



MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended April 30, 2019 and 2018

Report Dated August 28, 2019

INCA ONE GOLD CORP.

Management Discussion & Analysis

For the Years Ended April 30, 2019, and 2018

This Management's Discussion and Analysis ("MD&A") of Inca One Gold Corp. (the "Company" or "Inca One") has been prepared by management as of August 28, 2019 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended April 30, 2019 and 2018 and the related notes thereto. This MD&A has been reviewed and approved by the Board of Directors of the Company. Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in United States Dollars unless stated otherwise. During the quarter ended July 31, 2018, the Company changed its presentation currency to the United States Dollar. References to CAD\$ are to Canadian dollars and references to restated ("Restated") financial information are to amounts previously reported in Canadian dollars.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in "**Risks and Uncertainties**" and "**Cautionary Statement on Forward-Looking Information**" at the end of this MD&A.

Description of the Business

Inca One was incorporated on November 9, 2005 and is in the business of developing 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, has two Peruvian gold milling facilities ("Chala One" and "Kori One") with a total permitted capacity of 450 tonnes per day ("TPD") and has been in commercial production since 2015. The Company purchases high-grade gold mill feed from legally recognized Peruvian small scale miners and processes the material for the export and sale of gold doré and refined gold.

Inca One is listed 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".

Inca One's vision is to become the largest, undisputed ore processor of choice in Peru, while maintaining its uncompromising guiding principles while it grows. This vision will be achieved through:

- Continuing to increase purchases of high-grade gold mill feed;
- The acquisition and development of mineral concessions that could be mined by contract miners and that would provide long-term supply to Chala One and Kori One; and
- Pursuing growth via merger and acquisition, including additional mineral processing operations.

Key Period Definitions (used below)

- three months ended April 30, 2019 ("**the Quarter**" or "**Q4 2019**");
- three months ended January 31, 2019 ("**Q3 2019**")
- three months ended October 31, 2018 ("**Q2 2019**")
- three months ended July 31, 2018 ("**Q1 2019**");
- three months ended April 30, 2018 ("**Q4 2018**");
- year ended April 30, 2019 ("**YE 2019**"); and
- year ended April 30, 2018 ("**YE 2018**");

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YE 2019 Highlights and Key Business Developments

- On August 21, 2018 the Company completed the acquisition of a 100% interest in Anthem United Inc. (“Anthem”), which owns a 90.14% interest in the 350 tonnes per day (“TPD”) Koricancha ore processing facility in Peru (“Kori One”), from Equinox Gold Corp. (TSXV: EQX) (“Equinox”) for cash and shares totaling approximately CAD\$17 million. Kori One is located approximately 50km from the Company’s Chala One mineral processing plant and provides the Company with a platform for growth.
- The acquisition of the Kori One Plant included working capital of approximately \$3.7 million and subsequent to the end of the year; the Company was successful in recovering approximately \$2.4 million of historical value-added taxes (50% of which is payable to Equinox in September 2019).
- During the YE 2019, the Company processed 55,139 tonnes (YE 2018 – 23,724), an average of 151 TPD (YE 2018 – 65 TPD) and had gold production of 26,774 ounces (YE 2018 – 10,939 ounces).
- Gold sales during YE 2019 totaled 26,817 ounces compared to 9,962 ounces in YE 2018, resulting in revenues of \$34.6 million (YE 2018 – \$13.2 million).
- Improved gross operating margin to \$2.3 million for YE 2019, compared to a gross operating loss of \$0.3 million in YE 2018
- During September 2018, the Company renegotiated the terms of a \$0.3 million secured debenture, extending the term to maturity for an additional 24 months to August 31st, 2020.
- During Q3 2019 the Company posted its first quarter of profits, with net income of \$0.03 million compared to a net loss of \$0.9 million in Q3 2018.
- Subsequent to the YE 2019, the Company recruited an experienced management team in Peru to lead the operations and ore buying teams.

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Operational Highlights - Consolidated

Quarter over Quarter highlights	Q4 2019 ⁽³⁾	Q3 2019 ⁽³⁾	Q2 2019 ⁽²⁾	Q1 2019	Q4 2018	Variance % Q4 2019 to Q3 2019	Variance % Q4 2019 to Q4 2018
Tonnes processed in period (t)	14,372	16,099	15,264	9,404	6,699	(11%)	115%
Average daily processing volume (t)	161	175	187	102	78	(9%)	106%
Mineral grade processed (oz/t gold)	0.54	0.57	0.54	0.51	0.53	(5%)	2%
Gold production (oz)	6,830	8,343	7,238	4,363	3,275	(18%)	109%
Gold sold (equivalent oz) ⁽⁴⁾	6,456	9,339	7,409	4,324	2,658	(31%)	143%
Gold sold (oz)	6,320	9,129	7,118	4,250	2,587	(31%)	144%
Silver sold (oz)	11,367	16,854	24,198	6,491	5,664	(33%)	101%
Sales revenue (\$) ⁽¹⁾	8,413,716	11,574,969	8,939,622	5,645,321	3,533,048	(27%)	138%
Cost of goods sold ("COGS") (\$) ⁽¹⁾	7,947,986	10,410,518	8,703,606	5,217,138	3,610,453	(24%)	120%
Gross operating margin (deficit) (\$) ⁽¹⁾	465,730	1,164,451	236,016	428,183	(77,405)	(60%)	702%
Gross operating margin %	5.5%	10.0%	2.6%	7.6%	(2.2%)	(45%)	353%
Revenue per tonne (\$) ⁽¹⁾	639	658	611	701	551	(3%)	16%
Cost per tonne (\$)	603	592	595	648	563	2%	7%
Gross margin per tonne (\$)	36	66	16	53	(12)	(47%)	400%
Average gold (equivalent) price per oz sold (\$)	1,303	1,239	1,207	1,306	1,329	5%	(2%)
Cost per oz sold (\$)	1,231	1,115	1,175	1,207	1,358	10%	(9%)
Gross margin per oz sold (\$)	72	125	32	99	(29)	(42%)	348%
Average London Close price (\$)	1,302	1,254	1,205	1,274	1,330	4%	(2%)

(1) Amounts prior to Q1 2019 have been Restated to United States dollars.

(2) All amounts in Q2 2019 include amounts of Kori One for the period of August 21 to October 31, 2018 on a 100% basis.

(3) All amounts include amounts of Kori One on a 100% basis.

(4) Actual ounces of gold sold plus an estimate of the equivalent ounces of gold that could be purchased for the equivalent number of silver ounces sold.

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Acquisition of the Koricancha Processing Facility in Peru

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

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

- CAD\$5.5 million payable by the issuance of 110,050,225 common shares of Inca One ("Inca One Shares") on completion of the Purchase Agreement at a fair value of CAD\$0.055 per common share, of which 51,269,708 Inca One shares were issued to Equinox, 51,269,708 Inca One shares were issued to SA Targeted Investing Corp. ("SATIC") in consideration for the termination of the gold stream and the remaining Inca One shares were issued to certain minority shareholders who held an interest in Kori One.
- CAD\$2.5 million payment to Equinox on the first anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume-weighted average price of Inca One shares, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One shares (the "Equinox Ownership Limit").
- CAD\$2.5 million payment to Equinox on the second anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume-weighted average price of Inca One shares, subject to the Equinox Ownership Limit.
- CAD\$1.5 million payment to Equinox in cash on the second anniversary of the completion of the Purchase Agreement.
- CAD\$2.5 million payment to Equinox on the third anniversary of the completion of the Purchase Agreement to be paid in cash or Inca One shares at the discretion of Inca One, based on the preceding 20-day volume-weighted average price of Inca One shares, subject to the Equinox Ownership Limit.
- An amount equal to 50% of the Historical IGV recoveries prior to the fifth anniversary of the Closing Date.

Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and \$3 million and certain payments related to outstanding value-added taxes receivable by Kori One, subject to receipt. The Company estimates the amount of working capital on closing was approximately \$3.7 million and therefore approximately \$0.7 million estimated payable on the third anniversary.

In connection with the Transaction, Equinox is entitled to one seat on the Company's Board of Directors and an equity participation right equal to their ownership so long as they hold in excess of 9.9% of Inca One's outstanding shares. Inca One also granted Equinox security over the non-interest bearing deferred payments by way of a pledge of the shares of Anthem.

Kori One is a custom-built, fully operational, industrial gold ore processing facility featuring a fully integrated carbon-in-leach gold circuit which is strategically situated in the Arequipa region of Peru. It is located at sea level, fully serviced by excellent infrastructure just 10 minutes from the Pan American Highway, within the Nazca-Ocona gold belt in Southern Peru. It is permitted for 350 TPD. Kori One was first commissioned in July

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2015 and achieved commercial production on October 1, 2015. It has been servicing the small-scale mining sector of Peru for three years.

During the year ended April 30, 2019, the Company completed the integration of the Kori One operations and has now realized on costs synergies of approximately \$75,000/month, related to the consolidation of its mineral purchasing teams, centralized desorption and reduction of senior management salaries and overhead in Lima.

Future Outlook

With the integration of Kori One complete, the Company now has a platform for growth with 450 TPD of permitted capacity, establishing itself as the largest publicly listed gold processing company in Peru with respect to permitted capacity.

The Company is continuing its efforts to reduce costs and is looking at options for a centralized purchasing team and a restructuring of the Peruvian entities to maximize efficiencies and minimize taxes.

In addition to the cost savings and synergies, the Company believes that having Equinox as a new significant and supportive long-term shareholder will enhance Inca One's scale and capital markets profile. Equinox is a leader in the mining space and now holds approximately 19.99% of the common shares of the Company.

With working capital in excess of \$3.4 million, the Company believes that it can ramp up production to 200 to 250 TPD at current gold prices and at the same time allow for organic growth. The Company is optimistic that the operations at both Chala One and Kori One will continue to build on this very positive YE 2019 and achieve ongoing profitability.

Despite this, production has been lower than expected during Q4 2019 and during the first few months of 2020, due to delayed deliveries as a result of the extended rainy season which has now ended. As a result, we are now seeing improved deliveries from our mining partners and expect production to increase in the coming months. The Company is well-capitalized and has excess capacity to make up for lost production during recent months.

Additionally and as a result of the extended rainy season and lower than expected production, subsequent to YE 2019, the Company recruited key management personnel as part of its initial steps towards building the organizational capability within Inca One as it pushes to increase throughput and grow the business. These appointments are:

Ivan Salas – Country Manager Peru

Ivan has more than 12 years of managerial achievements directing and accelerating the growth in transnational companies operating in Peru. He is an executive with proven experience in business management and has a Master's in Business Administration, International Diploma in Marketing and is a Chemical Metallurgist. Most recently Ivan was the Commercial Director - Energy and Resources for Sodexo in Lima, Peru working in energy and resources (mining, gas, oil and power generation). Prior to this, he was the Country Manager for the Achilles Group, focusing on risk management in the supply chain for mining companies in the hydrocarbon and industrial gases industry.

Jimmy Chu – Global Director of Trading

Jimmy has over 10 years of professional experience in commercial, logistics and financial areas for large scale multinational companies, including the metal trading business, servicing small and medium mining companies in Peru and Ecuador. Most recently Jimmy was a Metals Trader for IXM Trading (a Louis Dreyfus company) in Lima, Peru.

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Selected Quarterly and Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited consolidated financial statements of the Company for the years ended April 30, 2019, 2018 and 2017 as applicable. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Years ended April 30th,		
	2019	2018	2017
	\$	\$	\$
Revenue	34,573,628	13,221,998	10,487,990
Cost of goods sold	(32,279,248)	(13,543,848)	(10,626,147)
Gross margin (deficit)	2,294,380	(321,850)	(138,157)
Finance and other expense, net	(753,320)	(597,996)	(925,716)
Net loss for the period	(84,491)	(3,170,593)	(2,501,521)
Net income (loss) per share (basic and diluted)	0.00	(0.04)	(0.06)
Other comprehensive loss	(67,908)	(3,409,861)	(2,535,356)

	Years ended April 30th,		
	2019	2018	2017
	\$	\$	\$
Total assets	24,057,897	9,468,096	7,060,394
Total current liabilities	7,982,730	3,485,635	1,760,706
Total long term liabilities	7,091,690	2,788,264	3,263,980

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 income (loss)	Basic loss per share
	\$	\$	\$	\$	\$
April 30, 2019	3,417,245	24,057,897	7,091,690	1,204,566	0.00
January 31, 2019	3,695,305	21,251,543	8,522,216	29,793	0.00
October 31, 2018	3,010,284	21,094,908	8,337,432	(1,132,371)	(0.00)
July 31, 2018	727,893	8,597,041	2,713,920	(186,479)	(0.00)
April 30, 2018 ⁽¹⁾	776,225	9,468,096	2,788,264	(1,112,921)	(0.01)
January 31, 2018 ⁽¹⁾	(1,576,040)	8,976,399	513,478	(879,833)	(0.01)
October 31, 2017 ⁽¹⁾	(2,493,913)	7,858,765	505,250	(742,652)	(0.01)
July 31, 2017 ⁽¹⁾	(282,880)	7,949,362	2,688,632	(435,187)	(0.01)

(1) Amounts previous to Q1 2019 have been Restated to United States dollars

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Results of Operations

Three months ended April 30, 2019 compared to three months ended April 30, 2018

Revenue for Q4 2019 was \$8.4 million (Q4 2018 - \$3.5 million), and cost of goods sold was \$7.9 million (Q4 2018 - \$3.6 million) resulting in a gross operating margin of \$0.5 million (Q4 2018 - gross operating deficit of \$0.1 million). The gross operating margin improved mainly due to the increase of gold ounces sold to 6,320 when compared to 2,587 in Q4 2018 which resulted in gross margin per ounce of \$72, an increase of \$101 per ounce compared to a loss of \$29 per ounce in Q4 2018.

During Q4 2019, the Company reported a net income of \$1.2 million, an increase of \$2.3 million compared to a net loss of \$1.1 million during Q4 2018. This change is partially explained by the combination of the income derived by the bargain purchase on acquisition of Anthem United of \$1.5 million (Q4 2018 \$nil), the increase in operating margin of \$0.6 million (Q4 2019 operating margin of \$0.5 million compared to Q4 2018 operating deficit of \$0.01 million) and:

- The increase in corporate and administrative expenses of \$0.2 million (Q4 2019 - \$0.9 million compared to Q4 2018 - \$0.7 million) is mainly attributable to the increase in overhead related to Anthem for the period August 21, 2018 to April 30, 2019.
- The decrease in finance expenses by \$0.2 million (Q4 2019 - \$0.1 million gain compared to Q4 2018 - \$0.1 million loss) primarily attributable to the fair value adjustment of the Company's financial liabilities.

Year ended April 30, 2019 compared to April 30, 2018

Revenue for YE 2019 was \$34.6 million (YE 2018 - \$13.2 million), and cost of goods sold was \$32.3 million (YE 2018 - \$13.5 million) resulting in a gross operating margin of \$2.3 million (YE 2018 - gross operating deficit of \$0.3 million). The gross operating margin improved mainly due to the increase of gold ounces sold during YE 2019 to 26,817 when compared to 9,962 in YE 2018 which resulted in gross margin per ounce of \$86, an increase of \$118 per ounce compared to a loss of \$32 per ounce in YE 2018.

During YE 2019, the Company reported a net loss of \$0.06 million, a decrease in loss of \$3.1 million compared to a net loss of \$3.2 million during YE 2018. This change is partially explained by the combination of the income derived by the bargain purchase on acquisition of Anthem United of \$1.5 million (Q4 2018 \$nil), the increase in operating margin of \$2.6 million (YE 2019 operating margin of \$2.3 million compared to YE 2018 operating deficit of \$0.3 million) and:

- The increase in corporate and administrative expenses of \$0.6 million (YE 2019 - \$3.0 million compared to YE 2018 - \$2.4 million) which reflects the increase in overhead attributable to Anthem for the period August 21, 2018 to April 30, 2019.
- The increase in finance expenses by \$0.2 million (YE 2019 - \$0.8 million compared to YE 2018 - \$0.6 million) primarily attributable a fair value adjustment of the Company's financial liabilities.
- The decrease in reversals of impairment on a restructuring of \$0.2 (YE 2019 - \$0.1 million compared to YE 2018 - \$0.3 million) and,
- One time cost of \$0.2 million in business development expenses related to the acquisition of Anthem.

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Liquidity and Capital Resources

For the year ending April 30, 2019, the Company financed its operations and met its capital requirements primarily through the re-investment of operational cash flows from the Chala One and the Kori One plants and proceeds from the exercise of share-based options.

The Company had cash of \$1.8 million at April 30, 2019, representing an increase of \$1.5 million compared with cash of \$0.3 million at April 30, 2018 and working capital of \$3.4 million at April 30, 2019 as compared to a working capital of \$0.7 million at April 30, 2018.

Management intends to continue fund operations, administration, debt and debt service costs and any capital requirements with the proceeds of the sale of gold doré and refined gold from the Company's Chala One and Kori One plants. If required and depending on the strength of the junior resource markets, the Company will continue to be dependent on its capital resource's to cover any deficiencies in working capital.

Contractual Liabilities as a result of the Acquisition of Anthem United

As a result of the acquisition of Anthem and Kori One, the Company issued Promissory Notes payable to Equinox as follows:

- CAD\$7.5 million payable to Equinox in three equal payments of CAD\$2.5 million on the first, second and third anniversaries of the completion of the Purchase Agreement to be paid in cash or Inca One Shares at the discretion of Inca One, based on the higher of CAD\$0.065 per share and the preceding 20-day volume-weighted average price of Inca One Shares, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares (the "Equinox Ownership Limit").
- CAD\$1.5 million payment to Equinox in cash on the second anniversary of the completion of the Purchase Agreement.

As part of the transaction the Company also agreed to the following contractual obligations:

- Payment of an amount equal to 50% of the Historical IGV recovered prior to the fifth anniversary of the Closing Date. Subsequent to April 30, 2019, the company recovered approximately \$2.4 million of Historical IGV, of which approximately \$1.2 million is payable to Equinox in September 2019.
- Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and \$3 million. Anthem's working capital at such date was approximately \$3.7 million, and therefore the estimated amount payable is \$0.7 million payable on August 21, 2021.

Subsequent to YE 2019, the first payment of CAD\$2.5 million was due on August 21, 2019 for which the Company exercised its share payment election and issued 1,607,328 shares at \$0.065 per share as partial payment of the installment. Due to the Equinox Ownership Limit, this was the maximum number of shares that the Company could issue. The Company has an additional obligation of 36,854,210 shares at \$0.065 per share to satisfy the first installment payment and will do so when Equinox's ownership is reduced below 19.99%.

Debt Restructuring and Debt Settlement

On September 7, 2018, the Company renegotiated the terms of a \$0.3 million secured debentures extending the term to maturity for an additional 24 months to August 31, 2020. Interest of 11% per annum is payable in six

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equal installments commencing May 31, 2019. Accrued interest of \$0.02 million has been included in accounts payable at April 30, 2019.

Share Issuances

On August 21, 2018 the Company issued 110,050,225 shares as consideration for the acquisition of Anthem United Inc.

During the year ended April 30, 2019, 6,433,335 common shares were issued for proceeds of \$0.04 million on the exercise of 833,334 stock option at CAD\$0.06 per share and \$0.23 million on the exercise of 5,600,001 stock options at CAD\$0.05 per share.

Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 264,517,440 common shares issued and outstanding, 19,312,857 share-based options and 84,810,309 warrants outstanding (with exercise prices ranging between CAD\$0.05 and CAD\$3.01 per share). The fully diluted shares outstanding at the date of this MD&A is 368,640,606.

Transactions with Related Parties

(a) Related Party Transactions

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

- A company owned by Edward Kelly, the Company's CEO (also a director).
- A company controlled by Oliver Foeste, the Company's former CFO.
- A company owned by Mark Wright, the Company's VP Operations & New Projects.

The following expenditures were charged by related parties during the years ended April 30, 2019 and 2018:

	Years ended April 30,	
	2019	2018
	\$	\$
Accounting and professional fees	-	20,735
Management, salaries and consulting fees	589,020	556,878
Director fees	29,364	28,294
Share-based payments	114,154	76,320
Rent	-	14,718
	732,538	696,946

Accounting and professional fees were paid to a company controlled by the former CFO. Consulting and management fees were paid to companies controlled by the CEO, former CFO and VP Operations & New Projects. Finance costs on interest-bearing debt instruments were paid or accrued to companies controlled

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by the CEO and to a company controlled by a director. Office rent was paid or accrued to a company controlled by the former CFO.

(b) Compensation of Key Management Personnel

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, CEO, CFO, former CFO and VP Operations & New Projects. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO, former CFO and VP Operations & New Projects, accounting fees paid to companies controlled by a director or company controlled by the former CFO, and by the issue of options. The compensation for key management personnel paid as management, accounting and former CFO fees was for the years ended April 30th, 2019 and 2018 as follows:

	Years ended April 30,	
	2019	2018
	\$	\$
Management fees	347,772	373,861
Salaries	241,248	183,018
Share-based payments	114,154	44,868
	703,174	601,746

(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 April 30, 2019 are non-interest bearing and payable on demand, and are comprised of \$0.12 million (April 30, 2018 - \$0.12 million) payable to the CEO and a company controlled by the CEO, \$0.05 million (April 30, 2018 - \$0.02 million) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$0.11 million (April 30, 2018 - \$85,006) payable to the CFO and \$0.02 million payable (April 30, 2018 - \$0.3 million payable) to the Directors or companies controlled by the Directors.

Commitments

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 \$3,574 and termination date on July 31, 2021, and
- a five-year rent agreement for its corporate office in Vancouver, Canada with a monthly fee of CAD\$3,726 and termination date on July 31, 2023.

During the year ended April 30, 2019 the Company had commitments through a financial liability to sell approximately 742 ounces of gold doré to a third party, which would be settled at a future date in either cash or through the delivery of gold. At April 30, 2019, the fair value of amount owing under these contracts at the gold spot rate were \$1 million (April 30, 2018 - \$1 million) and is included in derivative financial liability.

As of April 30, 2019 the Company had commitments to sell approximately 1,049 ounces of gold doré to third parties, which was settled after April 30, 2019 through the delivery of gold. At April 30, 2019 the fair value of these commitments is \$1.3 million. Additionally, the Company received advances of \$0.5 million to be offset

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against future sales of gold doré. Both amounts, totaling \$1.8 million (April 30, 2018 - \$1.1 million) have been included as current deferred revenues.

A summary of undiscounted liabilities and future operating commitments on April 30, 2019 are as follows:

	Total	Within One Year	One to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	2,266,371	2,266,371	-
Secured debentures	1,448,011	-	1,448,011
Contractual liability as a result of the acquisition of Anthem United	7,551,741	2,993,709	4,558,032
Derivative financial liability	951,467	951,467	-
	12,217,590	6,211,547	6,006,043
Commitments			
Office lease rental	239,728	76,589	163,139
Gold sale deferred revenue	1,771,183	1,771,183	-
Asset retirement and reclamation obligations	1,085,647	-	1,085,647
	3,096,558	1,847,772	1,248,786
	15,314,148	8,059,319	7,254,829

Contingent Debenture

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

As of April 30, 2019 the value of the contingent debenture was \$nil because the Company has not achieved three months of consecutive 200 tonnes per day average daily production. However, the first milestone of 300 tonnes per day mineral processing capacity in Peru was achieved as a result of the acquisition of Anthem.

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Fair Value of Financial Instruments

As at April 30, 2019, the Company's financial instruments consist of cash, receivables, long term receivables, accounts payable and accrued liabilities, promissory notes payable, contractual liabilities, derivative financial liabilities and secured debentures.

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

The three levels of hierarchy are:

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

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

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

As at April 30, 2019, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, contractual liabilities and secured debentures approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The gold delivery contracts, being a derivative financial liability, have been assessed on the fair value hierarchy described above and are classified as Level 2.

Financial Instruments Risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

(i) *Credit risk*

Credit risk exposure primarily arises with respect to the Company's cash and receivables. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of 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 2019 the Company had cash of \$1.8 million (April 30, 2018 - \$0.3 million) and current working capital of \$3.4 million (April 30, 2018 - \$0.8 million) with total liabilities of \$15.1 million (April 30, 2018 - \$6.3 million).

A summary of the Company's future operating commitments is presented above under the *Commitments and Contingencies* section.

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(iii) Market risk

a. Interest rate risk

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

The Company invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements. At April 30, 2019, the Company had no variable rate debt.

b. Foreign currency risk

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

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

	April 30, 2019	April 30, 2018
	\$	\$
CAD dollar:		
Cash	7,140	30,678
Receivables	23,857	11,206
Accounts payable and accrued liabilities	(430,578)	(335,522)
Secured debentures	(1,148,011)	(1,183,889)
Contractual liability as result of the acquisition of Anthem United	(5,813,425)	-
Derivative financial liability	(951,467)	(974,394)
Net assets (liabilities)	(8,312,484)	(2,451,921)
Sol:		
Cash	109,747	27,389
Receivables	4,144,524	884,047
Accounts payable and accrued liabilities	(625,297)	(563,964)
Net assets (liabilities)	3,628,974	347,472

Assuming all other variables constant, an increase or a decrease of 10% of the Canadian dollar against the US dollar, as of April 30, 2019 would have changed the Company's net loss by approximately \$0.8 million. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the US dollar, as of April 30, 2019 would have changed the Company's net loss by approximately \$0.4 million.

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

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c. Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's price risk relates primarily to: the spot price of gold for its derivative financial liability balance and future gold price expectations as it relates to sales revenues. The Company continuously monitors precious metal trading prices as they are included in projections prepared to determine its future strategy.

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, promissory notes payable, secured debentures and debentures with warrants, marketable securities, long term receivable, asset retirement and reclamation obligation, and deferred taxes.

These accounting policies and estimates are further discussed in the Company's annual audited consolidated financial statements on April 30, 2019.

Risks and Uncertainties

Mineral processing and natural resources exploration, development, and production 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:

The Company continuously monitors and responds to changes in operational risks, such as those noted below, and seeks to adhere to all regulations governing its operations.

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Mineral Supply: The Company may not be able to source sufficient mill feed to operate both the Chala One and Kori One plants economically. In particular, the Company currently sources material exclusively from third-party sources and faces a competitive marketplace for purchase of supply from Peruvian government-approved mineral sources. Consequently, the Company does not have control over the mineral grade, metallurgical recovery, nor quantities received, noting that the Company mitigates this risk by working with minimum cut-off purchase grades, providing fair terms to their customers, and sourcing material from established suppliers to ensure best efficiency and profitability of its plant operation.

Production Schedules: In relation to the mineral supply risks, no assurances can be provided that production schedules at the Chala One plant nor the Kori One plant, and the related operating margins and cash flows, are achieved, noting that failure to meet these schedules can have an adverse impact on the Company's profitability, results of operations, cash flows, and overall financial conditions.

Qualified Staff: Due to the competitive marketplace, the Company may have difficulty in hiring and retaining skilled employees and contractors to source sufficient mineral feed, operate the Chala One plant and the Kori One plant effectively (noting the diversity of mill feed received), and effectively administer the Peruvian permitting, compliance, exportation, and regulatory functions.

Regulations, Permits, and Hazards: The Company must also manage changing governmental laws and regulations, and the Company cannot guarantee title to its properties and permits. The Company must also contend with environmental hazards (including discharge of pollutants or hazardous chemicals), as well as industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, and or lack of accessibility to required expertise.

Resource Properties: The Company may not be able to find and develop resource properties economically. In addition, the Company may have to deal with development and mining issues including 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 conditions, interruptions to gas and electricity supplies, human error and adverse weather conditions.

Acquisitions: There is no assurance that the Company will acquire mineral properties and processing plants and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties and plants.

Financial risks:

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:

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.

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Financial Instruments and Risk:

For a description of the risks faced by the Company with respect to financial instruments, see the Company's audited consolidated financial statements for the years ended April 30, 2019.

Cautionary Statement on 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 associated 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 audited consolidated financial statements for the year ended April 30, 2019 and this accompanying MD&A (together, the "Annual Filings").

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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 Annual Filings on SEDAR at www.sedar.com.