



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the three Months Ended July 31, 2021, and 2020
(Unaudited -Expressed in US Dollars)

NOTICE TO READER

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

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

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

INCA ONE GOLD CORP.

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

	Note	July 31, 2021	April 30, 2021
		\$	\$
Assets			
Current:			
Cash		263,438	1,963,574
Restricted cash	4	-	175,000
Receivables	3	1,622,158	980,001
Derivative financial asset	4	-	50,940
Prepaid expenses and deposits	5	854,590	798,613
Inventory	6	4,607,537	4,663,349
Total current assets		7,347,723	8,631,477
Long term receivable	7	318,930	318,930
Property, plant and equipment	8	10,440,072	10,578,896
Total assets		18,106,725	19,529,303
Liabilities			
Current:			
Accounts payable and accrued liabilities	9	3,832,350	2,777,453
Contractual liabilities payable to Equinox	10	204,400	193,177
Loans payable	11	2,027,797	1,557,365
Deferred revenue	16	823,000	480,000
Gold loan	12	-	2,711,652
Total current liabilities		6,887,547	7,719,647
Contractual liabilities payable to Equinox	10	5,562,556	5,507,143
Loans payable	11	902,818	973,351
Asset retirement and reclamation obligations	13	1,170,019	1,152,653
Total liabilities		14,522,940	15,352,794
Shareholders' Equity			
Share capital	14	31,350,217	31,012,161
Equity reserves	14	5,440,979	5,216,367
Accumulated other comprehensive income		(876,789)	(992,689)
Deficit		(33,547,448)	(32,288,452)
Shareholders' equity attributable to Inca One		2,366,959	2,947,387
Non-controlling interest		1,216,826	1,229,122
Total shareholders' equity		3,583,785	4,176,509
Total liabilities and shareholders' equity		18,106,725	19,529,303

Nature of operations and going concern (note 1)

Subsequent events (note 20)

Commitments (note 16)

Approved on behalf of the Board of Directors on September 29, 2021

"Bruce Bragagnolo"

Director

"Edward Kelly"

Director

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

INCA ONE GOLD CORP.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited -Expressed in US Dollars)

		Three Months Ended July 31,	
	Notes	2021	2020
		\$	\$
Revenue		8,399,844	6,558,721
Cost of goods sold			
Cost of operations	18	(8,288,461)	(6,176,609)
Depreciation	18	(273,922)	(261,623)
Total cost of goods sold		(8,562,383)	(6,438,232)
Gross operating margin (deficit)		(162,539)	120,489
Corporate and administrative expenses	18	(730,594)	(801,202)
Loss from operations		(893,133)	(680,713)
Impairments net of reversal of prior year impairments		-	1,634
Finance costs	18	(378,159)	(190,800)
Restructuring gain net	10	-	1,536,114
Net income (loss) for the period		(1,271,292)	666,235
Other comprehensive income:			
Foreign currency translation adjustment		115,900	(335,695)
Comprehensive income (loss) for the period		(1,155,392)	330,540
Net loss and comprehensive loss attributable to:			
Inca One Gold Corp.'s shareholders		(1,143,096)	331,027
Non-controlling interest		(12,296)	(487)
		(1,155,392)	330,540
Weighted average shares outstanding			
Basic		36,692,791	29,145,259
Diluted		36,692,791	32,329,148
Earnings (loss) per share			
Basic		(0.03)	0.02
Diluted		(0.03)	0.02

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

INCA ONE GOLD CORP.

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

	Common shares	Share capital	Equity reserves	Non-controlling interest	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$	\$
Balance, April 30, 2020	27,774,080	26,998,505	6,434,047	1,231,936	(99,704)	(29,042,695)	5,522,089
Comprehensive income (loss) for the period	-	-	-	(487)	(335,695)	666,722	330,540
Shares issued pursuant to agreement with Equinox	1,187,333	575,773	-	-	-	-	575,773
Warrants exercised	4,452,301	2,734,183	(1,442,492)	-	-	-	1,311,691
Options exercised	300,000	104,677	(22,503)	-	-	-	82,174
Share-based payments	-	-	23,073	-	-	-	23,073
Balance, July 31, 2020	33,713,714	30,413,138	5,012,125	1,231,449	(435,399)	(28,375,973)	7,845,340
Comprehensive income (loss) for the period	-	-	-	(2,237)	(557,290)	(3,914,479)	(4,472,096)
Warrants exercised	626,813	101,465	(15,672)	-	-	-	85,793
Options exercised	1,163,056	497,558	(74,879)	-	-	-	422,679
Share-based payments	-	-	294,793	-	-	-	294,793
Balance, April 30, 2021	35,503,583	31,012,161	5,216,367	1,229,122	(992,689)	(32,288,452)	4,176,509
Comprehensive income (loss) for the period	-	-	-	(12,296)	115,900	(1,258,996)	(1,155,392)
Issuance of shares on private placement, net of share issue costs (note 14 (c))	1,533,645	338,056	165,941	-	-	-	503,997
Share-based payments (note 14 (d))	-	-	58,671	-	-	-	58,671
Balance July 31, 2021	37,037,228	31,350,217	5,440,979	1,216,826	(876,789)	(33,547,448)	3,583,785

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

INCA ONE GOLD CORP.

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

	Three Months Ended July 31,	
	2021	2020
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the period	(1,271,292)	666,235
Decrease in restricted cash	175,000	-
Items not involving cash:		
Depreciation	280,677	272,733
Share-based payments	58,671	23,073
Accretion expense	5,648	4,449
Accretion of asset retirement and reclamation obligations	17,366	14,430
Interest expense	143,887	82,502
Unrealized foreign exchange	72,333	20,882
Accretion of contractual liabilities payable to Equinox	127,152	140,301
Loss in fair value adjustment of derivatives	(10,602)	-
Gain on debt restructuring	-	(1,536,114)
Changes in non-cash operating working capital:		
Receivables	(677,579)	396,834
Prepaid expenses and deposits	(53,912)	(194,815)
Inventory	55,812	2,151,117
Accounts payable and accrued liabilities	1,009,344	(780,099)
Deferred revenue	343,000	(3,226,500)
Net cash provided by (used in) operating activities	275,505	(1,934,972)
Financing activities:		
Proceeds from issuance of shares (private placement)	503,997	-
Proceeds from issuance of shares (exercised warrants and options)	-	1,393,865
Proceeds from liquidation of derivative financial assets	162,194	-
Payment of notes payable	(68,000)	-
Payment of Gold Loan	(2,812,305)	-
Proceeds from loans	480,726	-
Interest paid	(104,153)	(44,401)
Net cash provided by (used in) financing activities	(1,837,541)	1,335,506
Investing activities:		
Purchase of property, plant and equipment (net of disposition)	(130,728)	(28,871)
Net cash used in investing activities	(130,728)	(28,871)
Increase (decrease) in cash	(1,692,764)	(628,337)
Effect of exchange rates on cash held in foreign currencies	(7,372)	(21,727)
Cash, beginning of the year	1,963,574	3,745,675
Cash, end of the period	263,438	3,095,611

Supplemental disclosure with respect to cash flows (note 19)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended July 31, 2021 and 2020
(Unaudited - Expressed in US Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Gold Corp. (the "Company") was incorporated under the laws of Canada on November 9, 2005 and was continued under the British Columbia Business Corporations Act on November 26, 2010. On September 17, 2014, the Company changed its name from Inca One Resources Corp. to Inca One Gold Corp. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol "INCA", on the OTCQB under the symbol "INCAF", on the Frankfurt Stock Exchange under the symbol "SU9.F", and the Santiago Stock Exchange Venture under the symbol "IOCL". The head office and principal address of the Company are located at Suite 850 - 1140 West Pender Street, Vancouver, Canada, V6E 4G1 and its registered office is located at 10th Floor, 595 Howe Street, Vancouver, Canada, V6C 2T5.

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

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

These condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the three months ended July 31, 2021, the Company had comprehensive loss of \$1.2 million, a deficit of \$33.5 million and working capital of \$0.46 million. These conditions indicate uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to fund operating and administration costs and debt and debt service costs over the year with the proceeds from gold doré sales at the Company's gold ore processing facilities in Peru and where required, from debt and equity financing and proceeds from option and warrant exercises.

As at July 31, 2021 the Company continued monitoring the evolution of the COVID 19 pandemic in Peru as well as its potential impact over the purchase process and sale of mineral. The Company has established safety protocols to minimize the impact of any possible outbreak in its facilities or mining areas, however at the date of the issuance of these condensed interim consolidated financial statements still there is no clear understanding about the further impact of COVID 19 in its operations.

The Company's ability to continue as a going concern is dependent upon its ability to generate net income and positive cash flows from its mineral processing operations and its ability to raise equity capital or debt sufficient to meet current and future obligations. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting principles adopted are consistent with those of the previous financial year.

These condensed interim consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below and were approved by the board of directors for issue on September 29, 2021.

(b) Basis of consolidation

The condensed interim consolidated financial statements are presented in US dollars unless otherwise noted and include the accounts of the Company and its subsidiaries listed below:

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

(c) Changes in accounting policies and disclosures

There were no new standards effective May 1, 2021 that impacted these condensed interim consolidated financial statements or are expected to have a material effect in the future.

(d) Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed consolidated interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The Company’s significant accounting judgments and estimates were presented in note 2 of the audited annual consolidated financial statements for the years ended April 30, 2021 and 2020.

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 3 – RECEIVABLES

	July 31, 2021	April 30, 2021
	\$	\$
GST recoverable (Canada)	23,613	24,253
IGV recoverable (Peru)	1,598,032	955,748
Other receivable	513	-
	1,622,158	980,001

NOTE 4 – DERIVATIVE FINANCIAL ASSETS

	April 31, 2021	Fair Value Adjustment	Disposition of Assets	July 31, 2021
Marketable Securities	50,940	111,254	(162,194)	-

Derivative financial assets consisted of investment in marketable securities, which were sold during the three months ended July 31, 2021 for net proceeds of \$0.16 million.

In connection with its derivative financial assets the Company had \$0.2 million of restricted cash as at April 30, 2021. The restricted cash was released and transferred to cash, subsequent to the sale of its marketable securities.

NOTE 5 – PREPAID EXPENSES AND DEPOSITS

	July 31, 2021	April 30, 2021
	\$	\$
Other deposits and advances	385,495	427,517
Prepaid taxes	247,819	264,913
Prepaid expenses	221,276	106,183
	854,590	798,613

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NOTE 6 – INVENTORY

	July 31, 2021	April 30, 2021
	\$	\$
Ore stockpiles and gold in process	3,128,886	3,754,492
Finished goods – gold doré bars	939,369	517,750
Materials and supplies	539,282	391,107
	4,607,537	4,663,349

As at July 31, 2021, the Company assessed the value of its mineral in stockpiles and tanks as well as its finished products, as result a NRV impairment of \$0.15 million (April 30, 2021 – \$0.05 million) has been recorded as part of the cost of the goods sold in the condensed interim consolidated statement of operations and comprehensive loss.

NOTE 7 – LONG TERM RECEIVABLE

As result of the acquisition of Anthem United Inc. (“Anthem”) from Equinox Gold Corp. (“Equinox”), the Company acquired the right to claim refunds of prior years’ general sales taxes (“Historical IGV”) related to the construction of the Kori One Plant in Peru for approximately \$4.2 million of which \$1.8 still remains to be collected. The Company has agreed to pay Equinox 50% of any amounts collected less costs to collect, the remainder of which is for the benefit of the Company.

As at July 31, 2021 the Company assessed that the collectability of the Historical IGV balance is uncertain and therefore has been reflected at its estimated fair value of \$0.3 million and has been classified as a long-term receivable. The Company used a discount rate of 11% (April 30, 2021 – 11%), and a duration of approximately 14 years (April 31, 2021 – 14 years) for its estimation.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Plant	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2020	15,202,425	163,214	93,343	15,458,982
Additions	658,475	3,940	-	662,415
Reclassification	(69,125)	41,360	27,765	-
Disposals/write-off	(146,575)	-	-	(146,575)
Balance, April 30, 2021	15,645,200	208,514	121,108	15,974,822
Additions	141,034	523	296	141,853
Balance, July 31, 2021	15,786,234	209,037	121,404	16,116,675

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

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated Depreciation:				
Balance, April 30, 2020	4,041,521	109,362	92,864	4,243,747
Depreciation	1,106,600	38,892	9,815	1,155,307
Disposals	(3,128)	-	-	(3,128)
Balance, April 30, 2021	5,144,993	148,254	102,679	5,395,926
Depreciation	272,576	6,271	1,830	280,677
Balance, July 31, 2021	5,417,569	154,525	104,509	5,676,603
Net Book Value:				
April 30, 2021	10,500,207	60,260	18,429	10,578,896
July 31, 2021	10,368,665	54,512	16,895	10,440,072

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2021	April 30, 2021
	\$	\$
Trade accounts payable and accruals	3,777,922	2,679,523
Management, consulting and professional fees payable	3,435	-
Accrued interest	50,993	97,930
	3,832,350	2,777,453

NOTE 10 – CONTRACTUAL LIABILITIES PAYABLE TO EQUINOX

Effective July 31, 2020, the Company restructured its contractual liabilities payable to Equinox which resulted from the acquisition of the 100% ownership of Anthem United Inc. (“Anthem”), a company which owns 90.14% of the interest in the 350 TPD Kori One ore processing facility in Peru (“Kori One Plant”).

The result of the restructuring was the amendment to the due dates for the installment payments, as follows:

Installments	Face value as at July 31, 2020	Original due dates	Amended Due Dates
Promissory Note			
First installment	CAD 1,451,939	August 20, 2019	August 20, 2023
Second installment	CAD 2,500,000	August 20, 2020	August 20, 2024
Cash installment	CAD 1,500,000	August 20, 2020	August 20, 2022
Third installment	CAD 2,500,000	August 20, 2021	August 20, 2025
Working capital loan payable	USD 697,620	August 20, 2021	August 20, 2023

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

NOTE 10 – CONTRACTUAL LIABILITIES PAYABLE TO EQUINOX (continued)

In accordance with IFRS 9, the Company assessed that the amendment of the due dates qualified as an extinguishment, which caused the derecognition of \$6.3 million of current contractual liabilities and the recognition of \$4.8 million as a new non-current contractual liabilities measured at the date of the transaction; the balance of \$1.5 million was classified as restructuring gain and recognized in the condensed interim consolidated statement of operations and comprehensive loss.

The following table is a reconciliation of the movement related to these contractual liabilities as at July 31, 2021:

	April 30, 2021	OCI ^(a)	Accretion adjustments	New Liability	July 31, 2021
	\$	\$	\$	\$	\$
Current Contractual Liabilities					
<u>Historical IGV</u>					
Payable in cash	193,177	-	-	11,223	204,400
Total Current	193,177	-	-	11,223	204,400
Non-Current Contractual Liabilities					
<u>Promissory Notes Payable</u>					
In cash	1,088,906	(15,807)	25,206	-	1,098,305
In cash or shares	3,851,543	(55,932)	89,159	-	3,884,770
<u>Working capital Payable</u>					
In cash	566,694	-	12,787	-	579,481
Total Non-current	5,507,143	(71,739)	127,152	-	5,562,556

(a) Other Comprehensive Income

As at July 31, 2021, the restructured non-interest bearing promissory notes with Equinox has a face value of CAD\$7.95 million with the following details:

Face Value as at inception	Payments	Face Value as at July 31, 2021	due date	Payable in:	Estimated Fair value ^(b) as at July 31, 2021
CAD	CAD	CAD			USD
1,500,000	-	1,500,000	August 20, 2022	Cash	1,098,305
2,500,000	(1,048,061)	1,451,939	August 20, 2023	Cash or shares ^(a)	970,063
2,500,000	-	2,500,000	August 20, 2024	Cash or shares ^(a)	1,524,017
2,500,000	-	2,500,000	August 20, 2025	Cash or shares ^(a)	1,390,690
9,000,000	(1,048,061)	7,951,939			4,983,075

(a) As per the share purchase agreement with Equinox, Inca One has the discretion to pay in cash or shares based on the higher of the preceding 20-day volume weighted average price of Inca One shares and CAD\$0.65, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares (the "Equinox Ownership Limit").

(b) The fair value has been estimated considering a discount rate of 9.59%

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NOTE 10 – CONTRACTUAL LIABILITIES PAYABLE TO EQUINOX (continued)

The acquisition of Anthem also has a provision to pay in cash to Equinox, an amount equal to 50% of Historical IGV recoveries. As at July 31, 2021, the fair value of the balance payable to Equinox is approximately \$0.2 million and is classified as a current liability.

Additionally, the Company must pay in cash to Equinox, the difference between the amount of working capital at August 21, 2018 and \$3.0 million. Anthem's working capital at such date was \$3.7 million and therefore the estimated amount payable would be \$0.7 million payable on August 20, 2023. As at July 31, 2021, the fair value of this payment has been estimated at \$0.6 million considering a discount rate of 9.59% and is classified as a non-current liability.

NOTE 11 – LOANS PAYABLE

	July 31, 2021	April 30, 2021
Current Liabilities	\$	\$
Promissory note ^{(1) (2) (3)}	745,274	262,015
CAD Secured Debenture (CAD\$ 1,600,000) ⁽⁴⁾	1,282,523	1,295,350
Total Current promissory note and credit facility	2,027,797	1,557,365
Non-current Liabilities		
Promissory note ⁽²⁾	40,818	43,351
USD Notes Payable ⁽⁵⁾	862,000	930,000
Total Non-current promissory note	902,818	973,351

As at July 31, 2021, the Company had the following loans payable:

- 1) On June 25, 2021, the Company received \$0.35 million in exchange for a promissory note. The promissory note is unsecured, has a six month term and pays monthly interest at a rate of 11% per annum with principal being paid in equal portions during the last three months of the term. As at July 31, 2021 the outstanding amount for this promissory note is \$0.35 million and has been classified as current liability.
- 2) During August 2020, the Company received \$0.09 million in exchange for a promissory note. The promissory note is unsecured, has a three year term and pays interest at a rate of 11% per annum. The Company is required to make monthly payments of principal plus interest. As at July 31, 2021, the Company had paid \$0.02 million of the principal, leaving a total of \$0.06 million of which \$0.02 million has been classified as current liability and the balance of \$0.04 million as non-current liability.
- 3) On September 18, 2020, the Company entered into a one-year revolving credit facility agreement for up to \$0.5 million. The credit facility is unsecured, each withdrawal has a maximum of 60 days and bears monthly interest agreed at the moment of the withdrawal. As at July 31, 2021, the total withdrawn from this credit facility was \$0.37 million and has been classified as current liability.

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NOTE 11 – LOANS PAYABLE (continued)

- 4) On March 29, 2018, the Company reached an agreement with certain debt holders to restructure a total of CAD\$2.7 million of its debt for a combination of shares, warrants and a new debt. Under the terms of the agreements CAD\$1.1 million was converted into 1,802,048 shares of the Company (18,020,484 shares prior to share consolidation - note 14(b)), and for the remaining balance of CAD\$1.6 million, the Company issued a new Secured Debenture with maturity date of September 1, 2021, which bears interest at a rate of 11% per annum and has priority security over the assets of the Company (the “CAD Secured Debenture”). Principal is due on maturity, and the Company is required to make quarterly interest payments beginning September 1, 2018. Accrued interest of CAD\$0.03 million (equivalent to \$0.02 million) has been included in accounts payable at July 31, 2021. Subsequent to July 31, 2021, the Company paid in full its Secured Debenture and the corresponding interest.
- 5) On March 16, 2020, the Company reached an agreement to restructure a derivative financial liability, for which it had an obligation to deliver 742 ounces of gold to several related parties (the “Creditors”) of the Company. The value of the gold deliverable under the Gold Agreements was approximately \$1.1 million based on the price of gold at the date of the Gold Agreements and was payable on demand. The Creditors agreed to restructure the Gold Agreements (the "Loan Restructuring") in exchange for aggregate notes payable (the “Notes”) in the amount of \$0.93 million, representing a reduction in the liabilities of the Company of approximately \$0.17 million. The Notes are repayable at any time at the Company’s option and are secured by general security agreements. The Notes have a three-year term and bear interest at an annual rate of 10%. Accrued interest of \$0.02 million has been included in accounts payable at July 31, 2021.

NOTE 12 – GOLD LOAN

On March 15, 2021, the Company arranged a \$2.5 million gold pre-payment facility (the “Facility”). The Company drew down and received the funds from the Facility on March 26, 2021 (the “Advance Date”). The Facility matured 135 days after the Advance Date and was payable in gold bullion. A total of 1,534 ounces of gold were delivered during the three months ended July 31, 2021 and the Facility has been fully repaid.

The Facility was considered under the scope of IFRS 9 – Financial Instruments and was determined to be a financial liability with an embedded derivative, the Company measured the entire facility at fair value resulting in a total fair value loss of \$0.3 million of which \$0.1 million is attributable to the three months ended July 31, 2021 and have been included in the condensed interim consolidated statement of operations and comprehensive income.

Subsequent to July 31, 2021 the Company arranged a new gold pre-payment facility (note 20).

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NOTE 13 – ASSET RETIREMENT AND RECLAMATION PROVISION

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

	July 31, 2021	April 30, 2021
	\$	\$
Beginning of year	1,152,653	1,088,094
Accretion	17,366	64,559
Change in estimate	-	-
	1,170,019	1,152,653

As at July 31, 2021, the estimated undiscounted cash flow required to settle the asset retirement obligation for both the "Chala Plant" and "Kori One Plant" and their related tailings ponds is approximately \$0.7 million and \$0.8 million respectively (April 31, 2021 \$0.7 million and \$0.8 million respectively) and are projected to be disbursed over 2026 and 2037 respectively. A 6.15% (April 30, 2021 6.15%) discount rate (Peruvian government bond rate) and a 2.15% (April 30, 2021 2.15%) inflation rate were used to calculate the present value of these provisions.

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

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2021, there were 37,037,228 shares issued and outstanding (April 30, 2021 – 35,503,583).

(c) Share Issuances

Share capital transactions for the three months ended July 31, 2021 were:

On May 26, 2021, the Company closed a private placement and issued 1,533,645 units ("the Units") for net proceeds of \$0.5 million. Each unit is comprised of one common share and one transferable common share purchase warrant. The total value of the warrants contained in the units issued is \$165,941, with the remainder allocated to common shares.

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NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (continued)**(d) Share-based Options**

The Company adopted an incentive share-based option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants of the Company, non-transferable share-based options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Share-based options will be exercisable for a period of up to 10 years from the date of grant.

The following table is a reconciliation of the movement in share-based options for the period:

	Share-based Options (note 14(c)) #	Weighted Average Exercise Price (note 14(c)) CAD\$
Balance, April 30, 2020	2,225,000	0.39
Granted	2,375,000	0.50
Exercised	(1,463,056)	0.45
Expired	(77,398)	0.50
Balance, April 30, 2021	3,059,546	0.48
Granted	500,000	0.40
Expired	(200,000)	0.50
Balance, July 31, 2021	3,359,546	0.46

The following table summarizes the share-based options outstanding as at July 31, 2021:

Share-based Options #	Exercise Price CAD\$	Expiry Date	Vesting Provisions
20,000	0.50	November 7, 2021	Vested
605,000	0.19	March 30, 2022	Vested
50,000	1.00	August 25, 2022	Vested
75,000	0.50	August 1, 2023	Unvested
400,000	0.40	May 26, 2022	Vested
1,584,546	0.55	December 18, 2022	Vested
350,000	0.55	December 18, 2024	Unvested
175,000	0.50	March 5, 2025	Unvested
100,000	0.38	June 30, 2025	Unvested
3,359,546 ⁽¹⁾			

(1) As at July 31, 2021, the total number of exercisable options is 2,815,496 share-based options

As at July 31, 2021, the weighted average remaining contractual life of the share-based options was 1.62 years (April 30, 2021 – 1.76 years).

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NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES (continued)

During the three months ended July 31, 2021, the Company recognized share-based payments of \$0.06 million (July 31, 2020 \$0.02 million) for share-based options granted and vested during the period.

The fair value of share-based options granted during the three months ended July 31, 2021 was estimated using the Black-Scholes options pricing model using a risk free rate of 0.25% (July 31, 2020 0.55%), a volatility of between 75.75% and 76.28% (July 31, 2020 – 92.01%) and an expected life of between 1.0 and 3.0 year (July 31, 2020 – 1.0 years).

(e) Warrants

The following table is a reconciliation of the movement in warrants for the period:

	Warrants #	Weighted Average Exercise Price CAD\$
Balance April 30, 2020	6,161,258	0.43
Exercised	(5,079,114)	0.37
Expired/Cancelled	(213,401)	4.32
Balance April 30, 2021	868,743	0.28
Issued ⁽¹⁾	1,533,645	0.60
Balance, July 31, 2021	2,402,388	0.48

(1) The fair value of the share purchase warrants was estimated using Black-Scholes pricing model using a risk free rate of 0.25%, volatility of 76.28% and expected life of 3 years

The following table summarizes the share purchase warrants as at July 31, 2021:

Warrants	Exercise Price	Expiry Date
#	\$	
106,667	1.00	September 1, 2021
762,076	0.18	March 16, 2023
1,533,645	0.60	May 26, 2024
2,402,388		

As at July 31, 2021, the weighted average remaining contractual life of the warrants was 2.35 years (April 30, 2021 – 1.69 years).

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

Management and consulting fees are and were paid to companies controlled by the CEO and VP Operations & New Projects. The Company incurred charges to directors and officers or to companies associated with these individuals during the three months ended July 31, 2021 and 2020 as follows:

	Three Months Ended July 31,	
	2021	2020
	\$	\$
Management, salaries and consulting fees	103,727	93,319
Director fees	7,728	6,953
	111,455	100,272

(b) Compensation of Key Management Personnel

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, CEO, CFO, and VP Operations & New Projects. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO and VP Operations & New Projects and by the issue of options. The compensation for key management personnel paid as management were for the three months ended July 31, 2021 and 2020 as follows:

	Three Months Ended July 31,	
	2021	2020
	\$	\$
Management fees	63,053	56,726
Salaries	40,674	36,593
	103,727	93,319

(c) Related Party Balances

All related party balances payable, including for business expenses reimbursements, annual bonuses are approved by the board of directors, and for services rendered as at July 31, 2021 are non-interest bearing and payable on demand, and are comprised of \$0.4 million (April 30, 2021 - \$0.4 million) payable to the CEO and a company controlled by the CEO, \$0.4 million (April 30, 2021 - \$0.4 million) payable to the CFO and \$nil million payable (April 30, 2021 – \$0.05 million payable) to the Directors or companies controlled by the Directors.

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NOTE 16 – COMMITMENTS

In addition to the commitments in connection with the Company’s financings (note 10, note 11 and note 12), the Company has a five-year rent agreement for its corporate office in Vancouver, Canada with a monthly payment of CAD\$3,824 and termination date on July 31, 2023.

As at July 31, 2021, the Company had a commitment to sell approximately 517 ounces of gold doré (April 30, 2021 - 287 ounces of gold doré) to third parties, which was settled subsequent to July 31, 2021 through the delivery of gold. At July 31, 2021 the Company received advances of \$0.8 million (April 30, 2021 – \$0.5 million) in relation to this commitment and have been included as current deferred revenues in the condensed interim consolidated statement of financial position.

A summary of liabilities and future operating commitments at July 31, 2021 are as follows:

	Total	Within One Year	One to Five Years	Greater than Five Years
Maturity analysis of financial liabilities	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,832,350	3,832,350	-	-
Contractual liabilities payable to Equinox	5,766,956	204,400	5,562,556	-
Loans payable	2,930,615	2,027,797	902,818	-
	12,529,921	6,064,547	6,465,374	-
Commitments				
Office lease rental	77,208	38,604	38,604	-
Gold sale deferred revenue	823,000	823,000	-	-
Asset retirement and reclamation obligations	1,170,019	-	-	1,170,019
	2,070,227	861,604	38,604	1,170,019
	14,600,148	6,926,151	6,503,978	1,170,019

Contingent Debenture

In September 2016 the Company completed a comprehensive capital restructuring by issuing a \$0.78 million contingent debenture certificate (the “Contingent Debenture”), which only becomes payable on the date that the Company achieves two production milestones including (i) achieving 300 tonnes per day mineral processing capacity in Peru, and (ii) achieving three months of 200 tonnes per day average daily production. Upon re-instatement, the Contingent Debenture will have a 12% annual interest rate paid quarterly in arrears, twelve month term to maturity, certain early redemption features, and a general security agreement will be issued. If the performance milestones are not achieved before August 31, 2026, the Contingent Debenture will be cancelled.

As at July 31, 2021 the value of the contingent debenture was \$nil. However, the first milestone of 300 tonnes per day mineral processing capacity in Peru was achieved as result of the acquisition of Anthem.

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NOTE 17 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for \$0.3 million (April 30, 2021 - \$0.7 million) of cash and other current assets which are held in Canada.

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

	Three Months Ended July 31,	
	2021	2020
Peru segment	\$	\$
Revenue	8,395,728	6,558,721
Cost of goods	(8,558,184)	(6,438,232)
Gross margin (deficit)	(162,456)	120,489
Income (loss) for the year	(765,175)	(265,226)

During the three months ended July 31, 2021, the Company received 100% of its metal revenues from one customer, noting that the Company has business relationships with other customers, and is not dependent on them.

NOTE 18 – INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended July 31,	
	2021	2020
Cost of goods sold:	\$	\$
Ore	6,105,552	2,877,931
Salaries, benefits and other employee expenses	521,677	350,892
Production supplies	432,864	171,759
Transportation	130,122	40,932
Other production costs	745,509	357,268
Depreciation of property plant and equipment	273,922	261,622
Write-down in fair value of inventory	148,750	232,036
Variation of finished goods – gold doré bars	(421,619)	3,502,925
Variation of ore stock piles and gold in process	625,606	(1,357,133)
Total cost of goods sold	8,562,383	6,438,232

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NOTE 18 – INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (continued)

	Three Months Ended July 31,	
	2021	2020
Corporate and administrative expenses:	\$	\$
Consulting fees	-	5,488
Management fees and salaries	333,589	287,826
Depreciation	6,755	11,110
Directors fees	7,728	6,953
Investor relations and regulatory fees	61,638	29,932
Advertising and corporate development	72,506	253,077
Office, rent, utilities, insurance and other	86,701	90,662
Professional fees	103,006	89,823
Share-based payments	58,671	23,073
Travel and accommodation	-	3,258
Total corporate and administrative expenses	730,594	801,202
Finance costs:		
Accretion expense	(23,014)	(18,879)
Interest costs	(143,887)	(82,502)
Foreign exchange gain (loss)	(94,708)	50,882
Fair value gain (loss) on financial instruments	10,602	-
Accretion of contractual liabilities payable to Equinox	(127,152)	(140,301)
Total finance costs and other income (expenses)	(378,159)	(190,800)

NOTE 19 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the three months ended July 31, 2021, were \$0.1 million (July 31, 2020 - \$0.05 million) and \$0.06 million (July 31, 2020 - \$0.02 million). Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

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NOTE 20 – SUBSEQUENT EVENTS

Gold Prepayment Facility

In August 2021, the Company arranged a \$9 million gold prepayment facility (“New Facility”) from OCIM.

The New Facility signed on August 6, 2021, will be available to the Company in two tranches. The first tranche is for approximately \$6 million and is payable with 4,181 ounces of gold bullion in 16 equal, monthly payments of 261.3 ounces. The first payment is due 90 days after receipt of the funds, on November 4, 2021.

Net proceeds of the New Facility’s first tranche received by the Company on August 6, 2021, were for approximately \$5.95 million, of which \$4.6 million will be used to purchase gold mill feed, and \$1.35 million were used for the repayment of a secured debenture. The New Facility is secured by a Canadian general security agreement and will have registered security over the Chala One plant and equipment in favor of OCIM.

A second tranche can extend the New Facility for an additional \$3.0 million at the request of the Company and the discretion of OCIM (the “Drawdown Option”). This Drawdown Option will be payable in 18 equal monthly payments of gold bullion, with the first payment due 30 days after receipt of the Drawdown Option.