations with SMRL was remote and wrote-down the remaining \$20,000 balance, although the Company continues discussions and negotiations with SMRL for rights and access to Corizona. Accordingly the Company no longer has any right to acquire Corizona project nor any ongoing obligations to either Canadian Mining or SMRL pursuant to the referenced transactions.

As at April 30, 2015, the Company has paid the following amounts with respect to the Corizona Project:

	Corizona Project 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 through April 30, 2014	(367,337)
Balance, April 30, 2014	20,000
Write-down of exploration and evaluation assets through April 30, 2015	(20,000)
Balance, April 30, 2015	-

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NOTE 9 – EXPLORATION AND EVALUATION ASSETS (continued)**(b) Las Huaquillas Project**

	Las Huaquillas Project, 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 through April 30, 2014	(2,452,330)
Balance, April 30, 2014 and 2015	-

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 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 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.

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NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2015	April 30, 2014
	\$	\$
Trade accounts payable and accruals	447,378	329,840
Management, consulting and professional fees payable	252,232	444,958
Accrued interest	148,910	18,413
	848,520	793,211

Management, consulting and professional fees payable include \$68,854 (2014 - \$295,927) due to related parties (Note 17).

NOTE 11 – 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. During the year ended April 30, 2014 \$50,000 of the principal was repaid with the remaining \$120,000 repaid during the year ended April 30, 2015.

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

On January 14, 2015, the Company received USD\$200,000 in cash in exchange for a promissory note. The note is unsecured, has a six month term, and an interest rate of 20% per annum calculated and payable on the maturity date. Subsequent to April 30, 2015, the note was extended for an additional three months.

As at April 30, 2015, the principal balance was \$241,280 and interest expense of \$14,632 was incurred and included in accounts payable and accrued liabilities.

On October 22, 2013 and November 6, 2013, the Company closed a non-brokered private placement of secured, redeemable promissory notes for gross proceeds of \$420,000. Of this amount an aggregate of \$150,000 was issued to an officer and a company controlled by a director. The promissory notes mature after 24 months and bear interest at 20% per annum. At the option of one of the subscribers, accrued interest of \$49,389 (2014 – \$14,038) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. The notes are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures (Note 12).

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NOTE 11 – PROMISSORY NOTES PAYABLE (continued)

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

A cash finder fee of \$2,500 and legal and regulatory costs of \$2,540 incurred in connection with the financing were charged against the promissory notes amount payable. As at April 30, 2015 interest expense of \$75,781 (2014 - \$43,389) has been recorded with respect to these promissory notes, of which \$1,400 (2014 - \$1,901) is included in accounts payable and accrued liabilities. In addition, accretion of transaction costs of \$3,915 (2014 - \$nil) has been recorded.

NOTE 12 – CONVERTIBLE DEBENTURES**(a) CAD denominated convertible debentures**

	Liability Component	Equity 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	29,257	-
Conversion to common shares	(99,459)	(158,223)
Balance, April 30, 2015	348,716	-

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

The debenture is secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement and hold preference to any security held by holders of the promissory notes (Note 11).

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NOTE 12 – CONVERTIBLE DEBENTURES (continued)

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 was based on a share price of \$0.10 and the conversion of any interest payable was based on the greater of \$0.10 per share or the closing share price on the date the Company received notice from the holder. On October 30, 2014, \$55,000 of the convertible debentures were converted to 550,000 common shares of the Company.

Interest on the debenture is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. During the year ended April 30, 2015, the Company recorded accretion expense and amortization of issuance costs of \$13,563 (2014 – \$7,143), and interest expense of \$24,758 (2014 – \$19,945) all of which has been paid as of April 30, 2015.

On May 23, 2014, the Company closed a second debenture financing for gross proceeds of \$325,000. The Company had received all of the proceeds in advance of the closing and accordingly they were reflected as current liabilities on the Consolidated Statements of Financial Position as at April 30, 2014. The debenture 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 debenture mature on May 22, 2019 and are redeemable by the Company at any time after May 22, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement. At the date of issue \$234,785 was attributed to the liability component of the convertible debenture and \$90,215 to the equity component based on an effective interest rate of 20%. On December 1, 2014, \$81,250 of the convertible debentures were converted to 650,000 common shares of the Company.

Professional fees of \$18,297 have been incurred in connection with the debenture offering and have been recorded against the liability and equity component on a pro-rata basis. During the year ended April 30, 2015, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$15,696 and interest expense of \$31,175 of which \$2,003 has been included in accounts payable and accrued liabilities as of April 30, 2015.

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NOTE 12 – CONVERTIBLE DEBENTURES (continued)**(b) USD denominated convertible debentures**

	Liability Component	Equity Component
	\$	\$
Balance, April 30, 2014	-	-
April 27, 2015 convertible debenture issuance	704,902	23,858
Issuance costs allocated	(101,228)	(3,426)
Accretion and amortization	8,927	-
Foreign exchange	(4,920)	-
Balance, April 30, 2015	607,681	20,432

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

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

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

Professional and arrangement fees of \$104,654 have been incurred in connection with the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis. During the year ended April 30, 2015, the Company recorded accretion expense and amortization of issuance costs of \$8,927 and interest expense of \$896 which has been included in accounts payable and accrued liabilities as of April 30, 2015.

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NOTE 13 – BOND PAYABLE

	April 30, 2015	April 30, 2014
	\$	\$
First tranche (closed June 3, 2014)	2,700,000	-
Second tranche (closed August 29, 2014)	1,400,000	-
Third tranche (closed November 20, 2014)	1,400,000	-
Financing and issuance costs	(742,982)	-
Accretion and amortization	127,193	-
Current portion	-	-
Long-term portion	4,884,211	-

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

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

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

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

In connection with the financing, during the year ended April 30, 2015, the Company recorded \$742,982 (2014 - \$nil) of financing and legal fees (see tranche details below), and recorded accretion expense and amortization of issuance costs of \$127,193 (2014 - \$nil).

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NOTE 13 – BOND PAYABLE (continued)

No principal repayments were required in the year ending April 30, 2015. Principal repayment of the bond financing is scheduled as follows:

Year ending:	\$
April 30, 2017	1,193,179
April 30, 2018	4,306,821
	<u>5,500,000</u>

First tranche

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

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

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

During the year ended April 30, 2015, with respect to this first tranche of the bond financing the Company recorded interest expense of \$255,836 of which \$58,289 has been included in accounts payable and accrued liabilities as of April 30, 2015.

Second tranche

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

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NOTE 13 – BOND PAYABLE (continued)

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

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

During the year ended April 30, 2015, with respect to this second tranche of the bond financing the Company recorded interest expense of \$98,959 of which \$28,000 has been included in accounts payable and accrued liabilities as of April 30, 2015.

Third tranche

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

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

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	93%
Expected life	3 years

During the year ended April 30, 2015, with respect to this third tranche of the bond financing the Company recorded interest expense of \$70,890 of which \$2,110 has been included in accounts payable and accrued liabilities as of April 30, 2015.

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NOTE 14 – DEBENTURE UNITS

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

In addition professional and finder’s fees of \$182,029 were paid in cash, 643,600 finder’s warrants were issued, and 1,600,000 subscriber warrants were issued. The warrants are exercisable at \$0.25 per share for 18 months and 12 months respectively. At the date of issue \$1,932,517 was attributed to the debenture and \$84,081 to the warrants based on an effective interest rate of 20%. The fair value of the finder’s warrants was \$45,353.

For purposes of the calculations of compensation charge associated with the 643,600 finder’s warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	0.78%
Expected dividends	\$nil
Expected volatility	64%
Expected life	1.5 years

During the year ended April 30, 2015, the Company recorded accretion expense and amortization of issuance costs of \$31,595 and interest expense of \$41,581 which has been included in accounts payable and accrued liabilities as of April 30, 2015.

NOTE 15 – ASSET RETIREMENT AND RECLAMATION OBLIGATIONS

The Company’s operations are governed by laws and regulations covering the protection of the environment. The Company will implement progressive measures for rehabilitation work to be carried out during the operation, closing and follow-up work upon closing of the gold processing plant. Consequently the Company accounted for its asset retirement obligations for the plant using best estimates of future costs, based on information available at the reporting date. These estimates are subject to change following modifications to laws and regulations or as new information become available.

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NOTE 15 – ASSET RETIREMENT AND RECLAMATION OBLIGATIONS (continued)

The table below presents the evolution of the asset retirement obligations for the mineral processing operations for the years ended:

	April 30, 2015	April 30, 2014
Beginning of year	\$ -	\$ -
New obligation	278,829	-
	278,829	-

As at April 30, 2015, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is \$535,055 and is projected to be disbursed over years 10 and 11. A 6.40% discount rate was used to evaluate this and a 2.92% inflation rate.

NOTE 16 – SHARE CAPITAL AND RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At April 30, 2015, there were 69,380,914 issued and fully paid common shares (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 debenture (see Note 12). A reclassification of \$55,000 from the liability component and \$73,087 from the equity component of the convertible debenture to share capital was recorded on the conversion.

On November 20, 2014, 650,000 common shares were issued pursuant to conversion of \$81,250 of the convertible debenture (see Note 12). A reclassification of \$81,250 from the liability component and \$85,136 from the equity component of the convertible debenture to share capital was recorded on the conversion.

During the year ended April 30, 2015, 280,240 common shares were issued for services to a key Peruvian employee pursuant to his employment agreement which requires USD\$80,000 worth of the Company's common shares payable in four equal quarterly instalments with such shares to be issued at the greater of (i) the maximum discount to the market price on the TSX-V at the end of such quarter as permitted by TSX-V policies, and (ii) CAD\$0.15. The Company issued 151,040 shares in December 2014, and 129,200 in March 2015, pursuant to this agreement.

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)

On December 2, 2013 and December 23, 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 at a price of GBP £1.00 per share. 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.

(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.

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)

The status of the options outstanding is as follows:

	Options #	Weighted Average 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	2,710,000	0.156
Exercised	(2,424,000)	0.145
Forfeited	(453,000)	0.374
Balance, April 30, 2015	3,631,000	0.204

The following table summarizes the options outstanding as at April 30, 2015:

Options #	Exercise Price \$	Expiry Date	Vesting Provisions #
150,000	0.25	February 9, 2017	Vested
250,000	0.15	October 5, 2017	Vested
396,000	0.15	October 30, 2017	Vested
275,000	0.15	May 30, 2018	Vested
200,000	0.15	October 31, 2018	Vested
1,100,000	0.15	June 4, 2019	Vested
450,000	0.15	August 29, 2019	Vested
160,000	0.25	April 15, 2020	Vested
75,000	0.22	September 23, 2020	Vested
575,000	0.43	July 11, 2021	Vested
3,631,000			

As at April 30, 2015, the weighted average remaining contractual life of the options is 4.04 years.

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NOTE 16 – SHARE CAPITAL AND RESERVES (continued)

During the year ended April 30, 2015, the Company recognized share-based payments of \$377,733 (2014 – \$105,658) for stock options granted and vested during the year. The fair value of stock options granted during the year ended April 30, 2015 and 2014 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2015	2014
Risk-free interest rate	1.96%	1.63%
Expected dividends	\$nil	\$nil
Expected volatility	155%	165%
Expected life	5.00 years	5.00 years

The weighted average fair value of stock options granted during the year ended April 30, 2015 was \$0.14 (2014 – \$0.09) per option.

(e) Warrants

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

	Warrants	Weighted Average Exercise Price
	#	\$
Balance, April 30, 2013	18,767,143	0.273
Issued	-	-
Expired	(8,641,343)	0.360
Balance, April 30, 2014	10,125,800	0.200
Issued	5,176,934	0.193
Exercised	(1,902,000)	0.200
Expired	-	-
Balance, April 30, 2015	13,400,734	0.197

The following table summarizes the share purchase warrants outstanding at April 30, 2015:

Number of Warrants	Exercise Price	Expiry Date
1,600,000	0.25	March 18, 2016
8,223,800	0.20	April 5, 2016
643,600	0.25	September 18, 2016
1,440,000	0.15	May 20, 2017
746,667	0.15	August 29, 2017
746,667	0.15	November 20, 2017
13,400,734		

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NOTE 17 – RELATED PARTY TRANSACTIONS**(a) Related Party Transactions**

The Company incurred charges to directors and officers or to companies associated with these individuals during the years ended April 30, 2015 and 2014 as follows:

	2015	2014
	\$	\$
Accounting fees in professional fees	78,056	106,424
Consulting and management fees	561,248	217,000
Director fees	36,000	-
Finance costs	37,488	44,734
Legal fees	71,125	102,018
	783,917	470,176

Accounting fees are paid to companies controlled a director. Consulting and management fees are paid to companies controlled by the President, COO, CFO, or VP Operations & New Projects. Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the President, COO, CFO, or VP Operations & New Projects, or to a company controlled by a director. Legal fees and share issuance costs were paid to a legal firm with which the Corporate Secretary was previously associated with. During the year ended April 30, 2015 there was a \$425,000 repayment of advances and promissory notes (\$205,000 for advances and \$220,000 for promissory notes) to officers of the Company and \$50,000 to a company controlled by a director (See Note 11).

(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, COO and VP Operations & New Projects. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the President, CFO, COO and VP Operations & New Projects, accounting fees paid to companies controlled by a director or the CFO, and by the issue of options.

	2015	2014
	\$	\$
Management, accounting and CFO fees included in Note 17(a) above	675,304	298,424
Share-based payments	209,962	55,487
	885,266	353,911

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

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NOTE 17 – RELATED PARTY TRANSACTIONS (continued)**(c) Related Party Balances**

All related party balances payable, including for business expenses reimbursements, advances to the Company, annual bonuses as approved by the board of directors, and for services rendered as at April 30, 2015 are non-interest bearing and payable on demand and are comprised of \$30,958 (2014 – \$101,526) payable to the President and a company controlled by the President, \$7,826 (2014 – \$nil) payable to the CFO or a company controlled by the CFO, \$71,424 (2014 – \$70,111) payable to the COO and a company controlled by the COO, \$9,128 (2014 – \$nil) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$21,718 (2014 – \$57,739) payable to directors or companies controlled by directors and \$36,724 (2014 – \$66,551) payable to a legal firm with which a former Corporate Secretary was associated. Included in prepaid expense is \$52,000 (2014 - \$nil) relating to the remuneration to officers of the Company, which will be amortized to management and consulting fees over the balance of calendar 2015.

NOTE 18 – 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 \$15,000, and whereby additional fees may be payable if certain conditions exist upon eventual termination of the contract.

NOTE 19 – 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:

April 30, 2015	Canada	Peru	Total
	\$	\$	\$
Revenue	-	4,304,802	4,304,802
Cost of goods sold (including \$66,037 of depreciation)	-	4,173,660	4,173,660
Gross margin	-	131,142	131,142
Assets:			
Inventory	-	1,468,421	1,468,421
Property, plant and equipment	3,649	5,175,055	5,178,704
Total long-term and operating assets	3,649	6,643,476	6,647,125

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NOTE 19 – SEGMENTED INFORMATION (continued)

April 30, 2014	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
Total long-term and operating assets	26,272	1,518,833	1,545,105

NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at April 30, 2015, the Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, accounts payable and accrued liabilities, due to related parties, promissory notes payable convertible debentures, debentures and loan 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, promissory notes payable, convertible debentures, debentures and loan payable are designated as other financial liabilities, which are measured at amortized cost.

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

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

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

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

As at April 30, 2015, the Company believes that the carrying values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The fair value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

(b) Financial Instruments Risk

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:

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NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk

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

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at April 30, 2015, the Company had cash and cash equivalents of \$454,321 and current working capital deficiency of \$516,327 with total liabilities of \$9,339,872.

(iii) Market risk

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements. At April 30, 2015, the Company has no variable rate debt.

b. Foreign currency risk

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

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NOTE 20 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	April 30, 2015	April 30, 2014
	\$	\$
US dollar:		
Cash and cash equivalents	321,099	22,792
Receivables	54,643	-
Accounts payable and accrued liabilities	(525,948)	(16,116)
Debenture, convertible debenture and promissory note	(2,895,360)	-
Net assets	(3,045,566)	6,676
Sol:		
Cash and cash equivalents	38,858	9,704
Receivables	589,500	-
Accounts payable and accrued liabilities	(347,062)	(167,734)
Net liabilities	281,296	(158,030)

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the year ended April 30, 2015 would have varied by approximately \$312,000.

Assuming all other variables constant, an increase or a decrease of 10% of the Sol against the Canadian dollar, the net loss of the Company and the equity for the year ended April 30, 2015 would have varied by approximately \$28,000.

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

c. Commodity price risk

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

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NOTE 21 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders.

The Company considers its current capital structure to consist of promissory notes payable, convertible debentures, debentures, bond payable and the items included in shareholders' equity (deficiency). The Company's projected future revenues from mineral processing operations are intended to generate sufficient funds to service its debts and to provide funding for future operations. Notwithstanding these proceeds the Company expects to continue to be dependent on its capital resources which are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements except for the right of first refusal for future debt and equity financings provided to bond and debenture holders per financings entered during the 2015 fiscal year.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the further operation of its Peruvian toll-milling operations the Company prepares expenditure budgets which are updated as necessary, and are reviewed and approved by the Company's Board of Directors.

NOTE 22 – INCOME TAXES

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to net income before income taxes. The statutory rate in Canada is 26% (2014 – 26%) while the Peruvian tax rate is 30% (2014 – 30%).

	2015	2014
	\$	\$
Net loss before income taxes for the year	(4,072,372)	(4,269,643)
Average statutory rate	26%	26%
Income tax recovery at applicable rate	(1,059,000)	(1,110,000)
Impact of different foreign statutory tax rates	(16,000)	(66,000)
Non-deductible amounts	271,000	463,000
Unrealized loss on marketable securities	-	(61,000)
Issuance of convertible debentures	(27,000)	20,000
Share issuance costs	(90,000)	(34,000)
Adjustment or prior years provision versus statutory tax returns and other	686,000	-
Change in non-recognized deferred tax assets and other	370,000	788,000
Income tax provision	135,000	-

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NOTE 22 – INCOME TAXES (continued)Deferred tax liability, net

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The income tax benefit of the following deferred tax liabilities net of recognized deferred tax assets has been recognized in these financial statements:

	2015	2014
	\$	\$
Deferred tax asset:		
Non-capital losses carried forward	740,000	-
Deferred tax liabilities:		
Inventory	10,000	-
Property, plant and equipment	707,000	-
Debt with accretion	185,000	-
	902,000	-
Deferred tax liabilities, net	162,000	-

Unrecognized deductible temporary differences

The income tax benefit of the following deductible temporary differences has not been recorded in these financial statements because of the uncertainty of their recovery:

	2015	2014
	\$	\$
Non-capital losses carried forward	8,876,000	7,617,000
Share issuance costs	454,000	275,000
Mineral properties	94,000	47,000
Other	1,102,000	1,035,000

Non-capital losses carried forward

The Company has tax losses for Peruvian purposes of approximately \$2,466,000 (2014 – \$350,000) available to offset against future years' taxable income in Peru. The Company also has non-capital losses available to reduce taxes in future years of approximately \$8,922,000 (2014 – \$7,695,000) in Canada with expiry over 2026 through 2035 which have not been recognized in these financial statements.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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NOTE 23 – SUPPLEMENTAL CASH FLOW INFORMATION

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 year ended April 30, 2015, the following transactions were excluded from the statements of cash flows:

- The Company issued 2,933,334 finder's warrants at the fair value of \$285,288 pursuant to the bond financing.
- \$99,461 of the convertible debentures were converted to 1,200,000 common shares of the Company. A reclassification of \$99,451 from the liability component and \$136,223 from the equity component of the convertible debenture to share capital was recorded on the conversion.
- The Company issued 643,600 finder's warrants and 1,600,000 subscriber warrants at the fair value of \$45,353 and \$84,081, respectively, pursuant to the Debenture Unit Financing.
- The Company accrued \$126,040 in property, plant and equipment expenditures through accounts payable and accrued liability.

During the year ended April 30, 2014, the following transactions were excluded from the statements of cash flows:

- The Company issued 12,000,000 common shares at the fair value of \$1,320,000, in exchange for 733,007 GRIT Shares. A finder's fee in the form of 960,000 common shares at the fair value of \$105,600 was paid in connection with this share exchange.
- The Company accrued \$250,762 in property, plant and equipment expenditures through accounts payable and accrued liabilities.
- The Company accrued \$68,000 in exploration and evaluation asset expenditures through accounts payable and accrued liabilities.

NOTE 24 – SUBSEQUENT EVENTS

- a) During May 2015, a director and officer and an officer of the Company advanced to the Company a total of \$100,000 in cash in exchange for short term promissory notes. The notes are unsecured with an interest rate of 20% per annum payable on maturity in 6 months.
- b) During May 2015, 210,000 stock options with prices ranging from \$0.15 to \$0.25 were exercised for gross proceeds of \$37,500, and 100,000 warrants with an exercise price of \$0.20 were exercised for gross proceeds of \$20,000.

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NOTE 24 – SUBSEQUENT EVENTS (continued)

- c) On May 5, 2015, the Company granted 2,780,000 stock options to various directors and officers of the Company. The stock options are exercisable at a price of \$0.25 per share and expire on May 5, 2018.
- d) On May 19, 2015, the Company closed the second tranche of the USD Convertible Loan (Note 12) for gross proceeds of US\$500,000.
- e) On June 1, 2015, the Company closed the third tranche of the USD Convertible Loan (Note 12) for gross proceeds of US\$400,000.
- f) During June 2015 a company controlled by an individual who was subsequently appointed a director of the Company on July 8, 2015 advanced to the Company USD\$500,000 in cash in exchange for a short term promissory note of which USD\$100,000 were repaid during August 2015. The note is unsecured with an interest rate of 20% per annum payable on maturity in 6 months.
- g) On July 10, 2015, the Company closed a non-brokered debenture financing (the “Second Debenture Unit Financing”) for gross proceeds of USD\$500,000. The Second Debenture Unit Financing consists of 20 units (the “Second Units”) with each Second Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 25,000 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$0.25 for 12 months from the closing date of the Second Debenture Unit Financing.

The holders of the debentures are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debentures is 12 months with a 12 month extension at the option of the Company and the debentures are secured by a security interest in certain of the Company’s present and after acquired property to be registered in British Columbia. A finder’s fee of 5% of the gross proceeds of the Second Debenture Unit Financing is payable in cash by the Company to certain finders.

- h) On August 17, 2015, the Company announced a private placement of up to 3,333,333 common shares at a price of \$0.15 per Share for gross proceeds of up to \$500,000 (the “Private Placement”). The proceeds of the Private Placement will be used for general working capital purposes. The Company may pay finders’ fees in connection with the Private Placement, subject to compliance with the rules of the TSX Venture Exchange. On August 25, 2015 the Company closed the Private Placement for gross proceeds of \$601,459 including an oversubscription of \$101,459, and issued 4,009,726 shares.