



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended October 31, 2019, and 2018
(Expressed in US Dollars)

NOTICE TO READER

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

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

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

INCA ONE GOLD CORP.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in US Dollars)

	Note	October 31, 2019	April 30, 2019
		\$	\$
Assets			
Current:			
Cash		397,279	1,820,101
Receivables	5	1,446,688	3,817,138
Prepaid expenses and deposits	6	1,548,193	1,684,191
Inventory	7	4,806,984	4,078,545
		8,199,144	11,399,975
Long term receivable	8	346,493	346,493
Property, plant and equipment	9	11,896,507	12,311,429
Total assets		20,442,144	24,057,897
Liabilities			
Current:			
Accounts payable and accrued liabilities	10	2,948,343	2,266,371
Contractual liabilities as result of the acquisition of Anthem United	11	4,756,757	2,993,709
Secured debentures	12	300,000	-
Deferred revenue	16	908,643	1,771,183
Derivative financial liability	16	1,121,125	951,467
		10,034,868	7,982,730
Contractual liabilities as result of the acquisition of Anthem United	11	2,125,520	4,558,032
Secured debentures	12	1,179,189	1,448,011
Asset retirement and reclamation obligations	13	1,110,357	1,085,647
		14,449,934	15,074,420
Shareholders' Equity			
Share capital	14	26,731,627	26,652,943
Reserves	14	6,266,124	6,226,083
Accumulated other comprehensive income		(554,328)	(321,263)
Deficit		(27,682,740)	(24,897,870)
Shareholders equity attributable to Inca One		4,760,683	7,659,893
Non-controlling interest		1,231,527	1,323,584
Total shareholder's equity		5,992,210	8,983,477
Total liabilities and shareholders' equity		20,442,144	24,057,897

Nature of operations and going concern (note 1)

Acquisition of Anthem United Inc. (note 4)

Subsequent event (note 14)

Commitments (note 16)

Approved on behalf of the Board of Directors on December 30, 2019

"Bruce Bragagnolo"

Director

"Edward Kelly"

Director

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

INCA ONE GOLD CORP.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in US Dollars)

	Notes	Three Months Ended October 31,		Six Months Ended October 31,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Revenue		10,374,957	8,939,622	15,924,423	14,584,943
Cost of goods sold					
Cost of operations	20	(10,468,946)	(8,425,730)	(16,091,417)	(13,472,179)
Depreciation	20	(350,991)	(277,876)	(710,540)	(448,565)
Total cost of goods sold		(10,819,937)	(8,703,606)	(16,801,957)	(13,920,744)
Gross operating margin (deficit)		(444,980)	236,016	(877,534)	664,199
Corporate and administrative expenses	20	(668,957)	(730,377)	(1,209,325)	(1,248,357)
Loss from operations		(1,113,937)	(494,361)	(2,086,859)	(584,158)
Reversal of prior year impairments		6,867	-	6,867	-
Finance and other income (expense)	20	(325,330)	(421,946)	(741,792)	(518,628)
Business development		(5,225)	(216,064)	(55,143)	(216,064)
Net loss of the period		(1,437,625)	(1,132,371)	(2,876,927)	(1,318,850)
Other comprehensive income (loss):					
Foreign currency translation adjustment		(86,905)	6,447	(233,065)	63,035
Comprehensive loss for the period		(1,524,530)	(1,125,924)	(3,109,992)	(1,255,815)
Net loss and comprehensive loss attributable to:					
Inca One Gold Corp's shareholders		(1,466,736)	(1,086,422)	(3,017,935)	(1,216,313)
Non-controlling interest		(57,794)	(39,502)	(92,057)	(39,502)
		(1,524,530)	(1,125,924)	(3,109,992)	(1,255,815)
Weighted average shares outstanding					
Basic		264,150,550	231,541,400	263,530,331	188,983,976
Diluted		264,150,550	231,541,400	263,530,331	188,983,976
Earnings (loss) per share					
Basic		(0.01)	(0.00)	(0.01)	(0.01)
Diluted		(0.01)	(0.00)	(0.01)	(0.01)

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

INCA ONE GOLD CORP.

Condensed Interim Consolidated Statements in Equity
(Unaudited - Expressed in US Dollars)

	Share capital				Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity (deficiency)
	Common shares (note 16(b))	Amount	Equity reserves	Non-controlling interest			
	#	\$	\$	\$			
Balance, April 30, 2018 restated – Note 2 (e)	146,426,552	22,175,028	6,110,016	-	(337,846)	(24,753,001)	3,194,197
Comprehensive loss for the period	-	-	-	(39,502)	63,035	(1,279,348)	(1,255,815)
Shares issued for acquisition of Anthem United ^(a)	110,050,225	4,197,842	-	-	-	-	4,197,842
Non-controlling interest as at acquisition date	-	-	-	1,095,398	-	-	1,095,398
Exercised options	333,334	15,571	(380)	-	-	-	15,191
Share -based payments (note 14 (d))	-	-	68,078	-	-	-	68,078
Balance, October 31, 2018	256,810,111	26,388,441	6,177,714	1,055,896	(274,811)	(26,032,349)	7,314,891
Comprehensive loss for the period	-	-	-	99,880	(46,452)	1,134,479	1,187,907
Adjustment in Shares issued for acquisition of Anthem United ^(a)	-	337	-	-	-	-	337
Adjustment in Non-controlling interest as at acquisition date	-	-	-	167,808	-	-	167,808
Exercised options	6,100,001	264,165	(35,177)	-	-	-	228,988
Share-based payments	-	-	83,546	-	-	-	83,546
Balance, April 30, 2019	262,910,112	26,652,943	6,226,083	1,323,584	(321,263)	(24,897,870)	8,983,477
Comprehensive loss for the period	-	-	-	(92,057)	(233,065)	(2,784,870)	(3,109,992)
Shares issued pursuant section 2(2) share purchased agreement with Equinox	1,607,328	78,684	-	-	-	-	78,684
Share-based payments (note 14 (d))	-	-	40,041	-	-	-	40,041
Balance October 31, 2019	264,517,440	26,731,627	6,266,124	1,231,527	(554,328)	(27,682,740)	5,992,210

(a) Equivalent to CAD\$ 5,502,511 Net of transaction costs of \$22,833

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

INCA ONE GOLD CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in US Dollars)

	Six Months Ended	
	October 31, 2019	October 31, 2018
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(2,876,927)	(1,318,850)
Items not involving cash:		
Depreciation	731,701	471,231
Stock-based compensation	40,044	68,089
Accretion expense	8,175	5,750
Accretion of asset retirement and reclamation obligations	24,710	20,979
Accrued interest	-	4,859
Interest expense	203,826	221,592
Unrealized foreign exchange	(74,364)	70,927
Loss on disposition of property plant and equipment	2,980	-
Loss in fair value adjustment of the contractual liabilities as result of the acquisition of Anthem United	328,704	178,365
Loss (gain) in fair value adjustment of derivative financial liability	149,519	(50,026)
Changes in non-cash operating working capital:		
Receivables	2,356,637	688,477
Prepaid expenses and deposits	135,998	(399,643)
Inventory	(728,439)	658,822
Accounts payable and accrued liabilities	568,063	(727,100)
Deferred revenue	(862,540)	390,578
Net cash provided by (used in) operating activities	8,087	284,050
Financing activities:		
Proceeds from issuance of shares (exercised options)	-	15,191
Payment of contractual liabilities as result of the acquisition of Anthem United	(1,000,000)	-
Interest paid	(88,916)	(99,154)
Net cash provided by financing activities	(1,088,916)	(83,963)
Investing activities:		
Purchase of property, plant and equipment (net of disposition)	(349,064)	(302,333)
Proceeds on sale of property plant and equipment	4,898	-
Cash acquired in acquisition of Anthem United Inc.	-	1,034,961
Net cash provided by (used in) investing activities	(344,166)	732,628
Increase (decrease) in cash and cash equivalents	(1,424,995)	932,715
Effect of exchange rates on cash held in foreign currencies	2,173	(1,899)
Cash and cash equivalents, beginning of the year	1,820,101	266,836
Cash and cash equivalents, end of the period	397,279	1,197,652

Supplemental disclosure with respect to cash flows (note 21)

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

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Statements
For the Three and Six Months Ended October 31, 2019 and 2018
(Unaudited - Expressed in US Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Gold 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 850 - 1140 West Pender Street, Vancouver, Canada, V6E 4G1 and its registered office is located at 10th Floor, 595 Howe Street, Vancouver, Canada, V6C 2T5.

Inca One is engaged in the business of developing gold-bearing mineral processing operations in Peru, to service government permitted small scale miners. In recent years the Peruvian government instituted a formalization process for informal miners as part of its efforts to regulate their activities. The Company, through its Peruvian subsidiaries Chala One SAC ("Chala One") and EMC Green Group SA ("EMC") owns two Peruvian mineral processing plants with 450 tonnes per day ("TPD") of processing capacity. The Company's business plan is to source high grade gold mill feed from legally recognized Peruvian artisanal and small scale miners, purchase and process the material, and export gold concentrate or doré.

The Company continues to actively evaluate potential mineral projects, including additional mineral processing operations.

These condensed interim consolidated statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the six months ended October 31, 2019, the Company incurred in a net comprehensive loss for the period of \$3.1 million. As of that date the Company had a deficit of \$27.7 million and a deficit in working capital of \$1.8 million. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to fund operating and administration costs and debt and debt service costs over the year with the proceeds from gold doré sales at the Company's gold ore processing facilities in Peru and where required, from debt and equity financing and proceeds from option and warrant exercises.

The Company's ability to continue as a going concern is dependent upon its ability to generate net income and positive cash flows from its Peruvian ore processing operations and its ability to raise equity capital or debt sufficient to meet current and future obligations.

These condensed interim consolidated 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.

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Notes to the Condensed Interim Consolidated Statements
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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Presentation**

These Condensed Interim Consolidated 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 Condensed Interim Consolidated Statements have been prepared using the significant accounting policies and measurement bases summarized below and were approved by the board of directors for issue on December 30, 2019.

(b) Basis of Consolidation

The Condensed Interim Consolidated Statements are presented in US dollars unless otherwise noted and include the accounts of the Company and its subsidiaries listed below:

	Country of Incorporation	Equity Interest
Chala One S.A.C.	Peru	100%
Inca One Metals Peru S.A.	Peru	100%
Dynasty One S.A.	Peru	100%
Corizona S.A.C.	Peru	100%
Anthem United Inc. ^(a)	Canada	100%
Anthem United (Holdings) Inc. ^(a)	Canada	100%
Oro Proceso Co. S.A.C. ^(a)	Peru	100%
EMC Green Group S.A.C. ^(a)	Peru	90.14%
Koricancha Joint Venture ^(a)	Peru	90.14%

(a) Acquired on August 21, 2018 (note 4)

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. For partially owned subsidiaries, the interest attributable to non-controlling parties is reflected in non-controlling interest.

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Notes to the Condensed Interim Consolidated Statements
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(Unaudited - Expressed in US Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures

The Company applied IFRS 15 and IFRS 9 effective May 1, 2018, the nature and effect of which are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the comparative period.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 applies to all revenue arising from contracts with its customers. The new revenue standard establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognized when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled. The standard also requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Company determined that there is no impact on the comparative condensed interim consolidated financial statements from adoption of IFRS 15.

IFRS 9 – Financial Instruments

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, in accordance with IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”), there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL (but there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company completed a detailed assessment of its financial assets and liabilities as at May 1, 2018. The adoption of IFRS 9 had no impact on the Company’s financial instruments; however, it has an impact on the classification and disclosure of the Company’s financial instruments compared to the old standard IAS 39 as follows:

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Statements
For the Three and Six Months Ended October 31, 2019 and 2018
(Unaudited - Expressed in US Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash	Loans and receivable	Amortized cost
Receivables	Loans and receivable	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Secured debentures	Amortized cost	Amortized cost
Promissory notes	Amortized cost	Amortized cost
Contractual liabilities as result of the acquisition of Anthem United	Amortized cost	Amortized cost
Derivative financial liability	Amortized cost	Amortized cost

(d) Use of Estimates and Judgments

The Company's use estimates and judgments were presented in note 2 of the audited consolidated financial statements for the year ended April 30, 2019.

(e) Foreign Currency Translation*(i) Functional currency 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.

Effective May 1, 2018, the Company changed its presentation currency from Canadian dollars to United States dollars which is the currency that most strongly influences the primary operating and capital decisions of the Company.

These Condensed Interim Consolidated Financial Statements have been prepared in US dollars and all comparable prior-period financial statements have been restated to US dollars in accordance with IAS 1 "Presentation of Financial Statements". For the purposes of presentation of the comparative financial statements; all assets and liabilities have been converted to US dollars at the rate prevailing at the end of the reporting period. Fixed assets and equity transactions are converted at the date of the transaction or at the average exchange rate for the period depending on the nature of the underlying transaction.

The functional currency of the Canadian company is the Canadian dollar and the functional currency of its subsidiaries, including Chala One, EMC and Anthem is the US dollar.

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Notes to the Condensed Interim Consolidated Statements
For the Three and Six Months Ended October 31, 2019 and 2018
(Unaudited - Expressed in US Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Foreign currency 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:

- Monetary assets and liabilities are translated at the closing rate at the reporting date;
- Non-monetary assets and equity are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined; and
- Income and expenses for each income statement are translated at exchange rates at the dates of the transactions and where appropriate, approximated by the average exchange rates for the period.

(f) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination and the non-controlling interest over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination and the non-controlling interest, the excess is recognized immediately as income in the condensed interim consolidated statement of operation and comprehensive income.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Statements
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(Unaudited - Expressed in US Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) Non-controlling Interest**

Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition. Subsequent to the acquisition date, adjustments are made to the carrying amount of the non-controlling interests for the non-controlling interests' share of changes to the subsidiary's equity. In the event a non-controlling interest is represented by a non-participating entity, then the non-controlling interest is not recognized until the entity has the right to receive its share of the subsidiary's net assets.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interest in the subsidiary and the difference to the carrying amount of the non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized in equity and attributed to the shareholders of the Company.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

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

IFRS 16 - Leases - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases that is currently required by IAS 17 Leases and, instead, introduces a single lessee accounting model. From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. Management does not expect any material impact as result of the application of this new standard. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

NOTE 4 – ACQUISITION OF ANTHEM UNITED INC.

On August 21, 2018 ("Closing Date") the Company completed the acquisition of the 100% ownership of Anthem United Inc. ("Anthem"), which owns a 90.14% interest in the 350 tonnes per day ("TPD") Koricancha ore processing facility in Peru ("Kori One"), from Equinox Gold Corp. ("Equinox") for cash and shares totaling approximately CAD\$17 million.

Under the terms of the Purchase Agreement, the Company acquired a 90.14% ownership of Kori One (the "Transaction") from Equinox and certain minority shareholders and terminated the 3.5% gold stream payable by Kori One for total consideration as follows:

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Notes to the Condensed Interim Consolidated Statements

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(Unaudited - Expressed in US Dollars)

NOTE 4 – ACQUISITION OF ANTHEM UNITED INC. (continued)

- CAD\$5.5 million payable by the issuance of 110,050,225 common shares of Inca One (“Inca One Shares”) on completion of the Purchase Agreement at a deemed price of CAD\$0.055 per common share, of which 51,269,708 Inca One shares were issued to Equinox, 51,269,708 Inca One shares were issued to SA Targeted Investing Corp. (“SATIC”) in consideration for the termination of the gold stream and the remaining Inca One shares were issued to certain minority shareholders who held an interest in Kori One.
- CAD\$2.5 million payment to Equinox on the first anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares, subject to Equinox’s ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One shares (the “Equinox Ownership Limit”).
- CAD\$2.5 million payment to Equinox on the second anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares, subject to the Equinox Ownership Limit.
- CAD\$1.5 million payment to Equinox in cash on the second anniversary of the completion of the Purchase Agreement.
- CAD\$2.5 million payment to Equinox on the third anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares, subject to the Equinox Ownership Limit.
- An amount equal to 50% of the Historical IGV recoveries prior to the fifth anniversary of the Closing Date.
- Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and \$3 million and certain payments related to outstanding value-added taxes receivable by Kori One, subject to receipt. The Company estimates the amount of working capital on closing was approximately \$3.7 million and therefore approximately \$0.7 million estimated payable on the third anniversary.

The allocation of the purchase price at August 21, 2018, based on the fair value of assets acquired and liabilities assumed, is as follows:

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NOTE 4 – ACQUISITION OF ANTHEM UNITED INC. (continued)

Total purchase price:	\$
Fair value of shares issued at acquisition	4,221,012
Fair value of promissory notes (note 12)	5,619,262
Fair value of working capital adjustment	509,948
Fair value of historical general sales taxes payable	1,197,988
Non-controlling interest	1,263,206
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Total purchase price to allocate	12,811,416
Fair value of assets acquired and liabilities assumed:	
Cash	1,034,961
Amounts receivable	124,988
IGV receivable	1,665,772
Historical IGV receivable	2,395,975
Long term IGV receivable	346,493
Prepaid income tax	464,334
Prepaid expenses	44,811
Inventory	2,453,900
Property, plant and equipment	7,503,136
Accounts payable and accrued liabilities	(1,272,406)
Asset retirement and reclamation obligations	(449,294)
Bargain purchase	(1,501,254)
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Total net identifiable assets	12,811,416

The purchase price allocation was finalized as at April 30, 2019.

The fair value of the Company's common shares issued for the acquisition of Anthem was determined using the closing market price of the Company's shares at August 21, 2018 and fair value of the promissory notes and working capital calculated on a cash flow basis using an 11% discount rate and a foreign exchange rate of 1 CAD = 0.7671.

The Company commenced consolidating Anthem's financial position and results of operations effective August 21, 2018.

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Notes to the Condensed Interim Consolidated Statements
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 (Unaudited - Expressed in US Dollars)

NOTE 5 – RECEIVABLES

	October 31, 2019	April 30, 2019
	\$	\$
GST recoverable (Canada)	11,102	25,887
IGV recoverable (Peru)	1,428,917	3,755,214
Other receivable	6,669	36,037
	1,446,688	3,817,138

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	October 31, 2019	April 30, 2019
	\$	\$
Deposits with mineral suppliers	339,352	489,916
Other deposits and advances	88,415	140,843
Prepaid taxes	918,165	877,427
Prepaid expenses	202,261	176,005
	1,548,193	1,684,191

NOTE 7 – INVENTORY

	October 31, 2019	April 30, 2019
	\$	\$
Ore stockpiles and gold in process ^(a)	2,905,421	2,487,586
Finished goods – gold ^(a)	1,561,642	1,361,011
Materials and supplies	339,921	229,948
	4,806,984	4,078,545

(a) As at October 31, 2019, A Write-down was recorded to reflect the lower of cost and net realizable value for both, gold in process and finished goods of \$90,077 and \$72,767 respectively.

NOTE 8 – LONG TERM RECEIVABLE

As result of the Acquisition of Anthem, the Company acquired the right to claim refunds of prior years' general sales taxes ("Historical IGV") related to the construction of Kori One in Peru for approximately \$4.2 million. The Company has agreed to pay Equinox 50% of any amounts collected less costs to collect, the remainder of which is for the benefit of the Company.

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NOTE 8 – LONG TERM RECEIVABLE (continued)

During the Three and Six months ended October 31, 2019, the Company collected approximately \$2.4 million of the historical IGV. The collectability of the balance of approximately \$1.8 million of this Historical IGV is uncertain and therefore has been reflected in the net identifiable assets (note 4) at its estimated fair value.

As at October 31, 2019, the Company estimated \$0.3 million as the fair value of the 50% expected cash flows related to the Historical IGV which has been classified as long term receivable. The Company used a discount rate of 11%, and a duration of approximately 17 years for its estimation. The Company is in the process of evaluating the collectability of this Historical IGV.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	Plant	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2018	6,819,353	65,649	58,087	6,943,089
Fixed assets acquired from Anthem United	7,381,378	88,281	33,477	7,503,136
Additions	798,139	8,645	788	807,572
Balance, April 30, 2019	14,998,870	162,575	92,352	15,253,797
Additions	347,622	1,110	332	349,064
IGV/VAT to receivables	(24,407)	-	-	(24,407)
Disposals	(11,596)	(1,085)	-	(12,681)
Balance, October 31, 2019	15,310,489	162,600	92,684	15,565,773
Accumulated Depreciation:				
Balance, April 30, 2018	1,675,708	28,056	33,088	1,736,852
Depreciation	1,139,421	38,951	27,144	1,205,516
Balance, April 30, 2019	2,815,129	67,007	60,232	2,942,368
Depreciation	693,729	21,736	16,236	731,701
Disposals	(4,803)	-	-	(4,803)
Balance, October 31, 2019	3,504,055	88,743	76,468	3,669,266
Net Book Value:				
April 30, 2019	12,183,741	95,568	32,120	12,311,429
October 31, 2019	11,806,434	73,857	16,216	11,896,507

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NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2019	April 30, 2019
	\$	\$
Trade accounts payable and accruals	2,592,049	1,932,140
Management, consulting and professional fees payable	312,737	289,004
Accrued interest	43,557	45,227
	2,948,343	2,266,371

NOTE 11 – CONTRACTUAL LIABILITIES AS RESULT OF THE ACQUISITION OF ANTHEM UNITED

	October 31, 2019	April 30, 2019
	\$	\$
Current Liabilities		
Promissory Notes payable in cash	1,040,667	-
Promissory Notes payable in cash or shares	3,555,321	1,795,721
Historical IGV payable in cash	160,769	1,197,988
Total Current Contractual Liabilities	4,756,757	2,993,709
Non-current Liabilities		
Promissory Notes payable in cash	-	965,685
Promissory Notes payable in cash or shares	1,554,621	3,052,019
Working Capital payable in cash	570,899	540,328
Total Non-current Contractual Liabilities	2,125,520	4,558,032

As result of the purchase agreement with Equinox (note 4) the company has issued a noninterest-bearing secured promissory note with a face value of CAD\$9.0 million which has the following conditions:

- CAD\$2.5 million payable on August 21, 2019, to be paid in cash or in Inca One shares at the discretion of Inca One (the “share payment election”), based on the preceding 20-day volume weighted average price of Inca One shares subject to Equinox’s ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares (the “Equinox Ownership Limit”). On August 21, 2019, the Company exercised its share payment election and issued 1,607,328 shares at CAD\$0.065 per share as partial payment of the installment. Due to the Equinox Ownership Limit, this was the maximum number of shares that the Company could issue.

The Company has an additional obligation of 36,854,210 shares at CAD\$0.065 per share to satisfy this first installment payment and will do so when Equinox’s ownership is reduced below 19.99%. The fair value of this additional obligation is approximately CAD\$2.4 million and is classified as a current liability.

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NOTE 11 – CONTRACTUAL LIABILITIES AS RESULT OF THE ACQUISITION OF ANTHEM UNITED

- CAD\$2.5 million payable on August 21, 2020, to be paid in cash or in Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares subject to Equinox Ownership Limit. As at October 31, 2019, the fair value of this payment has been estimated at \$1.7 million considering a discount rate of 11% and is classified as a current liability
- CAD\$1.5 million payable on August 21, 2020, to be paid in cash. As at October 31, 2019, the fair value of this payment has been estimated at \$1.0 million considering a discount rate of 11% and is classified as a current liability
- CAD\$2.5 million payable on August 21, 2021, to be paid in cash or in Inca One shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One shares subject to Equinox Ownership Limit. As at October 31, 2019, the fair value of this payment has been estimated at \$1.6 million considering a discount rate of 11% and is classified as a non-current liability.

The transaction also has a provision to pay in cash to Equinox, an amount equal to 50% of Historical IGV recoveries which are payable during the preceding fiscal quarter after each IGV recovery statement is submitted. As at October 31, 2019, the company recovered approximately \$2.4 million of Historical IGV, of which approximately \$1.2 million was payable to Equinox. On October 3, 2019, the Company paid \$1.0 million. As at October 31, 2019 the fair value of the balance payable to Equinox is approximately \$0.2 million and is classified as a current liability.

Additionally, the Transaction has a provision to pay in cash to Equinox, on or before the third anniversary of the completion of the Transaction, the difference between the amount of working capital at August 21, 2018 and \$3.0 million. Anthem's working capital at such date was \$3.7 million and therefore the estimated amount payable would be \$0.7 million payable on August 21, 2021. As at October 31, 2019, the fair value of this payment has been estimated at \$0.6 million considering a discount rate of 11% and is classified as a non-current liability.

NOTE 12 – SECURED DEBENTURES

	October 31, 2019	April 30, 2019
	\$	\$
Current Liabilities		
USD Secured Debenture ⁽¹⁾	300,000	-
Total Current Secured Debentures	300,000	-
Non-current Liabilities		
USD Secured Debenture ⁽¹⁾	-	300,000
CAD Secured Debenture (CAD\$ 1,600,000) ⁽²⁾	1,179,189	1,148,011
Total Non-current Secured Debentures	1,179,189	1,448,011

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NOTE 12 – SECURED DEBENTURES (continued)

As at October 31, 2019, the Company issued the following secured debentures:

- 1) On September 1, 2016, the Company issued a \$0.3 million debenture with an initial maturity date September 1, 2018, which (on September 7, 2018) was subsequently extended for an additional 24 months period and is payable on August 31, 2020. The debenture bears an interest at a rate of 11% per annum, and has general security over the assets of the Company (the “USD Secured Debenture”) second in priority to the CAD Secured Debenture (defined below). Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning May 31, 2019. Accrued interest of \$0.02 million has been included in accounts payable at October 31, 2019.
- 2) On March 29, 2018 the Company reached an agreement with certain debt holders to restructure a total of CAD\$2.7 million of its debt for a combination of shares, warrants and a new debt. Under the terms of the agreements CAD\$1.1 million was converted into 18,020,484 shares of the Company, and for the remaining balance of CAD\$1.6 million, the Company issued a new Secured Debenture with maturity date of September 1, 2021, which bears interest at a rate of 11% per annum, and has priority security over the assets of the Company (the “CAD Secured Debenture”). Principal is due on maturity, and the Company is required to make quarterly interest payments beginning September 1, 2018. Accrued interest of CAD\$0.03 million (equivalent to \$0.02 million) has been included in accounts payable at October 31, 2019.

NOTE 13 – ASSET RETIREMENT AND RECLAMATION PROVISION

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 plants; consequently, the Company accounted for its asset retirement obligations for the plants 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 becomes available.

	October 31, 2019	April 30, 2019
	\$	\$
Beginning of year	1,085,647	581,356
Accretion	24,710	54,997
Provision added as result of Anthem acquisition	-	449,294
	1,110,357	1,085,647

As at October 31, 2019, the estimated undiscounted cash flow required to settle the asset retirement obligation for both the “Chala Plant” and “Kori One Plant” and their related tailings ponds is approximately \$0.7 million and \$0.8 million respectively and are projected to be disbursed over 2026 and 2035 respectively. An average of 6.54% discount rate and a 3% inflation rate were used to calculate the present value of these provisions.

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NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

On August 16, 2016, the Company consolidated its share capital on a one-for-seven basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated share capital. At October 31, 2019, there were 264,517,440 shares issued and outstanding (April 30, 2019 – 262,910,112).

(c) Share Issuances

On August 21, 2019, (following its election to use the Share Payment Election clause of the Secured Promissory Note between Equinox Gold Corp and Inca One Gold Corp) the Company issued 1,607,328 (note 11) shares to partially paid the first installment of CAD 2.5 million which was due on August 21, 2019.

(d) Share-based Options

The Company adopted an incentive share-based 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 of the Company, non-transferable share-based 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. Share-based options will be exercisable for a period of up to 10 years from the date of grant.

The following table is a reconciliation of the movement in share-based options for the period and is presented on a post consolidated basis (note 14(b)):

	Share-based Options #	Weighted Average Exercise Price CAD\$
Balance, April 30, 2018	10,301,928	0.15
Granted	20,733,334	0.05
Exercised	(6,433,335)	0.05
Expired/Cancelled	(1,689,070)	0.44
Balance, April 30, 2019	22,912,857	0.07
Granted	3,000,000	0.05
Expired/Cancelled	(7,500,000)	0.06
Balance, October 31, 2019	18,412,857	0.07

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NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (continued)

The following table summarizes the share-based options outstanding, presented on a post consolidated basis (note 14(b)), as at October 31, 2019:

Share-based Options #	Exercise Price CAD\$	Expiry Date	Vesting Provisions
600,000	0.050	December 20, 2019	Vested
300,000	0.050	February 5, 2020	Vested
3,800,000	0.075	March 14, 2020	Vested
600,000	0.060	April 23, 2020	Vested
7,100,000	0.050	December 20, 2020	Unvested
2,500,000	0.050	February 5, 2021	Unvested
12,857	3.010	July 11, 2021	Vested
500,000	0.100	August 25, 2022	Vested
3,000,000	0.050	August 1, 2023	Unvested
18,412,857			

As at October 31, 2019, the weighted average remaining contractual life of the share-based options was 0.62 years (April 30, 2019 – 1.18 years).

During the Three and Six months ended October 31, 2019, the Company recognized share-based payments of \$19,630 and \$40,041 respectively (2018 - \$33,712 and 68,089 respectively) for share-based options granted and vested during the period.

On July 30, 2019, pursuant to the Company's share-based option plan, 3,000,000 incentive share based options were granted. The share-based options have an exercise price of CAD\$0.05 per share and are subject to a vesting period of 25% vesting immediately, 25% in one year, 25% in two years and 25% in three years. The options are exercisable until August 1, 2023.

Subsequent to October 31, 2019 and pursuant to the Company's share-based option plan, 2,300,000 incentive share based options were granted on December 5, 2019. The share-based options have an exercise price of CAD\$0.05 per share, expiration day November 7, 2021 and are subject to various vesting conditions.

The fair value of share-based options granted during the Three and Six months ended October 31, 2019 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

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NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (continued)

Granted on:	2019	2018
Risk-free interest rate	1.35%	0.96%
Expected dividends	CAD\$nil	CAD\$nil
Expected volatility	58.14%	56.52%
Expected life in years ^(a)	Avg 2.50	Avg 0.94

(a) Expected life of the options takes in consideration the forfeiture rate.

The weighted average fair value of share-based options granted during the Three and Six months ended October 31, 2019 was CAD\$0.01 (2018 - CAD\$0.01) per option.

(e) Warrants

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 14(b)), is as follows:

	Warrants #	Weighted Average Exercise Price CAD\$
Balance, April 30, 2018	95,821,809	0.22
Expired/Cancelled	(11,011,500)	0.15
Balance April 30, 2019	84,810,309	0.24
Expired/Cancelled	(37,086,623)	0.41
Balance, October 31, 2019	47,723,686	0.11

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 14(b)), as at October 31, 2019:

Warrants #	Exercise Price \$	Expiry Date
657,019	1.26	December 22, 2020
46,000,000	0.10	January 31, 2021
1,066,667	0.10	September 1, 2021
47,723,686		

As at October 31, 2019, the weighted average remaining contractual life of the warrants was 1.22 years (April 2019 – 1.13 years).

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NOTE 15 – RELATED PARTY TRANSACTIONS**(a) Related Party Transactions**

Consulting and management fees are and were paid to companies controlled by the CEO and VP Operations & New Projects. The Company incurred charges to directors and officers or to companies associated with these individuals during the Three and Six months ended October 31, 2019 and 2018 as follows:

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
			\$	\$
Management, salaries and consulting fees	98,034	83,864	197,174	153,386
Director fees	7,228	7,454	14,380	14,900
Share-based payments	7,534	19,166	25,469	47,484
	112,796	110,484	237,023	215,770

(b) Compensation of Key Management Personnel

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, CEO, CFO, 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 CEO and VP Operations & New Projects and by the issue of options. The compensation for key management personnel paid as management were for the Three and Six months ended October 31, 2019 and 2018 as follows:

	Three months ended October 31,		Six months ended October 31,	
	2019	2018	2019	2018
			\$	\$
Management fees	60,324	46,051	121,754	92,060
Salaries	37,710	37,813	75,420	61,326
Share-based payments	6,932	19,166	19,185	47,484
	104,966	103,030	216,359	200,870

(c) Related Party Balances

All related party balances payable, including for business expenses reimbursements, annual bonuses approved by the board of directors, and for services rendered as at October 31, 2019 are non-interest bearing and payable on demand, and are comprised of \$0.44 million (April 30, 2019 - \$0.12 million) payable to the CEO and a company controlled by the CEO, \$0.05 million (April 30, 2019 - \$0.05 million) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$0.43 million (April 30, 2019 - \$0.11 million) payable to the CFO and \$0.37 million payable (April 30, 2019 – \$0.02 million payable) to the Directors or companies controlled by the Directors.

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NOTE 16 – COMMITMENTS

In addition to the commitments in connection with the Company’s financings (note 11 and note 12), the Company has:

- a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of \$3,574 and termination date on July 31, 2021, and
- a five-year rent agreement for its corporate office in Vancouver, Canada with a monthly payment of CAD\$3,768 and termination date on July 31, 2023.

During the Three and Six months ended October 31, 2019 the Company had commitments through a derivative financial liability to sell approximately 742 ounces of gold doré to related parties, which would be settled at a future date in either cash or through the delivery of gold. At October 31, 2019, the fair value of amount owing under these contracts at the gold spot rate were \$1.1 million (April 30, 2019 - \$1 million) and is included in derivative financial liability.

As at October 31, 2019 the Company had commitments to sell approximately 295 ounces of gold doré to third parties, which was settled subsequent to October 31, 2019 through the delivery of gold. At October 31, 2019 the fair value of these commitments is \$0.4 million. Additionally, the Company received advances of \$0.5 million to be offset against future sales of gold doré. Both amounts, totaling \$0.9 million (April 30, 2019 - \$1.8 million) have been included as current deferred revenues.

A summary of undiscounted liabilities and future operating commitments at October 31, 2019 are as follows:

	Total	Within One Year	One to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	2,948,343	2,948,343	
Secured debentures	1,479,189	300,000	1,179,189
Contractual liabilities as result of the acquisition of Anthem United	6,882,277	4,756,757	2,125,520
Derivative financial liability	1,121,125	1,121,125	-
	12,430,934	9,126,225	3,304,709
Commitments			
Office lease rental	203,960	77,263	126,697
Gold sale deferred revenue	908,643	908,643	-
Asset retirement and reclamation obligations	1,110,357	-	1,110,357
	2,222,960	985,906	1,237,054
	14,653,894	10,112,131	4,541,763

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NOTE 16 – COMMITMENTS (continued)Contingent Debenture

In September 2016 the Company completed a comprehensive capital restructuring which involved: (i) negotiating with debt holders to reduce long and short term debt, (ii) a private placement to provide sufficient working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company's shares. As result of this restructuring, the Company issued a \$0.78 million contingent debenture certificate (the "Contingent Debenture"), which only becomes payable on the date that the Company achieves two production milestones including (i) achieving 300 tonnes per day mineral processing capacity in Peru, and (ii) achieving three months of 200 tonnes per day average daily production. Upon re-instatement, the Contingent Debenture will have a 12% annual interest rate paid quarterly in arrears, twelve month term to maturity, certain early redemption features, and a general security agreement will be issued. If the performance milestones are not achieved before August 31, 2026, the Contingent Debenture will be cancelled.

As at October 31, 2019 the value of the contingent debenture was \$nil. However, the first milestone of 300 tonnes per day mineral processing capacity in Peru was achieved as result of the acquisition of Anthem.

NOTE 17 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for \$0.4 million (April 30, 2019 - \$0.3 million) of cash and other current assets which are held in Canada.

Segmented information is provided on the basis of geographic segments consistent with the Company's core long-term and operating assets as follows:

	Three months ended, October 31,		Six months ended, October 31,	
Peru segment	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue	10,374,957	8,939,622	15,924,423	14,584,843
Cost of goods	10,819,937	8,703,606	16,801,957	13,920,744
Gross margin (deficit)	(444,980)	236,016	(877,534)	664,199
Income (loss) for the period	(848,197)	(543,451)	(1,648,249)	(409,208)

Peru	October 31, 2019	April 30, 2019
	\$	\$
Assets:		
VAT receivable	1,428,917	3,755,214
Long term VAT receivable	346,493	346,493
Inventory	4,806,984	4,078,545
Property, plant and equipment	11,896,507	12,311,429
Total long-term and operating assets	18,478,901	20,491,681

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NOTE 17 – SEGMENTED INFORMATION (continued)

During the Three and Six months ended October 31, 2019, the Company received 100% of its metal revenues from two major customers, noting that the Company has business relationships with other customers, and is not dependent on them.

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at October 31, 2019, the Company's financial instruments consist of cash, receivables, long term receivables, accounts payable and accrued liabilities, promissory notes payable, contractual liabilities as result of the acquisition of Anthem United, derivative financial liabilities, secured debentures and mineral notes.

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 and Six levels of hierarchy are:

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

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

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

As at October 31, 2019, the Company believes that the carrying values of the financial instruments noted above approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The gold delivery contracts, being a derivative financial liability have been assessed on the fair value hierarchy described above and are classified as Level 2.

(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:

(i) Credit risk

Credit risk exposure primarily arises with respect to the Company's cash and 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 receivables.

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NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at October 31, 2019, the Company had cash of \$0.4 million (April 30, 2019 - \$1.8 million) and current working capital deficit of \$1.8 million (April 30, 2019 - \$3.4 million) with total liabilities of \$14.4 million (April 30, 2019 - \$15.1 million).

A summary of the Company's future operating commitments is presented in note 16.

(iii) Market risk

a. Interest rate risk

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

The Company invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements. At October 31, 2019, the Company had 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 Canadian dollar and the Peruvian New Sol ("Sol") bank accounts as well as the translation of foreign held assets and liabilities at current exchange rates.

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

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NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	October 31, 2019	April 30, 2019
	\$	\$
CAD dollar:		
Cash	15,414	7,140
Receivables	11,102	23,857
Accounts payable and accrued liabilities	(663,600)	(430,578)
Secured debentures	(1,179,190)	(1,148,011)
Contractual liabilities as result of the acquisition of Anthem United	(6,150,609)	(5,813,425)
Derivative financial liability	(1,121,125)	(951,467)
Net assets (liabilities)	(9,088,008)	(8,312,484)
Sol:		
Cash	337,225	109,747
Receivables	1,393,605	4,144,524
Accounts payable and accrued liabilities	(753,535)	(625,297)
Net assets (liabilities)	977,295	3,628,974

Assuming all other variables constant, an increase or a decrease of 10% of the Canadian dollar against the US dollar, as of October 31, 2019 would have changed the Company's net loss by approximately \$0.9 million. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the US dollar, as of October 31, 2019 would have changed the Company's net loss by approximately \$0.1 million.

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: the spot price of gold for its derivative financial liability balance and future gold price expectations as it relates to sales revenues. The Company continuously monitors precious metal trading prices as they are included in projections prepared to determine its future strategy.

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Notes to the Condensed Interim Consolidated Statements
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NOTE 19 – 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's current capital structure consists of secured debentures of \$1.5 million (April 30, 2019 - \$1.4 million), promissory notes of \$6.9 million (April 30, 2019 - \$7.6 million) and shareholders' equity of \$4.7 million (April 30, 2019 - \$7.7 million). The Company's ability to generate sufficient funds to service its debts and to provide funding for future operations are 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.

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 ore processing operations the Company prepares expenditure budgets which are updated as necessary and are reviewed and approved by the Company's Board of Directors.

NOTE 20 – INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended		Six months ended	
	October 31,		October 31,	
	2019	2018	2019	2018
Cost of sales:			\$	\$
Ore	7,793,629	6,718,120	11,880,739	10,583,749
Salaries, benefits and other employee expenses	606,334	421,699	1,022,539	663,703
Production supplies	827,419	527,877	1,203,338	821,263
Transportation	198,877	111,009	275,674	143,242
Other production costs	879,843	647,025	1,546,283	1,260,222
Depreciation of property plant and equipment	350,991	277,876	710,540	448,565
Write-down of fair value on inventory	162,844	-	162,844	-
Total cost of sales	10,819,937	8,703,606	16,801,957	13,920,744

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NOTE 20 – INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (continued)

		Three months ended		Six months ended	
		October 31,		October 31,	
	Note	2019	2018	2019	2018
Corporate and administrative expenses:					
Consulting fees		5,666	17,570	11,312	23,628
Management fees and salaries	14	288,181	287,210	520,691	498,704
Depreciation	8	4,215	5,673	12,083	22,647
Directors fees		7,228	7,454	14,380	14,900
Investor relations and regulatory fees		30,007	95,184	77,819	158,951
Office, rent, utilities, insurance and other	14	116,390	166,729	202,330	257,904
Professional fees		176,316	89,903	280,069	161,062
Share-based payments	14	19,630	33,712	40,041	68,089
Travel and accommodation		21,324	26,942	50,600	42,472
Total corporate and administrative expenses		668,957	730,377	1,209,325	1,248,357
Finance and other income (expense):					
Accretion expense		(16,513)	(11,427)	(32,885)	(21,969)
Gain (loss) in disposition of fixed assets		-	-	(2,980)	-
Finance costs		(121,655)	(116,267)	(203,826)	(221,550)
Foreign exchange gain (loss)		16,914	(111,713)	(23,878)	(147,370)
Fair value gain (loss) on derivative financial liability		(62,531)	(4,174)	(149,519)	50,626
Loss in fair value adjustments of financial liability		(141,545)	(178,365)	(328,704)	(178,365)
Total finance and other income (expense)		(325,330)	(421,946)	(741,792)	(518,628)

NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the Six months ended October 31, 2019, were \$0.09 million (2018 - \$0.1 million) and \$0.03 million (2018 - \$0.02 million), respectively. Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the Six months ended October 31, 2019, the Company granted 3,000,000 stock options, at fair value of CAD\$0.03 million. This transaction was excluded from the statement of cash flow.