**MANAGEMENT DISCUSSION AND ANALYSIS**
For the Three and Six Months Ended October 31, 2016 and 2015
Report Dated December 22, 2016

The following information, prepared as of December 22, 2016, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Inca One Gold Corp. (the "Company" or "Inca One") for the three and six months ended October 31, 2016 (the "October 2016 Interim Financial Statements"). This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. All financial amounts are expressed in Canadian Dollars, unless otherwise indicated.

## General Overview

Inca One was incorporated on November 9, 2005, and 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 subsidiary Chala One SAC, ("Chala One") has acquired an existing Peruvian mineral processing plant (the "Chala Plant"), which the Company has successfully upgraded to approximately 100 tonnes per day ("TPD") capacity, and began commercial production in February 2015. 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 dore.

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

Inca One is listed for trading on the TSX Venture Exchange (the "TSX-V") under the symbol "IO", on the Frankfurt Stock Exchange under the symbol "SU9.F", and the Santiago Stock Exchange Venture under the symbol "IOCL".

## Debt Settlement and Financing Completed in August 2016

Early 2016 the Company began a comprehensive capital restructuring (the "Restructuring") which involved three major components including: (i) negotiating with debt holders to significantly reduce long and short term debt (the "Debt Settlement"), (ii) raising sufficient new capital in a private placement to provide sufficient working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company's shares.

On August 16, 2016, the Company consolidated its capital on a one-for-seven basis and effective August 19, 2016 the Company's common shares commenced trading on a consolidated basis.

On August 26, 2016, the Company received approval by the TSX-V for the Debt Settlement, which converted approximately $13.5 million of the Company's long and short term debt and related unpaid interest (the "Debts") generally as follows:

(i) Approximately $8.0 million was settled into 20.3 million common shares plus 9.2 million warrants;
(ii) Approximately $3.8 million was settled into interest bearing debenture agreements with deferred payment terms or non-interest bearing repayment notes;
(iii) Approximately $1.8 million was settled into a combination of warrant deposits, and contingent debt; and

(iv) Approximately 1.1 million warrants were issued to select parties relating to the warrant deposit and certain other settlement requirements.

On August 30, 2016 and October 5, 2016, the Company closed the first and second tranches, respectively, of its restructuring-related private placement for total gross proceeds of $6,342,364 and issued 25,369,447 shares.

## Key Period Definitions (used below)

- three months ended October 31, 2016 ("**Q2 2017**");
- three months ended October 31, 2015 ("**Q2 2016**");
- six months ended October 31, 2016 ("**YTD Q2 2017**");
- six months ended October 31, 2015 ("**YTD Q2 2016**");

## Operational Background

The Chala Plant commenced commercial production on February 1, 2015.

The Company enacted a Restructuring period which concluded in Q2 2017. During the pre-Restructuring period beginning Q2 2016 (August 2015) through Q1, 2017 the Company operated at a lower operating capacity in order to better manage cash flows as the Company awaited completion of the IGV/VAT audits and enacted the Restructuring process.

The IGV/VAT audits which were conducted by SUNAT, the Peruvian government tax and customs authority, began in July 2015 and were completed in June 2016. The audits covered the Company's IGV filings from inception through May 2015 as well as for the period June through August 2015. Upon completion of the audits the Company received long-outstanding IGV refund credits totaling approximately $1,558,000 which were refunded to the Company over Q4 2016 and in Q1 2017. Since early 2016, the Company has been filing for and receiving regular IGV monthly refunds from SUNAT. The IGV audit process was a very lengthy and onerous process and a significant hurdle for the Company to overcome.

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

## Operational Highlights

During Q2 2017, the following factors also contributed to the gross margin:

- Average gold price per ounce sold decreased in Q2 2017 by 18.7% compared to Q1 2017.
- Revenue per tonne decreased 9.3% in Q2 2017 compared to Q1 2017 which is primarily a result of (i) 12.5% decrease in production (ii) partially offset by 5.0% increase in price per ounces sold.
- Cost per tonne processed decreased 41.2% in Q2 2017 compared to Q1 2017 which is primarily a result cost cutting measures implemented by the Company to compensate the lower production. This follows the trend of a 16.3% decrease form Q1 2017 to Q4 2016.
- Mineral grade purchased increased 4.9% oz/tonne ("oz/t") gold from 0.49 oz/t gold to 0.51 oz/t gold in Q1 2017 compared to Q4 2016.

| Quarter over Quarter highlights | Q2 2017 | Q1 2017 | Q4 2016 | Variance % Q2 2017 vs Q1 2017 | Variance % Q1 2017 vs Q4 2016 |
|---|---|---|---|---|---|
| Tonnes processed (t) | 3,070 | 2,370 | 2,709 | 29.5% | (12.5%) |
| Average daily processing volume (t) | 35.9 | 27.7 | 31.7 | 29.5% | (12.25%) |
| Mineral grade (oz/t gold) | 0.46 | 0.51 | 0.49 | (8.9%) | 4.9% |
| Gold sold (oz) | 1,299 | 1,227 | 1,459 | 5.9% | (15.9%) |
| Silver sold (oz) | 2,256 | 2,173 | 5,206 | 3.8% | (58.3%) |
| Sales ($) | 2,438,054 | 2,075,562 | 2,496,234 | 17.5% | (16.9%) |
| Gross operating margin (deficit) ($) | 557,219 | (318,607) | (774,498) | 292.6% | (58.9%) |
| Gross operating margin (deficit) % | 22.86% | (15.35%) | (31.03%) | 263.9% | (50.5%) |
| Gross margin / ounce of gold sold ($) | 472 | (260) | (531) | 281.5% | (51.0%) |
| Gross margin / ton processed ($) | 200 | (134) | (286) | 249.3% | (53.1%) |
| Revenue per tonne processed ($) | 794 | 876 | 921 | (9.3%) | (4.9%) |
| Cost per tonne processed ($) | 594 | 1,010 | 1,207 | (41.2%) | (16.3%) |
| Average gold price per ounce sold ($) | 1,762 | 2,166 | 1,590 | (18.7%) | 38.4% |
| Cost per ounce sold ($) | 1,404 | 1,952 | 2,241 | (28.1%) | (12.9%) |
| Average London Close price ($USD) | 1,312 | 1,291 | 1,230 | 1.6% | 5.0% |
| Average London Close price ($) | 1,759 | 1,686 | 1,631 | 4.4% | 3.4% |

Average daily processing volume is determined based on a 28.5 day monthly utilization period

Highlights during Q2 2017 include:

- Total gold and silver sales of $2,438,054 with total cost of goods sold of $1,880,835 and gross margin of $557,219 or a 25.2% gross margin;
- The Company recognized a net restructuring gain of $1,498,671 on Company's comprehensive capital restructuring;
- 3,070 tonnes of mineral was processed with an average gold grade of 0.46 oz/t;
- Average daily processing volume of 35.9 TPD (based on a 28.5 day monthly utilization period);
- As at October 31, 2016, there was approximately 1,000 ounces of gold in inventory.

## Capital Expenditures

As at October 31, 2016, total plant upgrade costs and capitalized pre-operating costs was $6,633,105 April 30, 2016 - $6,421,448) which includes $1,712,199 (April 30, 2016 - $1,712,199) of incidental revenue generated during the pre-operating period and $264,531 (April 30, 2016 - $264,531) of capitalized interest. Depreciation during the six months ended October 31, 2016 was $290,497 (2015 - $114,759).

During the six months ended October 31, 2016, the Company reclassified $nil (year ended April 30, 2016 - $339,088) of VAT in Peru to VAT Recoverable in Receivables that was previously included in pre-operating expenses as a result of the review of the VAT receivable from the Peruvian tax authorities.

## Future Outlook

The Company is moving forward with its business plan to focus on gold-bearing mineral processing facilities in Peru and believes that the Chala Plant operations may provide the necessary cash flow to achieve profitability by the end of calendar 2016. The Company intends to use the funds and net profits from mineral processing operations at the Chala Plant, and additional fundraising (see Financings and Subsequent Events below) to execute its business plan and expand mineral processing operations, so that it can continue to achieve its long-term objectives. The Company anticipates to benefit from regular monthly IGV refunds as it has recently received and IGV refunds owing from the periods under SUNAT audit.

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

## Selected Quarterly Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended October 31, 2016 and 2015 and from the audited consolidated financial statements for the year ended April 30, 2016. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

| | **October 31, 2016** | April 30, 2016 | October 31, 2015 |
|---|---|---|---|
| | **$** | $ | $ |
| Revenue | **2,438,054** | 2,496,231 | 4,330,350 |
| Cost of goods sold | **1,880,835** | 3,270,732 | 4,667,587 |
| Gross margin (deficit) | **557,219** | (774,501) | (337,237) |
| Finance and other (expense) income, net | **(299,609)** | (1,218,263) | (887,305) |
| Restructuring gain | **1,498,671** | - | - |
| Net earnings (loss) for the period | **1,162,745** | (2,574,400) | (1,928,949) |
| Net earnings (loss) per share (basic and diluted) | **0.03** | (0.28) | (0.02) |
| Other comprehensive earnings (loss) | **1,360,624** | (1,599,249) | 1,694,158 |

| | **October 31, 2016** | April 30, 2016 | October 31, 2015 |
|---|---|---|---|
| | **$** | $ | $ |
| Total assets | **10,622,447** | 9,370,124 | 11,152,022 |
| Total long term liabilities | **3,169,778** | 4,705,169 | 5,863,988 |
| Dividends declared | **nil** | nil | nil |

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

| **Quarter ended** | **Working capital (deficiency)** | **Total assets** | **Long term liabilities** | **Net earnings (loss)** | **Basic earnings (loss) per share** |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| October 31, 2016 | 2,320,511 | 10,622,447 | 3,169,778 | 1,162,745 | 0.03 |
| July 31, 2016 | (9,382,607) | 8,665,436 | 4,487,799 | (1,281,939) | (0.12) |
| April 30, 2016 | (7,645,085) | 9,370,124 | 4,705,169 | (2,405,901) | (0.28) |
| January 31, 2016 | (5,960,657) | 10,991,135 | 5,225,760 | (2,656,596) | (0.28) |
| October 31, 2015 | (2,215,694) | 11,152,022 | 5,863,988 | (1,928,949) | (0.14) |
| July 31, 2015 | (1,201,165) | 11,433,207 | 5,787,037 | (581,084) | (0.07) |
| April 30, 2015 | (516,327) | 8,328,493 | 5,673,756 | (779,718) | (0.07) |
| January 31, 2015 | 677,365 | 6,739,337 | 5,162,576 | (1,980,269) | (0.21) |
| October 31, 2014 | 843,171 | 4,771,034 | 4,393,324 | (747,715) | (0.07) |
| July 31, 2014 | 1,501,008 | 3,889,948 | 3,082,066 | (699,670) | (0.07) |

The working capital as at October 31, 2016 is a result of significant liabilities being settled through the comprehensive capital restructuring. The comprehensive capital restructuring led to a reduction of $9,096,026 from April 30, 2016 in current liabilities.

Total assets increased $1,309,957 during the six months ended October 31, 2016 due to increase in prepaid expenses and inventory arising from operations as well as the impact of foreign exchange of translating US dollar functional currency assets to the Canadian dollar reporting currency.

The $1,535,391 decrease in long term liabilities for the six months ended October 31, 2016 primarily arose due to the comprehensive capital restructuring that occurred during Q2 2017.

Major changes in quarterly net earnings and loss arose as follows:

- During the three months ended October 31, 2016, the $1,162,745 net earnings increased relative to Q2 2016 loss of $1,928,949 primarily as a result of cost cutting measurements and the comprehensive capital restructuring which resulted in a net gain on restructuring of $1,498,671.

- During the three months ended January 31, 2016, the $2,656,596 net loss increased relative to prior quarters primarily as a result of the strategic decision by the Company to scale back production in order to wait for the receipt of the IGV receivable from the Peruvian tax authorities.

- The gross operating deficit during the three months ended January 31, 2016, was $604,336 from total metal revenue of $3,105,726 and costs of goods sold of $3,710,062. This was offset by increases in both finance costs and accretion expense due to new financings closed during the current and prior periods and a $274,046 impairment of marketable securities.

- During the three months ended October 31, 2015, the $1,928,949 net loss increased relative to prior quarters (other than January 31, 2015) primarily as a result of the commencement of commercial production on February 1, 2015 and the strategic decision by the Company to scale back production in order to wait for the receipt of the IGV receivable from the Peruvian tax authorities, which as of October 31, 2015 had a value of $2,889,976.

- During the three months ended April 30, 2015, the $779,718 net loss increased relative to prior quarters (other than January 31, 2015 and October 31, 2014). Despite the gross margin of $131,142 during the three months ended April 30, 2015, there were increases in both consulting and management fees as well as office, rent, utilities and other expenses arising from expanded corporate and Peruvian administrative teams, and commencement of commercial production, while being offset by a $529,458 gain in foreign exchange.

- During the three months ended January 31, 2015, the $1,980,269 net loss included a $990,835 impairment of marketable securities from devaluation of the Global Resources Investment Trust PLC ("GRIT") shares. Through October 31, 2014 the unrecognized losses were recorded through other comprehensive income.

## Results of Operations – Q2 2017 compared to Q2 2016

Revenue for Q2 2017 was $2,438,054 and cost of goods sold was $1,880,835 resulting in a gross margin of $557,219. Comparable revenues for Q2 2016 were $4,330,350 and cost of goods sold was $4,667,587 resulting in a gross margin deficit of $337,237. The main reason for the attainment of a positive margin in Q2 2017 is due to a few factors including (i) the reversal of an inventory impairment at the end of Q1 for accounting adjustments to the for the lower of cost and net realizable value, (ii) a reduction in operating costs due to Restructuring right-sizing enacted, (iii) capitalization of beneficial permitting costs which were included in costs of sales in Q1 (but reallocated to capital additions in Q2), (iv) the benefit of somewhat higher margins arising from purchasing and processing lower grade / lower cost mineral, (v) continued strong recoveries; and (vi) overall focus on operating effectiveness in all areas of the business in a post-Restructuring ramp-up environment.

During Q2 2017, the Company reported a net income of $1,162,745 the most significant components of which were, aside from the gross operating margin of $557,219, a restructuring gain of $1,498,671, management fees of $154,594; professional fees of $174,824 and finance costs of $299,609.

The Company recorded a net restructuring gain of $1,498,671 composed of $3,424,959 in a gain on restructuring of debt offset by restructuring costs of 873,616, amortized marketing restructuring costs of $130,647, share based payments costs of $455,555 and total impairments on restructuring of $466,470.
Management fees during Q2 2017 increased by $61,170 to $154,594 compared to $87,424 in Q2 2017.

Finance costs decreased during Q2 2017 by $587,696 to $299,609 compared to $887,305 during Q2 2016 primarily due to lower finance costs and interest paid related to debt financings due to the comprehensive capital restructuring.

**Results of Operations – YTD Q2 2017 compared to YTD Q2 2016**

Revenue for YTD Q2 2017 was $4,513,616 and cost of goods sold was $4,275,004 resulting in a gross margin of $238,612. Comparable revenues for YTD Q2 2016 were $10,880,220 and cost of goods sold was $1,781,958 resulting in a gross margin of $98,262.

During YTD Q2 2017, the Company reported a net loss of $119,194 the most significant components of which were, aside from the gross operating margin of $238,612, a restructuring gain of $1,498,671, management fees of $289,323; professional fees of $311,949 and finance costs of $711,683.

The Company recorded a net restructuring gain of $1,498,671 composed of $3,424,959 in a gain on restructuring of debt offset by restructuring costs of 873,616, amortized marketing restructuring costs of $130,647, share based payments costs of $455,555 and total impairments on restructuring of $466,470.

Finance costs decreased during YTD Q2 2017 by $89,543 to $711,683 compared to $801,226 during YTD Q2 2016 primarily due to lower finance costs and interest paid related to debt financings due to the comprehensive capital restructuring that took place during Q2 2016 and a smaller impairment on the value of marketable securities in YTD Q2 2017 of $59,761 compared to $151,580 during YTD Q2 2016.

**Liquidity and Capital Resources**

As at October 31, 2016 the Company has financed its operations and met its capital requirements primarily through the issuance of capital stock by way of private placements, the exercise of share purchase warrants previously issued and more recently, from the issue of promissory notes, convertible debentures and debenture units with warrants. On August 26, 2016, the Company received approval by the TSX-V for the Debt Settlement, which converted approximately $13.5 million of the Company’s long and short term debt and related unpaid interest. As at October 31, 2016, the Company had cash of $84,343 representing an increase of $39,299 compared with cash of $45,135 at April 30, 2016.

The Company reported working capital surplus of $2,320,511 at October 31, 2016 as compared to working capital deficiency of $7,645,085 as at April 30, 2016. The primary reason for the move from deficit to surplus during the six months ended October 31, 2016 was the comprehensive capital restructuring that was completed by the Company in Q2 2017.

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

Management intends to finance operating costs over the year with funds received from operations upon the Company ramping up operations, and additional funds from financing which is required for working capital to support the operational ramp up.

## Financings – Debt

Promissory Notes – Post-Restructuring Balances – Non-interest bearing notes

During the quarter ended October 31, 2016, the Company enacted a Restructuring and Debt Settlement (note 4) whereby the majority of outstanding promissory notes payable balances which were outstanding both at April 30, 2016 and prior to the TSX Debt Settlement approval on August 26, 2016 were converted (depending on the specific settlement agreements terms) to a varied combination of equity (shares and warrants), contingent debt, cash repayments, and short term non-interest bearing notes. Upon settlement $416,725 of new non-interest bearing notes were recognized including $62,456 from settled CAD denominated convertible notes and related unpaid interest. The non-interest bearing notes are scheduled to be repaid through May 31, 2017. During the quarter ended October 31, 2016, $108,400 of the new non-interest bearing notes was repaid and $308,325 remains outstanding as at October 31, 2016.

Promissory Notes – Post-Restructuring Balances – Accelerated Notes (arising from settlement of the USD Debenture Notes)

As a result of the Restructuring and Debt Settlement the Company also recognized USD$500,000 in non-interest bearing notes and CAD$775,020 in a non-interest bearing Warrant Deposit which arose from the conversion of certain USD Debenture Notes (together the "Accelerated Notes"). The Accelerated Notes holders retained the option for repayment or accelerated repayment of the outstanding Accelerated Notes in part (or in full) through achieving certain fundraising criteria including sourcing proceeds for the Company in a market-priced private placement after close of the Debt Settlement. During the three months ended October 31, 2016 the lender achieved the fundraising criteria, and consequently on the close of the October 5, 2016 tranche the lender was repaid their Accelerated Debt amount in full, therefore the remaining Accelerated Notes balance as at October 31, 2016 is $nil (April 30, 2016 - $nil).

Promissory Notes – Pre-Restructuring Balances – Directors and Officers

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

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

During May 2015, a director and officer and an officer of the Company advanced to the Company a total of $100,000 in cash in exchange for short term promissory notes. The notes are unsecured with an interest rate of 20% per annum payable on maturity in six months. During April 2016, the parties agreed to extend the maturity date while the Company evaluated some balance sheet restructuring. During the year ended April 30, 2016, $40,000 of the principal was repaid.

During June 2015 a company controlled by an individual who was subsequently appointed a director of the Company on July 8, 2015 advanced to the Company USD$500,000 in cash in exchange for a short term promissory note of which USD$100,000 was repaid during August 2015. The note was unsecured with an interest rate of 20% per annum payable on maturity in six months.

Pursuant to the Debt Settlement all director and officer balances owing were settled during the quarter ended October 31, 2016, and as at October 31, 2016, the principal balance was $nil (April 30, 2016 - $561,920), and interest expense recorded during the three and six months ended October 31, 2016 was $5,556 and $7,064, respectively (2015 - $3,209 and $7,657, respectively), of which $nil (April 30, 2016 - $36,487) is in accounts payable and accrued liabilities as of October 31, 2016.

Promissory Notes – Pre-Restructuring Balances – Third party advances

On January 14, 2015, the Company received USD$200,000 in cash in exchange for a promissory note with a third party. The note is unsecured, originally had a six month term, and carried an interest rate of 20% per annum calculated and payable on the maturity date. In July 2015 and in October 2015, the Parties agreed to cumulatively extend the maturity date for an additional six months while the Company evaluated some balance sheet restructuring.

Pursuant to the Debt Settlement all balances owing were settled during the quarter ended October 31, 2016, and as at October 31, 2016, the principal balance was $nil (April 30, 2016 - $250,960) and interest expense recorded during the three and six months ended October 31, 2016 was $8,867 and $17,543, respectively (2015 - $14,894 and $30,392, respectively), of which $nil (April 2016 - $39,696) is in accounts payable and accrued liabilities as of October 31, 2016.

Promissory Notes – Pre-Restructuring Balances – Redeemable notes

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

At the option of one of the subscribers, accrued interest of $5,632 (April 30, 2016 - $50,222) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. The notes are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures.

During the year ended April 30, 2015, $100,000 of the promissory notes were redeemed by an officer of the Company and $50,000 of the promissory notes were redeemed by a company controlled by a director of the Company. On May 31, 2015, $120,000 of the notes was repaid. On December 31 2015, $125,000 was paid as partial payment of principal and interest for the remaining promissory note outstanding.

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.

Pursuant to the Debt Settlement a final agreement on the remaining redeemable note balance was not settled and the disputed settlement balance was transferred to accounts payable until the issue is resolved.

As at October 31, 2016 the principal balance of the redeemable notes was $nil (April 30, 2016 - $104,500).

Promissory Notes – Pre-Restructuring Balances – TON Mineral Loan

On October 6, 2015, the Company entered into a binding letter of intent with TON (the “Binding LOI”) to acquire all of the issued and outstanding shares of TON under a plan of arrangement, subject to due diligence and other conditions. As part of the Binding LOI, the Company entered into a loan with TON for US$550,000 less US$55,000 of prepaid interest for net proceeds of US$495,000 (the “Mineral Loan”).

The Mineral Loan bears an annual interest rate of 20% and is due April 6, 2016 or earlier subject to certain maturity conditions including 30 days after the termination of the Binding LOI, which was terminated on November 30, 2015.

Pursuant to the Debt Settlement all balances owing were settled during the quarter ended October 31, 2016, and as at October 31, 2016, the principal balance of the Mineral Loan was $nil (April 30, 2016 - $690,140) and interest expense recorded during the three and six months ended October 31, 2016 was $24,384 and $48,245, respectively (2015 - $11,976 and $11,976, respectively), of which $nil (April 30, 2016 - $9,172) is in accounts payable and accrued liabilities as of October 31, 2016.

Promissory Notes – Pre-Restructuring Balances – TON Purchase Note

As part of the Binding LOI, on October 21, 2015, the Company also entered into a mineral purchase agreement with TON (the “Mineral Purchase Note”) whereby TON would advance the Company up to US$1,750,000 for the purpose of the acquisition of mineral at the Company’s Chala One toll milling plant. The Mineral Purchase Note payed a profit sharing fee to TON at a fixed rate of 12% per annum on advances approximately four weeks after the advance. The Mineral Purchase Note was subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015.

Pursuant to the Debt Settlement all balances owing were settled during the quarter ended October 31, 2016, and as at October 31, 2016 $nil (April 30, 2016 - $1,167,323) had been advanced/outstanding and interest expense recorded during the three and six months ended October 31, 2016 was $24,747 and $48,962, respectively (2015 - $1,225 and $1,225, respectively) of which $nil (April 30, 2016 - $67,255) is in accounts payable and accrued liabilities as of October 31, 3016.

CAD denominated Convertible Debentures – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the $463,750 outstanding CAD denominated convertible debentures principal balance plus accrued and unpaid interest was converted (depending on the specific settlement agreements terms) to a combination of equity (shares and warrants), and short term non-interest bearing notes. As at October 31, 2016 the outstanding principal and interest payable balances are $nil.

CAD denominated Convertible Debentures – Pre-Restructuring Balances

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

Until October 30, 2014 each debenture holder had the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal was based on a share price of $0.70 and the conversion of any interest payable was based on the greater of $0.70 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 78,571 common shares of the Company. Interest on the debenture was payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of $11,705 were incurred in connection with the debenture offering and were recorded against the liability and equity components on a pro-rata basis.

During the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $1,156 and $4,559, respectively (2015 - $3,221 and $6,383, respectively), and interest expense of $1,863 and $7,393, respectively (2015 - $5,545 and $11,090, respectively) of which $nil (April 30, 2016 - $5,410) is in accounts payable and accrued liabilities as of October 31, 2016.

On May 23, 2014, the Company closed a second debenture financing for gross proceeds of $325,000. The Company had received all of the proceeds in advance of the closing and accordingly they were reflected as current liabilities on the Consolidated Statements of Financial Position as at April 30, 2014. The debentures bore interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which could 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 $0.875 per common share. The debentures had a maturity date of May 22, 2019 and were redeemable by the Company at any time after May 22, 2017. The debentures were 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 92,857 common shares of the Company. Professional fees of $18,297 were incurred in connection with the debenture offering and were recorded against the liability and equity component on a pro-rata basis.

During the three and six months ended October 31, 2016, with respect to this second debenture offering, the Company recorded accretion expense and amortization of issuance costs of $1,202 and $4,742, respectively (2015 - $3,352 and $6,642, respectively), and interest expense of $2,070 and $8,197, respectively (2015 - $3,352 and $6,642, respectively) of which $nil (April 30, 2016 - $4,063 is in accounts payable and accrued liabilities as at October 31, 2016.

USD denominated Convertible Debentures – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the remaining USD$1,000,000 principal balance and unpaid and accrued interest was converted to a combination of equity (shares and warrants) at the same terms as the August 30, 2016 private placement other than approximately USD$12,700 of interest which was settled in cash. As at October 31, 2016 the outstanding principal and interest payable balances are $nil.

USD denominated Convertible Debentures – Pre-Restructuring Balances

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 bore interest at a rate of 15% per annum and was available to be drawn down in three tranches of USD$600,000, USD$500,000, and USD$400,000, respectively, with the third tranche at the option of the Company. Each tranche of the USD Convertible Loan had a twelve month term and was subject to a twelve month renewal option, subject to certain conditions. The USD Convertible Loan was 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 was convertible into common shares the Company at the option of the Lenders at a conversion price of CAD$1.75. The conversion amount would have been based on a fixed foreign exchange rate which could have resulted in maximum of 426,828 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 were incurred in connection with the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $nil and $nil, respectively (2015 - $28,383 and $55,560, respectively), and interest expense of $6,666 and $32,609, respectively (2015 - $29,661 and $59,277, respectively) of which $nil (April 30, 2016 - $22,401) is in accounts payable and accrued liabilities as of October 31, 2016.

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

Professional and arrangement fees of $37,267 were incurred in connection with the second tranche of the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $nil and $nil, respectively (2015 - $4,291 and $5,718, respectively), and interest expense of $1,111 and 22,731, respectively (2015 - $20,859 and $38,993, respectively) of which $nil (April 30, 2016 - $18,668) is in accounts payable and accrued liabilities as of October 31, 2016.

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

Professional and arrangement fees of $40,968 were incurred in connection with the third tranche of the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $nil and $nil, respectively (2015 - $3,491 and $4,652, respectively), and interest expense of $4,444 and $21,739 (2015 - $26,292 and $39,193, respectively), of which $nil (April 30, 2016 - $14,934) is in accounts payable and accrued liabilities as of October 31, 2016.

On July 20 2016, USD$500,000 of the USD Convertible Loan was repaid.

Bond Payable – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the full $5,500,000 principal balance plus unpaid and accrued interest was converted partially to equity (shares and warrants and partially through the issuance of a new Secured Debenture. As at October 31, 2016 the remaining outstanding principal and interest payable balances are $nil.

Bond Payable – Pre-Restructuring Balances

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 bore interest at 10% per annum calculated and payable quarterly in arrears commencing no later than 6 months after the closing date, and each tranche had a maturity date three years from the respective close date.

The bond was 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. was 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 was in effect until the USD Convertible Loan has been repaid/settled in full.

Pursuant to the terms of the bond financing agreement the Company had 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.

In connection with the bond financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment, which continues post-Restructuring, to pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement.

All or a portion of the financing fee can be repurchased by the Company on either December 31, 2024 or December 31, 2029 in exchange for the cash payment of USD$1,500,000 or a corresponding pro-rata portion thereof and otherwise the fee will continue to be payable until December 31, 2034.

In connection with the financing, during the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $23,096 and $91,478, respectively (2015 - $67,728 and $130,594, respectively).

*First tranche*

On June 3, 2014, the Company closed the first tranche of the bond financing for gross proceeds of $2,700,000. The first tranche bond bore 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 was 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 $1.05 for 3 years, and $153,304 arising from the issue of these compensation warrants was charged against the bond amount payable and credited to warrant reserve.

During the three and six months ended October 31, 2016, with respect to the first tranche of the bond financing the Company recorded interest expense of $25,153 and $99,811, respectively (2015 - $74,860 and 149,721, respectively) of which $nil (April 30, 2016 - $91,396) is in accounts payable and accrued liabilities as of October 31, 2016.

*Second tranche*

On August 29, 2014, the Company closed the second tranche of the bond financing for gross proceeds of $1,400,000. The second tranche bond bore 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 was repayable in increments of $102,273 on each of August 29, 2016, November 29, 2016, February 28, 2017 and May 29, 2017, with the remainder due August 29, 2017.

In addition professional fees of $3,779, finder's fees of $112,000 were paid in cash and 746,667 finder's warrants were issued in connection with the second tranche bond. The warrants are exercisable at $1.05 for 3 years, and $60,586 arising from the issue of these compensation warrants was charged against the bond amount payable and credited to warrant reserve.

During the three and six months ended October 31, 2016, with respect to the second tranche of the bond financing the Company recorded interest expense of $11,858 and $50,568, respectively (2015 - $38,816 and $77,633, respectively) of which $nil (April 30, 2016 - $47,391) is in accounts payable and accrued liabilities as of October 31, 2016.

*Third tranche*

On November 20, 2014, the Company received the third and final tranche for gross proceeds of $1,400,000. The third tranche bore 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 was 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 $1.05 for 3 years, and $71,398 arising from the issue of these compensation warrants was charged against the bond amount payable and credited to warrant reserve.

During the three and six months ended October 31, 2016, with respect to this third tranche of the bond financing the Company recorded interest expense of $13,079 and $51,886, respectively (2015 - $39,238 and $77,633, respectively) of which $nil (April 30, 2016 - $47,391) is in accounts payable and accrued liabilities as of October 31, 2016.

USD First Debenture Units – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the full USD$2,100,000 debenture principal balance plus unpaid and accrued interest was converted (depending on the specific settlement agreements terms) to a combination of equity (shares and warrants, Warrant Deposits (see below)), and short term non-interest bearing notes. As at October 31, 2016 the outstanding USD debenture principal and interest payable balances are $nil.

USD First Debenture Units – Post-Restructuring Balances – Warrant Deposit

As part of the settlement, the Company issued a $775,020 non-interest bearing warrant deposit note (the "Warrant Deposit") which could only be used to exercise certain higher rate warrants issued with the warrant deposit. As a provision to the Warrant Deposit, the holder retained the option to attain repayment of the Warrant Deposit in part (or in full) through achieving certain fundraising criteria including sourcing proceeds for the Company in a market-priced private placement after close of the Debt Settlement. During the three months ended October 31, 2016 the lender achieved the fundraising criteria, and consequently on the close of the October 5, 2016 tranche the holder was repaid their Warrant Deposit amount in full, therefore the remaining Warrant Deposit balance as at October 31, 2016 is $nil.

USD First Debenture Units – Pre-Restructuring Balances

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 3,571 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of $1.75 until March 18, 2016. The holders of the debenture were entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The debenture matured on March 18, 2016. 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 also issued 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 $1.75, as applicable. Each finder warrant is exercisable into one common share of the Company at a price of $1.75 until March 18, 2016.

In addition professional and finder's fees of $182,029 were paid in cash, 91,943 finder's warrants were issued, and 228,571 subscriber warrants were issued. The warrants are exercisable at $1.75 per share for 18 months and 12 months respectively.

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

During the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $nil and $nil, respectively (2015 - $70,275 and $140,398, respectively), and interest expense of $24,885 and $98,245 (2015 - $73,942 and $135,970, respectively) of which $ nil (April 30, 2016 - $102,935) is in accounts payable and accrued liabilities as of October 31, 2016.

USD Second Debenture Units – Pre-Restructuring Balances

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 consisted of 20 units (the "Second Units") with each Second Unit comprising one non-convertible debenture in the principal amount of USD$25,000, and 3,571 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD$1.75 until July 9, 2016.

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

In addition professional and finder's fees of $35,818 were paid in cash and 71,429 subscriber warrants were issued with an exercise price of $1.75 per share, expiring on July 9, 2016. At the date of issue $599,432 was attributed to the debenture and $26,008 to the warrants based on an effective interest rate of 20%.

During the three and six months ended October 31, 2016, the Company recorded accretion expense and amortization of issuance costs of $nil and $5,362, respectively (2015 - $6,537 and $7,672, respectively) and interest expense of $7,776 and 30,702, respectively (2015 - $35,295 and $48,196, respectively), of which $nil (April 30, 2016 - $26,159) is in accounts payable and accrued liabilities as of October 31, 2016.

Secured Debentures – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement, on September 1, 2016 the Company issued a $2,362,500 debenture which has a 24 month term to maturity, 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 six equal quarterly interest payments beginning nine (9) months after the date of issuance. It is noted that the CAD Secured Debenture holder reserves the right to request that the Company use the proceeds from the exercise of approximately 2.1 million warrants (with an exercise price of $0.40/share) which were issued on Debt Settlement towards early repayment of the CAD Secured Debenture.

As a result of the Restructuring and Debt Settlement, on September 1, 2016 the Company issued a USD$300,000 debenture which has a 24 month term to maturity, bears 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. Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance.

## Financings – Equity

On August 16, 2016, the Company consolidated its capital on a one-for-seven basis. Effective August 19, 2016, the Company's common shares commenced trading on a consolidated basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated capital basis. At October 31, 2016, there were 57,332,153 issued and fully paid common shares (April 30, 2016 - 11,561,496, post consolidation).

Share capital transactions for the six months ended October 31, 2016 were**:**

On June 1, 2016, the Company issued 71,428 common shares valued at $75,000 to an external service provider as a settlement for outstanding balance owed to them for services.

On June 21, 2016, the Company issued 7,442 common shares valued at $7,814 to a key Peruvian employee for services pursuant to his employment agreement.

On August 26, 2016, the Company finalized the Debt Settlement. As part of the Debt Settlement, the Company issued 20,322,340 common shares valued at a deemed price of $0.25 per common share for a total value of $4,582,875.

On August 30, 2016, the Company closed the first tranche of its announced private placement and issued 13,003,547 units (the "Units") for gross proceeds of $3,250,889 or $0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is $1,294,610. Total share issuance costs amounted to cash finder's fees of $246,070 and finder's warrants valued at $31,421.

On October 5, 2016, the Company closed the second and final tranche of its announced private placement and issued 12,365,900 units (the "Units") for gross proceeds of $3,091,475 or $0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is $1,150,729. Total share issuance costs amounted to cash finder's fees of $28,300 and finder's warrants valued at $31,516.

## Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 58,411,901 common shares issued outstanding and the following options and warrants outstanding:

**Stock Options:**

| Options | Exercise Price | Expiry Date | Vesting Provisions |
|---|---|---|---|
| # | $ | | |
| 21,143 | 1.05 | October 30, 2017 | Vested |
| 270,000 | 1.75 | May 5, 2018 | Vested |
| 14,286 | 1.05 | May 30, 2018 | Vested |
| 3,586,000 | 0.25 | September 21, 2018 | Vested |
| 744,000 | 0.30 | October 12, 2018 | Vested |
| 28,571 | 1.05 | October 31, 2018 | Vested |
| 78,571 | 1.05 | June 4, 2019 | Vested |
| 42,857 | 1.05 | August 29, 2019 | Vested |
| 14,286 | 1.75 | April 15, 2020 | Vested |
| 3,571 | 1.54 | September 23, 2020 | Vested |
| 37,857 | 3.01 | July 11, 2021 | Vested |
| **4,841,142** | | | |

**Warrants:**

| Warrants | Exercise Price | Expiry Date |
|---|---|---|
| # | $ | |
| 205,714 | 1.05 | May 20, 2017 |
| 106,667 | 1.05 | August 29, 2017 |
| 320,000 | 0.45 | September 1, 2017 |
| 795,320 | 0.85 | September 1, 2017 |
| 106,667 | 1.05 | November 20, 2017 |
| 13,319,155 | 0.40 | August 30, 2019 |
| 9,180,820 | 0.40 | September 1, 2019 |
| 12,704,580 | 0.40 | October 5, 2019 |
| 657,018 | 1.26 | December 22, 2020 |
| **37,395,941** | | |

## Transactions with Related Parties

### (a) Related Party Transactions

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

- A company owned by Edward Kelly, the Company's President and CEO (also a director).
- A company controlled by Oliver Foeste, the Company's CFO (also a director).
- A company owned by both George Moen, the Company's ex-COO and Mark Wright, the Company`s VP Operations & New Projects.
- A company owned by Mark Wright, the Company`s VP Operations & New Projects.

The following expenditures were charged by related parties for the three and six months period ended October 31, 2016 and 2015:

| | Three months ended October 31, | | Six months ended October 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | | $ | | $ |
| Accounting and professional fees | **53,329** | 4,168 | **76,706** | 11,974 |
| Management and consulting fees | **110,500** | 171,546 | **217,000** | 301,873 |
| Restructuring fees | **500,000** | - | **500,000** | - |
| Share-based payments | **200,410** | - | **200,410** | - |
| Finance costs | **27,759** | 2,016 | **104,593** | 4,011 |
| Rent | **11,250** | - | **22,500** | - |
| | **903,248** | 177,730 | **1,121,209** | 317,858 |

Professional fees are paid to a company controlled by the CFO. Management and consulting fees are paid to companies controlled by the President and CEO (the "CEO"), CFO, ex-COO or VP Operations & New Projects (the "VP Ops"). Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the CEO, or to a company controlled by a director. Office rent is paid or accrued to a company controlled by the CFO.

### (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, CEO, CFO, ex-COO and VP Ops. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO, CFO, ex-COO and VP Ops, and by the issue of options.

Compensation for key management personnel for the three and six months ended October 31, 2016 and 2015.

| | Three months ended October 31, | | Six months ended October 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$** | $ | **$** | $ |
| Management fees | **110,500** | 130,328 | **217,000** | 301,873 |
| Restructuring fees | **500,000** | - | **500,000** | - |
| Share-based payments | **200,410** | - | **200,410** | - |
| | **810,910** | 130,328 | **917,410** | 301,873 |

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

**(c) Related Party Balances**

All related party balances payable, including for business expenses reimbursements, interim advances to the Company, annual bonuses as approved by the board of directors, and for services rendered as at October 31, 2016 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes, convertible debenture financing, and are comprised of $14,133 (April 30, 2016 - $163,901) payable to the CEO and a company controlled by the CEO, $12,432 (April 30, 2016 - $111,104) payable to the CFO or a company controlled by the CFO, $3,749 (April 30, 2016 - $56,445) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects and $nil (April 30, 2016 - $1,929,635) payable to a companies controlled by directors.

**(d) Related Party Restructuring Transactions**

Pursuant to the Company's Restructuring, the majority of all director and officers advances owing were settled during the quarter ended October 31, 2016.

To incentivize the executive management team to continue working on a dedicated and full-time basis during the very complicated Restructuring period, particularly as the executive management team was not receiving regular monthly fee payments and significant amounts were owing to them, the Company offered them a one-time contingent fee only payable upon successful completion of the Restructuring. On August 26, 2016, the contingent criteria were met and the Company provided the executive management team a $500,000 restructuring fee, which, as agreed in the contingent compensation plan, was fully reinvested in the August 30, 2016 private placement so that there would be $nil cash cost to the Company.

## Commitments and Contingencies

In addition to the commitments in connection with the Company's financings, the Company has a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of USD$4,210 and termination date on July 31, 2018 as well as a month to month rental agreement for its corporate office in Vancouver, Canada with a monthly payment of $3,750 until December 2016 and $4,313 per month effective January 2017.

During the six months ended October 31, 2016, the Company entered into a purchase and sale contract to sell approximately 312 ounces of gold dore to a third party, which would be settled at a future date in either cash or through the delivery of gold. At October 31, 2016, the fair value of amounts owing under this contract was $517,084 (April 30, 2016 - $359,179) and is included in deferred revenue.

A summary of undiscounted liabilities and future operating commitments at October 31, 2016 are as follows:

| | **Total** | Within One Year | Two to Five Years |
|---|---|---|---|
| **Maturity analysis of financial liabilities** | **$** | $ | $ |
| Accounts payable and accrued liabilities | **1,233,004** | 1,233,004 | - |
| Promissory notes payable | **308,325** | 308,325 | - |
| Mineral notes payable | **64,238** | 64,238 | - |
| Secured debentures | **2,764,830** | - | 2,764,830 |
| | **4,370,397** | 1,605,567 | 2,764,830 |
| | | | |
| **Commitments** | | | |
| Office lease rental | **272,893** | 119,508 | 153,385 |
| Gold sale contract deferred revenue | **517,084** | 517,084 | - |
| Asset retirement and reclamation obligations | **340,710** | - | 340,710 |
| | **1,130,687** | 636,592 | 494,095 |
| | **5,501,084** | 2,242,159 | 3,258,925 |

Contingent Debenture

As a result of the Restructuring and Debt Settlement, the Company issued a USD$779,309 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.

## Financial Instruments

As at October 31, 2016, the Company's financial instruments consist of cash, other receivables, marketable securities, accounts payable and accrued liabilities, promissory notes payable convertible debentures, secured debentures and loan payable. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value through other comprehensive income or loss. Accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable are designated as other financial liabilities, which are measured at amortized cost.

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

The three levels of hierarchy are:

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

As at October 31, 2016, the Company believes that the carrying values of cash, other receivables, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The fair value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.
The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

*(i) Credit risk*

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

*(ii) Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at October 31, 2016, the Company had cash of $84,434 (April 30, 2016 - $45,135) and current working capital surplus of $2,320,511 (April 30, 2016 - $ 7,645,085) with total liabilities of $5,228,191 (April 30, 2016 - $15,859,608).

A summary of the Company's future operating commitments is presented in note 19 of the annual consolidated financial statements.

*(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, 2016, 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.

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

| | **October 31, 2016** | April 30, 2016 |
|---|---|---|
| US dollar: | **$** | $ |
| Cash | **66** | 31,063 |
| Receivables | **38,492** | 108,809 |
| Accounts payable and accrued liabilities | **(330,452)** | (744,126) |
| Debenture, convertible debenture and promissory notes | **(393,480)** | (7,190,363) |
| Net assets | **(685,374)** | (7,794,617) |
| Sol: | | |
| Cash | **3,756** | 13,488 |
| Receivables | **511,173** | 1,523,703 |
| Accounts payable and accrued liabilities | **(308,938)** | (1,018,224) |
| Net liabilities | **205,991** | 518,967 |

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the three and six months ended October 31, 2016 would have varied by approximately $95,917. Assuming all other variables constant, an increase or a decrease of 10% of the Sol against the Canadian dollar, the net loss of the Company and the equity for the three and six months ended October 31, 2016 would have varied by approximately $12,316.

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

b. 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.

## Off-Balance Sheet Arrangements

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

## Critical Accounting Policies and Estimates

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

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

These accounting judgments and estimates are further discussed in the Company's annual audited consolidated financial statements at April 30, 2016.

## Risks and Uncertainties

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

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

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

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

## Cautionary Note Regarding Forward-Looking Information

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

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

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

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

## Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the period ended October 31, 2016 and this accompanying MD&A (together, the "Interim Filings").

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