



MANAGEMENT DISCUSSION AND ANALYSIS
For the Three Months Ended July 31, 2016 and 2015
Report Dated September 29, 2016

INCA ONE GOLD CORP.

Management Discussion & Analysis

For the Three Months Ended July 31, 2016 and 2015

The following information, prepared as of September 29, 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 months ended July 31, 2016 (the “July 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 other 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

On August 26, 2016, the Company announced it had attained approval from the TSX-V for a global debt settlement whereby \$13.7 million of the Company’s long and short term debt was settled and restructured (see subsequent events below). The debt settlement and restructuring resulted in a material reduction of the Company’s debt.

Concurrent with the debt settlement and restructuring, the Company closed the first tranche of a previously announced private placement by raising gross proceeds of approximately \$3.25 million through the issuance of approximately 13.0 million units at a subscription price of \$0.25 per unit (see subsequent events below).

This MD&A and the respective interim consolidated financial statements for the three months ended end July 31, 2016, present the financial position as at July 31, 2016, prior to the debt settlement and closing of the first tranche of the private placement.

The Company began to ramp up operations within weeks of the debt settlement and closing of the first tranche of the private placement.

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Operational Milestones

The following is a summary of the Chala Plant's production statistics for:

- three months ended July 31, 2016 (“**Q1 fiscal 2017**” or “**Q1 2017**”);
- three months ended April 30, 2016 (“**Q4 fiscal 2016**” or “**Q4 2016**”);
- three months ended January 31, 2016 (“**Q3 fiscal 2016**” or “**Q3 2016**”);
- three months ended October 31, 2015 (“**Q2 fiscal 2016**” or “**Q2 2016**”);
- three months ended July 31, 2015 (“**Q1 fiscal 2016**” or “**Q1 2016**”); and
- three months ended April 30, 2015 (“**Q4 fiscal 2015**” or “**Q4 2015**”).

The Chala Plant commenced commercial production on February 1, 2015 therefore no operational comparative figures are applicable for periods prior to Q4 2015. The quarterly periods summarized below represent all the periods during which the Company was in commercial production.

During Q1 2017, Q4 2016, Q3 2016 and Q2 2016, the Company operated at a lower operating capacity in order to better manage cash flows while the Company awaited its first IGV/VAT refund from SUNAT, the Peruvian government tax and customs authority. SUNAT has completed audits of the Company's IGV filings from inception through May 2015 and for the period June through August 2015. This IGV audit has been a very lengthy and onerous process, noting that no material issues have been identified by SUNAT as of the date of this MD&A.

In February 2016 the Company received IGV refund payments from SUNAT for the IGV filing period September 2015 through December 2015. In March and April 2016, the Company received additional payments relating to each monthly period January 2016 through March 2016. After the month of March 2016 the Company has been receiving monthly payments for submission of the Company's IGV. All IGV refund payments received in Q4 2016 totaled approximately \$1,069,743, the total payments received in Q1 2017 totaled approximately \$1,558,001. The Company also graduated from the SUNAT small tax group to the SUNAT large company tax group in early February 2015. The SUNAT large tax group has proven to deliver timely refunds to the Company.

The lower operating capacity during Q1 2017 resulted in a \$318,607 gross operating deficit compared to a \$774,498 gross operating deficit in Q4 2016, \$604,336 gross operating deficit in Q3 2016 and \$337,237 gross operating deficit in Q2 2016 and \$435,499 gross operating profit in Q1 2016. In Q1 2016 production was much higher than subsequent quarters which resulted in positive gross operating margin.

The quarterly deficit in Q1 2017 decreased over Q4 2016 due primarily to the Company been able to purchase higher grade ore due to the positive cash flow that the IGV refunds generated during Q4 2016 and Q1 2017.

Along with the IGV refund payments in Q4 2016 and Q1 2017, the Company also strategically sought to address some balance sheet restructuring and refinancing to help the Company recapitalize and ramp up production into profitable operations.

Other factors that contributed to the deficit include:

A. Gold price impacts:

- Average gold price per ounce sold increased in Q1 2017 by 4.83% and 14.5% when compared to Q4 2016 and Q1 2016, respectively.

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B. Revenue and cost per tonne impacts:

- Revenue per tonne decreased 4.9% in Q1 2017 compared to Q4 2016 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 16.3% in Q1 2017 compared to Q4 2016 which is primarily a result cost cutting measures implemented by the Company to compensate the lower production.
- Mineral grade purchased increased 4.0% oz/tonne (“oz/t”) gold from 0.49 oz/t gold to 0.51 oz/t gold in Q1 2017 compared to Q4 2016.

The Company’s continued working capital constraints contributed to its inability to finance the purchase of higher grade mineral.

Quarter over Quarter highlights	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Variance % Q1 2017 vs Q4 2016	Variance % Q1 2017 vs Q1 2016
Tonnes processed (t)	2,370	2,709	3,853	3,698	7,453	(12.5%)	(68.2%)
Average daily processing volume (t) ¹	27.7	31.7	45.1	43.2	88.0	(12.5%)	(68.5%)
Mineral grade (oz/t gold)	0.51	0.49	0.60	0.73	0.80	26.1%	(23.4%)
Gold sold (oz)	1,227	1,459	2,015	2,935	4,438	(16.0%)	(72.4%)
Silver sold (oz)	2,173	5,206	3,669	3,155	5,669	(58.2%)	(61.7%)
Sales (\$)	2,075,562	2,496,234	3,105,726	4,330,350	6,549,870	(16.9%)	(68.3%)
Gross operating (deficit) margin (\$)	(318,607)	(774,498)	(604,336)	(337,237)	435,499	(58.9%)	(173.2%)
Gross operating margin %	(15.35%)	(31.03%)	(19.46%)	(7.79%)	6.65%	(50.5%)	(330.9%)
Gross margin / ounce of gold sold (\$)	(260)	(531)	(300)	(115)	98	(51.0%)	(365.3%)
Gross margin / ton processed (\$)	(134)	(286)	(157)	(91)	58	(53.1%)	(331.0%)
Revenue per tonne processed (\$)	876	921	806	1,171	879	(4.9%)	(0.3%)
Cost per tonne processed (\$)	1,010	1,207	963	1,262	820	(16.3%)	23.1%
Average gold price per ounce sold (\$)	1,659	1,590	1,517	1,477	1,449	4.3%	14.5%
Cost per ounce sold (\$)	1,952	2,241	1,841	1,590	1,378	(12.9%)	41.7%
Average London Close price (\$USD)	1,291	1,230	1,084	1,134	1,168	5.0%	10.5%
Average London Close price (\$)	1,686	1,631	1,518	1,487	1,457	3.4%	15.7%

¹ Based on a 28.5 day monthly utilization period

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Highlights during Q1 fiscal 2017 include:

- Total gold and silver sales of \$2,075,562 with total cost of goods sold of \$2,394,169 and gross margin deficit of \$318,607 or a 15.4% deficit;
- 2,370 tonnes of mineral was processed with an average gold grade of 0.51 oz/t;
- Average daily processing volume of 28 TPD (based on a 28.5 day monthly utilization period);
- Strategically reduced processing throughput while waiting for the SUNAT IGV/VAT audit process to complete;
- Purchased approximately 2,540 tonnes of gold-bearing material.
- As at July 31, 2016, there was approximately 400 ounces of gold in inventory.

Operating Activity – Q1 2017 Compared to Q4 2016

During Q1 2017, the Company processed a total of 2,370 tonnes of gold-bearing material with an average grade of 0.51 oz/t gold compared to 2,709 tonnes of gold-bearing material with an average grade of 0.49 oz/t gold during Q4 2016. As noted above, the grade was 4.0% oz/t gold higher in Q1 2017, with Q1 2017 being the sixth quarter of commercial production.

Production continued to be artificially lower during Q1 2017 due to a 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. During Q4 2016, the company collected \$1,069,743 of IGV refund payments and approximately \$1,558,001 during Q1 2017. As of July 31, 2016 IGV receivable had a value of \$1,041,263.

The average daily processing volume (based on a 28.5 day monthly utilization period) during Q1 2017 was 28 TPD compared to 32 TPD during Q4 2016. Due to cash constraints and the strategic decision to scale back production while awaiting the IGV refunds, Q1 2017 TPD production was lower than previous quarters.

During Q1 2017, the Company sold 1,227 ounces of gold and 2,173 ounces of silver compared to 1,459 ounces of gold and 5,206 ounces of silver sold during Q4 2016, despite the decrease in ounces sold the Company secured higher grade ore with some of its vendors a result of the lower levels of mineral grade per tonnes processed during Q1 2017 of 0.51 compared to 0.49 in Q4 2016.

The gross margin deficit per gold ounces sold during Q1 2017 amounted to \$260 compared to a gross margin deficit of \$531 during Q4 2016, a decrease of \$271 arising primarily from the increase in average mineral grade.

The Company also achieved various operating improvements during the three months period ended July 31, 2016 such as the purchase of a desorption plant and chemical laboratory to better maximize plant efficiency and lower operating cost, implement adjustments to the leaching circuit and grind size of the mill feed to improve recovery, and expanded the tailings pond.

Chala Plant – Commercial Production

As above, the Company accomplished many integral targets since commercial production began February 1, 2015, including improved mineral purchasing terms and recovery rates, which are critical factors towards achieving long term profitability.

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Mineral Purchasing

A key component of the business is mineral purchasing. The Company has enacted initiatives to improve the efficiency and effectiveness of the mineral purchasing team including incentive programs, mini-games, and targets for quantity, grade, and price with a gold grade target of 25 grams per tonne (“gpt”). To accomplish a relatively steady mill feed for the Chala Plant the Company has entered into various multi-delivery letters of agreement (“LOA”). The Company’s target is to have approximately 1,500 tonnes per month under LOA’s or strategic partnerships, which would be 50% of the total expected 3,000 tonnes per month plant capacity. The balance of the mill feed is expected to come from ongoing spot purchases in the market.

Property, Plant and Equipment

As at July 31, 2016, total plant upgrade costs and capitalized pre-operating costs was \$6,687,101 (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.

During the year ended April 30, 2016, the Company reclassified \$339,088 of IGV to accounts receivable which was previously included in pre-operating expenses.

During the year ended April 30, 2016, the additions to property, plant and equipment includes \$775,708 or USD\$618,192 (April 30, 2015 - \$nil) of VAT that the Company incurred on capitalized Chala plant costs that were deemed unrecoverable from the Peruvian tax authorities. This VAT balance includes \$113,549 or USD\$90,491 of incurred tax filing penalties.

Chala Plant – Pre-Commercial Production

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of the Chala Plant in Southern Peru for USD\$240,000. Of this amount, USD\$150,000 has been paid and the remaining USD\$90,000 will be payable once transfer of the fully permitted facility is complete (see Title and Permitting below). Finder fees of USD\$40,000 were paid in connection with the acquisition and sourcing and technical advice fees of USD\$118,000, inclusive of value added tax, were also paid with respect to the acquisition and refurbishment of the Chala Plant in December 2013.

The Chala Plant was refurbished almost immediately after acquisition in calendar 2013 in order to achieve a processing capacity of 25 TPD and its first production of activated carbon was reported in November 2013. During the year ended April 30, 2014, the Company estimated a recovery of 347.97 ounces of gold and 144.50 ounces of silver from the harvest of activated carbon from the Chala Plant during the initial test milling phase.

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

In June 2014 the Company closed the first tranche of a \$5,500,000 bond financing (see Financings below) for gross proceeds of \$2,700,000 which enabled the Company to begin expansion of the Chala Plant from 25 TPD capacity to 100 TPD capacity as well as provide working capital for mineral purchases and general operating purposes. During August 2014 and November 2014, the Company closed the second and third tranches, for gross proceeds of \$1,400,000 and \$1,400,000 respectively.

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To oversee expansion the Company engaged an established Peruvian engineering firm to oversee the construction and plant expansion to 100 TPD capacity. Two new 50 TPD ball mills were installed and commissioned over that period and many other aspects of the plant were expanded and upgraded including the crushing and leaching systems, expansion of the camp, new scale and reception area, new storage facilities, and expanded mineral stockpile area. By December 31, 2014 the construction was substantially complete. The Company conducted test milling and commissioning beginning November 2014, and with the appropriate assessment management determined that at February 1, 2015 the Chala Plant had commenced commercial production.

This commercial production assessment included key parameters being met such as: a) all major and auxiliary processing circuits were fully operational including ball mill, crushing, and leaching circuits, and related facilities in place; b) average production throughput at the plant since February 1, 2015 has been in excess of 50 TPD with production ramping up to the full 100 TPD production capacity; and c) a reasonable testing and commissioning period had completed. As a result of the commencement of commercial production the Company began amortizing the capitalized costs of its milling plant.

The aforementioned technical information was reviewed on behalf of the Company by Phu Van Bui, P.Geo., a director and a Qualified Person as defined in NI 43-101.

Chala Plant - Title and Permitting

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 is also 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.

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.

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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 months ended July 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.

	July 31, 2016	April 30, 2016	July 31, 2015
	\$	\$	\$
Revenue	2,075,562	2,496,231	6,549,870
Cost of goods sold	2,394,169	3,270,732	6,114,371
Gross margin (deficit)	(318,607)	(774,501)	435,499
Finance and other (expense) income, net	(412,074)	(1,218,263)	86,079
Net loss for the period	(1,281,939)	(2,574,400)	(591,307)
Net loss per share (basic and diluted)	(0.12)	(0.28)	(0.06)
Other comprehensive income (loss)	(219,452)	(1,599,249)	(375,064)

	July 31, 2016	April 30, 2015	July 31, 2015
	\$	\$	\$
Total assets	8,665,436	9,370,124	11,433,207
Total long term liabilities	4,487,799	4,705,169	5,787,037
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 loss	Basic loss per share
	\$	\$	\$	\$	\$
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)

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The working capital deficiency as at July 31, 2016 is a result of losses from operations and finance expense, and is impacted by a \$1,531,409 increase (over the Q4 2016) in current liabilities in part from more long term debt becoming current and trade accounts payable and accrued liabilities due to restructuring charges.

Total assets decreased \$395,410 during the three months ended July 31, 2016 due to decrease on inventory and receivables (including IGV/VAT) 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 \$1,531,409 increase in current liabilities for the three months ended July 31, 2016 primarily arose from long term debt becoming current, increase in promissory notes and accounts payable and accrued liabilities.

The \$217,370 decreased in long term liabilities for the three months ended July 31, 2016 primarily arose from more long term debt becoming current.

Major changes in quarterly net loss arose as follows:

- During the three months ended July 31, 2016, the \$1,568,012 net loss decreased relative to Q4 2016 primarily as a result of cost cutting measurements 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 July 31, 2016 had a value of \$1,041,263. The Company received \$1,069,743 of IGV during Q4 2016 and the
- During the three months ended April 30, 2016, the \$2,405,901 net loss decreased relative to prior quarter 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, which as of April 30, 2016 had a value of \$1,516,206. The Company received \$1,069,743 of IGV during Q4 2016.
- 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.

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- 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 – Q1 2017 compared to Q1 2016

Revenue for Q1 2017 was \$2,075,562 and cost of goods sold was \$2,394,169 resulting in a gross margin deficit of \$318,607. Revenues for the same period in Q1 2016 was \$6,549,870 and cost of goods sold was \$6,114,359 resulting in a gross margin gain of \$435,511. The main reason of the decrease is the strategic decision of the Company to scale back production while waiting for the IGV refund.

During Q1 2017, the Company reported a net loss of \$1,568,012 the most significant components of which were, aside from the gross operating loss of \$318,607, consulting and management fees of \$63,167; office, rent, insurance and other expenses of \$187,927; salaries and benefits of \$108,194 and finance costs of \$501,727.

Consulting and management fees during Q1 2017 decreased by \$45,754 to \$163,167 compared to \$208,921 in Q1 2016. This decrease was due mainly for the resignation of the COO in February 2016.

Office, rent, insurance and other expenses during Q1 2017 increased by \$72,564 to \$187,927 compared to \$115,363 in Q1 2016. The increase was due to penalty fees for late filings and amendment tax returns.

Salaries and benefits expense decreased by \$93,740 to \$108,194 compared to \$201,934 in Q1 2016. This decrease is primarily attributed to the cost cutting measurements due to the strategic decision of scale back production.

Finance costs increased during Q1 2017 by \$152,255 to \$501,727 compared to \$349,472 during Q1 2016 primarily due to higher interest paid related to new financings closed during the year (see Financings).

Liquidity and Capital Resources

As at July 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. As at July 31, 2016, the Company had cash of \$20,142 representing a decrease of \$24,993 compared with cash of \$45,135 at April 30, 2016.

The Company reported working capital deficiency of \$9,382,607 at July 31, 2016 as compared to working capital deficiency of \$7,645,085 as at April 30, 2016.

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Marketable securities consisted of 733,007 shares in Global Resources Investment Trust PLC (“GRIT”) which were acquired on February 28, 2014 in exchange for the issue of 12,000,000 common shares in the Company at a value of \$0.11 per share; and currently consist of 6,000,000 shares in TON which were acquired on October 7, 2015 at a market value of \$0.055 per share for a total fair value of \$330,000 at time of acquisition.

The fair value of the shares in GRIT at acquisition was determined based on a value of \$0.11 per share for the 12,000,000 common shares issued by the Company. On June 23, 2016 the Company redeemed all GRIT shares at a price of \$0.10 (GBP £0.060) per share for total proceeds of \$75,790, resulting in a loss on marketable securities of \$11,648. As a result, for the three months ended July 31, 2016, a realized loss on marketable securities of \$11,648 was included in net loss.

As of July 31, 2016 the TON shares were recorded at a fair value of \$nil (April 30, 2016 - \$nil) based on the TON share trading price of \$0.005. On November 30, 2015, TON halted trading of their shares and announced that they are illiquid. TON resumed trading on January 12, 2016. Management included this fact pattern, along with the fair value, in their determination that the TON share impairment is permanent.

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. Subsequent to period end, on August 26, 2016, the Company announced that it has received approval by the TSX-V for the required settlement agreements with its debt holders. The debt settlement addresses approximately \$13.7 million of the Company’s long and short term debt.

Capital Expenditures

As at July 31, 2016, total plant upgrade costs and capitalized pre-operating costs was \$6,687,101 (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 three months ended July 31, 2016 was \$140,020 (2015 - \$114,759).

Financings – Debt

Promissory Notes – 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.

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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. As at July 31, 2016, the principal balance was \$60,000 (April 30, 2016 - \$60,000) and interest expense of \$16,646 (2015 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

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 is 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. As at July 31, 2016, the principal balance was \$522,240 or US\$400,000 (April 30, 2016 - \$501,920), and interest expense recorded during the three months ending July 31, 2016 was of \$26,200 (April 30, 2016 - \$96,206), of which \$64,219 (April 30, 2016 - \$36,487) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016. Subsequent to July 31, 2016, the majority of directors' and officers' advances was restructured and settled.

Promissory Notes – 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. As at July 31, 2016, the principal balance was \$261,120 or USD\$200,000 (April 30, 2016 - \$250,960) and interest expense recorded during the three months ending July 31, 2016 of \$13,100 (April 30, 2016 - \$53,182) was incurred and recorded respectively, of which \$54,430 (April 2016 - \$39,696) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016. Subsequent to July 31, 2016, the third party advances were restructured and settled.

Promissory Notes – 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 mature after 24 months and bear 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 (note 12).

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.

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During July 31, 2016, the remaining subscriber agreed to extend repayment of the remaining balance owing of \$115,992 of which \$104,500 remain in promissory notes payable and \$11,492 in accounts payable and accrued interest (note 9).

A cash finder fee of \$2,500 and legal and regulatory costs of \$2,540 incurred in connection with the financing were charged against the promissory notes amount payable. As at July 31, 2016 the principal balance, including capitalized interest, was \$115,992 (April 30, 2015 - \$110,359) and interest expense recorded during the three months ending in July 31, 2016 was \$5,363 (April 30, 2015 - \$36,040) of which \$11,492 (April 2015 - \$5,859) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

Promissory Notes – 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. As at July 31, 2016, the principal balance of the Mineral Loan was \$718,080 or USD\$550,000 (April 30, 2015 - \$690,140) and interest expense recorded during the three months ending July 31, 2016 was \$36,025 (April 30, 2015 - \$83,102), of which \$36,025 (April 30, 2015 - \$9,172) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016. Subsequent to July 31, 2016, the TON Mineral Loan was restructured and settled.

Promissory Notes – 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 pays 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 is subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015.

As at July 31, 2016 \$1,214,581 or USD\$930,286 (April 30, 2015 - \$1,167,323) had been advanced and interest expense recorded during the three months ending July 31, 2016 was \$36,637 (April 30, 2015 - \$67,255) which has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016. Subsequent to July 31, 2016, the TON Mineral Purchase Note was restructured and settled.

CAD denominated Convertible Debentures

On October 30, 2013, the Company completed a secured convertible debenture offering for gross proceeds of \$275,000. Of this amount \$75,000 was issued to two directors and officers or to individuals to whom they were related. The debentures mature on October 30, 2018 and are redeemable at the Company’s option after October 30, 2016. At the date of issue \$198,664 was attributed to the liability component of the convertible debenture and \$76,336 to the equity component based on an effective interest rate of 20%.

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

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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 is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. During the three months ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$3,404 (April 30, 2016 - \$13,005), and interest expense of \$5,530 (April 30, 2016 - \$22,040) of which \$10,940 (April 30, 2016 - \$5,410) has been recorded and remains in accounts payable and accrued liabilities as of July 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 bear interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which shall be convertible into shares during the first year of the debenture term. Also during the first year of the debenture term a maximum of 25% of the principal may, at the option of the holder, be converted into common shares of the Company at a price of \$0.875 per common share. The debentures mature on May 22, 2019 and are redeemable by the Company at any time after May 22, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement. At the date of issue \$234,785 was attributed to the liability component of the convertible debenture and \$90,215 to the equity component based on an effective interest rate of 20%. On December 1, 2014, \$81,250 of the convertible debentures were converted to 92,857 common shares of the Company.

Professional fees of \$18,297 have been incurred in connection with the debenture offering and have been recorded against the liability and equity component on a pro-rata basis. During the year ended July 31, 2016, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$3,540 (April 30, 2016 - \$14,345), and interest expense of \$6,127 (April 30, 2016 - \$27,373) of which \$10,189 (April 30, 2016 - \$4,063) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

Subsequent to July 31, 2016, the convertible debentures were restructured and settled.

USD denominated Convertible Debentures

On March 20, 2015, the Company announced the terms of a convertible loan with a group of lenders for gross proceeds of USD\$1,500,000 (the "USD Convertible Loan"). The USD Convertible Loan bears interest at a rate of 15% per annum and 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 has a twelve month term and is subject to a twelve month renewal option, subject to certain conditions. The USD Convertible Loan is secured by a pledge of the inventory and related assets of the Company's subsidiary, Chala One.

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The Company paid an arrangement fee of 5% of the proceeds of the USD Convertible Loan to a third party for its role in arranging the USD Convertible Loan. In certain circumstances, up to 40% of the outstanding indebtedness under the USD Convertible Loan will be convertible into common shares the Company at the option of the Lenders at a conversion price of CAD\$1.75. The conversion amount will be based on a fixed foreign exchange rate which will result 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 have been incurred in connection with the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three months ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$nil (April 30, 2016 - \$116,159), and interest expense of \$25,944 (April 30, 2016 - \$134,308) of which \$25,326 has been recorded and remains in accounts payable and accrued liabilities as of July 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 have been incurred in connection with the second tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three months ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$4,391 (April 30, 2016 - \$14,399), and interest expense of \$21,619 (April 30, 2016 - \$104,392) of which \$25,326 (April 30, 2016 - \$18,668) has been recorded and remains in accounts payable and accrued liabilities as of July 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 have been incurred in connection with the third tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the year ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$3,573 (April 30, 2016 - \$11,714), and interest expense of \$17,295 (April 30, 2016 - \$74,446), of which \$20,151 (April 30, 2016 - \$14,934) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

On July 20, 2016, USD\$500,000 of the USD Convertible Loan was repaid, and USD\$1,000,000 was restructured and settled.

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Bond Payable

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

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

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

Also in connection with the financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment to pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement.

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

In connection with the financing, during the year ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$68,381 (April 30, 2016 - \$270,469).

First tranche

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

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

During the three months ended July 31, 2016, with respect to this first tranche of the bond financing the Company recorded interest expense of \$74,765 (April 30, 2016 - \$260,908) of which \$287,576 (April 30, 2016 - \$212,811) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

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Second tranche

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

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

During the three months ended July 31, 2016, with respect to this second tranche of the bond financing the Company recorded interest expense of \$38,710 (April 30, 2016 - \$135,286) of which \$107,344 (April 30, 2016 - \$68,634) has been recorded and remains in accounts payable and accrued liabilities as of July 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 bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than April 25, 2015. The bond principal of \$1,400,000 is repayable in increments of \$102,273 on each of November 20, 2016, February 20, 2017, May 20, 2017 and August 20, 2017, with the remainder due November 20, 2017.

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

During the three months ended July 31, 2016, with respect to this third tranche of the bond financing the Company recorded interest expense of \$38,817 (April 30, 2016 - \$135,286) of which \$118,137 (April 30, 2016 - \$79,320) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

Subsequent to July 31, 2016, the Bond Financing was restructured and settled.

USD First Debenture Units

On March 18, 2015, the Company closed a non-brokered private placement of debenture units with warrants (the "Debenture Unit Financing") for gross proceeds of USD\$1,600,000 including a USD\$100,000 over-subscription. Pursuant to the closing of the Debenture Unit Financing, the Company issued 64 units (the "Units"), with each Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 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 are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The debenture matures 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.

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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 months ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$nil (April 30, 2016 - \$279,869), and interest expense of \$73,360 (April 30, 2016 - \$300,319) of which \$180,615 (2015 - \$102,935) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

Subsequent to July 31, 2016, the USD Debenture Units were restructured and settled.

USD Second Debenture Units

On July 10, 2015, the Company closed a non-brokered debenture financing (the "Second Debenture Unit Financing") for gross proceeds of USD\$500,000. The Second Debenture Unit Financing consists of 20 units (the "Second Units") with each Second Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 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 are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debentures is 12 months with a 12 month extension at the option of the Company and the debentures are secured by a security interest in certain of the Company's present and after acquired property to be registered in British Columbia.

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 months ended July 31, 2016, the Company recorded accretion expense and amortization of issuance costs of \$5,362 (April 30, 2016 - \$20,646) and interest expense of \$22,925 (April 30, 2016 - \$67,727), of which \$50,190 (April 30, 2016 - \$26,159) has been recorded and remains in accounts payable and accrued liabilities as of July 31, 2016.

Subsequent to July 31, 2016, the USD Debenture Units were restructured and settled.

Financings - Equity

Subsequent to period end, the Company consolidated its capital on a one-for-seven basis. At July 31, 2016, there were 11,640,367, post consolidation, issued and fully paid common shares (April 30, 2016 - 11,561,496 post consolidation).

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Share Issuances – Shares for Services

On June 1, 2016, the Company issued 71,429 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 of US\$24,000.

Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 44,966,253 common shares issued outstanding and the following options and warrants outstanding:

Stock Options:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	\$		#
21,429	1.75	February 9, 2017	Vested
35,714	1.05	October 5, 2017	Vested
56,571	1.05	October 30, 2017	Vested
397,143	1.75	May 5, 2018	Vested
39,286	1.05	May 30, 2018	Vested
28,571	1.05	October 31, 2018	Vested
135,714	1.05	June 4, 2019	Vested
64,286	1.05	August 29, 2019	Vested
14,286	1.75	April 15, 2020	Vested
10,714	1.54	September 23, 2020	Vested
82,143	3.01	July 11, 2021	Vested
3,595,000	0.25	September 21, 2018	Vested
4,480,857			

Warrants:

Number of Warrants	Exercise Price	Expiry Date
#	\$	
205,714	1.05	May 20, 2017
106,667	1.05	August 29, 2017
106,667	1.05	November 20, 2017
657,019	1.26	December 22, 2020
800,000	0.85	August 26, 2019
300,000	0.45	August 26, 2017
22,203,555	0.40	August 26, 2019
24,379,622		

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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 (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-Chief Operating Officer 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 months period ended July 31, 2016 and 2015:

	July 31, 2016	July 31, 2015
	\$	\$
Professional fees	23,378	7,806
Consulting and management fees	106,500	157,420
Finance costs	76,834	1,995
Share-based payments	-	342,120
Office rent	11,250	-
	217,962	509,341

Professional fees are paid to a company controlled by a director. Consulting and management fees are paid to companies controlled by the President, COO, CFO, or VP Operations & New Projects. Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the President, COO, or VP Operations & New Projects, or to a company controlled by a director.

Compensation of Key Management Personnel

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

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	July 31, 2016	July 31, 2015
	\$	\$
Management, accounting and CFO fees included above	129,878	136,752
Share-based payments	-	342,120
	129,878	478,872

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

(b) 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 July 31, 2016 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes (note 10), convertible debenture financing (note 12), and are comprised of \$118,045 (April 30, 2016 - \$163,901) payable to the President and a company controlled by the President, \$115,350 (April 30, 2016 - \$111,104) payable to the CFO or a company controlled by the CFO, \$196,992 (April 30, 2016 - \$148,470) payable to a company controlled by the COO, \$49,151 (April 30, 2016 - \$56,445) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects and \$2,058,316 (April 30, 2016 - \$1,929,635) payable to a companies controlled by directors.

Commitments

In addition to the commitments in connection with the Company's financings (please refer to notes 11, 12, 13 and 14 in consolidated annual financial statements), 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 and a three-year rent agreement with a monthly payment of \$3,750 for its corporate office in Vancouver, Canada and termination date on January 1, 2019.

During the three months ended July 31, 2016, the Company entered into a purchase and sale contract to sell approximately 284 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 July 31, 2016, the fair value of amounts owing under this contract was \$490,098 (April 30, 2016 - \$359,179) and is included in deferred revenue.

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

	Total	Within One Year	Two to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	3,202,049	3,202,049	-
Bond payable	5,216,932	1,499,996	3,716,936
Promissory notes payable and mineral notes	2,944,390	2,882,101	62,289
Convertible debentures	1,687,796	1,305,600	382,196
Debenture units	2,705,956	2,705,956	-
	15,757,123	11,595,702	4,161,421
Commitments			
Office lease rental	250,534	108,392	142,142
Gold sale contract deferred revenue	490,098	490,098	-
Asset retirement and reclamation obligations	326,378	-	326,378
	1,067,010	598,490	468,520
	16,824,133	12,194,192	4,629,941

Subsequent to July 31, 2016, the Company restructured and settled approximately \$13.7 million of the Company's financial liabilities (see subsequent events).

Financial Instruments

As at July 31, 2016, the Company's financial instruments consist of cash, other receivables, marketable securities, accounts payable and accrued liabilities, promissory notes payable convertible debentures, 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 July 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.

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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 April 30, 2016, the Company had cash of \$20,142 (April 30, 2016 - \$45,135) and current working capital deficiency of \$9,382,607 (April 30, 2016 - \$ 7,645,085) with total liabilities of \$16,573,599 (April 30, 2016 - \$15,859,608).

A summary of the Company's future operating commitments is presented in note 18 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 July 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.

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

	July 31, 2016	April 30, 2016
	\$	\$
US dollar:		
Cash and cash equivalents	190	31,063
Receivables	15,168	108,809
Accounts payable and accrued liabilities	(912,554)	(744,126)
Debenture, convertible debenture and promissory note	(6,828,661)	(7,190,363)
Net assets	(7,725,857)	(7,794,617)
Sol:		
Cash and cash equivalents	13,155	13,488
Receivables	742,415	1,523,703
Accounts payable and accrued liabilities	(1,038,357)	(1,018,224)
Net liabilities	(282,787)	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 year ended July 31, 2016 would have varied by approximately \$774,072. Assuming all other variables constant, an increase or a decrease of 10% of the Sol against the Canadian dollar, the net loss of the Company and the equity for the year ended July 31, 2016 would have varied by approximately \$14,228.

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.

Subsequent Events

- 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.

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- b) On August 26, 2016, the Company announced that it has closed the first tranche of a previously announced non-brokered private placement (the “Private Placement”); whereby, the Company aims to raise a total of \$5.25 million in gross proceeds in the Private Placement including a first and second tranche.

With the closing of the first tranche the Company raised gross proceeds of approximately \$3.25 million by the issuance of approximately 13.0 million units (the “Units”) at a subscription price of \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. Each warrant will be exercisable to purchase an additional common share of the Company at an exercise price of \$0.40 for a period of 36 months from the closing date and will feature an acceleration clause triggering the exercise of the warrant upon select share price metrics being achieved. Cash finder’s fees of 8% of the gross proceeds were paid on a portion of the Private Placement. The Company will also issue 8% finders warrants to eligible finders in connection with this placement.

The Company intends to close the second and final tranche of the Private Placement shortly.

The net proceeds from the Private Placement will be used for purchases of mineral, inventory supplies and materials, select debt repayments, and for general working capital purposes, as applicable. All securities issued pursuant to the Private Placement are subject to a statutory hold period of four months plus one day from the date of issuance, in accordance with applicable securities legislation

- c) On August 26, 2016, the Company announced that it has received approval by the TSX-V for the required settlement agreements with its debt holders (the “Debt Settlement”). The Debt Settlement addresses approximately \$13.7 million of the Company’s long and short term debt and related unpaid interest (the “Debts”) which converted 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.

In total, 20.3 million common shares and 10.3 million common share purchase warrants, of which 9.1 million have a three year term and \$0.40 exercise price, 0.3 million have a 12 month term and a \$0.45 exercise price, and 0.8 million have a three year term and a \$0.85 exercise price, were issued on settlement of these Debts

- d) On September 26, 2016, pursuant to the Company’s stock option plan, the Company granted 3.5 million incentive stock options to directors, officers, consultants and employees of the Company, with an exercise price of \$0.25 per share, immediate vesting and an expiry date of September 21, 2018.

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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 July 31, 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.

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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.

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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 year ended July 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.