



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended October 31, 2022, and 2021
(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	October 31, 2022	April 30, 2022
		\$	\$
Assets			
Current:			
Cash		2,313,431	1,565,378
Restricted cash	4	44,305	284,547
Receivables	3	2,121,534	3,216,672
Derivative financial asset	4	-	528,320
Prepaid expenses and deposits	5	1,634,287	1,291,106
Inventory	6	7,907,937	8,174,011
Total current assets		14,021,494	15,060,034
Long term receivable	7	292,132	292,074
Property, plant and equipment	8	9,616,588	10,111,856
Right of use assets	10	239,943	273,992
Total assets		24,170,157	25,737,956
Liabilities			
Current:			
Accounts payable and accrued liabilities	9	3,420,078	4,829,497
Contractual liabilities payable to Equinox	11	2,478,037	1,384,129
Loans payable	12	2,611,920	2,173,301
Deferred revenue	17	4,884,900	840,000
Current portion of gold loan	13	6,225,340	8,712,330
Current portion of lease liabilities	10	69,924	81,092
Total current liabilities		19,690,199	18,020,349
Accounts payable and accrued liabilities	9	95,534	90,609
Contractual liabilities payable to Equinox	11	2,984,080	4,115,881
Loans payable	12	-	11,459
Gold loan	13	-	516,518
Asset retirement and reclamation obligations	14	1,436,360	1,391,454
Deferred income tax		424,793	424,793
Lease liabilities	10	124,125	145,590
Total liabilities		24,755,091	24,716,653
Shareholders' Equity			
Share capital	15	32,205,712	32,194,972
Equity reserves	15	5,450,219	5,435,660
Accumulated other comprehensive income		(254,026)	(697,831)
Deficit		(39,220,462)	(37,131,873)
Shareholders' equity (deficiency) attributable to Inca One		(1,818,557)	(199,072)
Non-controlling interest		1,233,623	1,220,375
Total shareholders' equity		(584,934)	1,021,303
Total liabilities and shareholders' equity		24,170,157	25,737,956

Nature of operations and going concern (note 1)

Subsequent events (note 13 and 15)

Commitments (note 17)

Approved on behalf of the Board of Directors on December 30, 2022

"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)

	Notes	Three Months Ended October 31,		Six Months Ended October 31,	
		2022	2021	2022	2021
				\$	\$
Revenue		9,385,695	10,724,480	21,103,805	19,124,324
Cost of goods sold					
Cost of operations	19	(8,710,637)	(9,886,963)	(19,412,892)	(18,175,424)
Depreciation	19	(301,327)	(289,354)	(602,169)	(563,276)
Total cost of goods sold		(9,011,964)	(10,176,317)	(20,015,161)	(18,738,700)
Gross operating margin (loss)		373,731	548,163	1,088,744	385,024
Corporate and administrative expenses	19	(843,131)	(823,478)	(1,678,382)	(1,554,072)
Loss from operations		(469,400)	(275,315)	(589,638)	(1,168,448)
Impairments net of reversal of prior year impairments		-	-	7,000	-
Finance costs	19	(571,089)	(505,469)	(1,492,703)	(883,628)
Recognition of contingent debenture		-	(779,310)	-	(779,310)
Net loss for the period		(1,040,489)	(1,560,094)	(2,075,341)	(2,831,386)
Other comprehensive income:					
Foreign currency translation adjustment		434,655	(35,408)	443,805	80,492
Comprehensive loss for the period		(605,834)	(1,595,502)	(1,631,536)	(2,750,894)
Net loss and comprehensive loss attributable to:					
Inca One Gold Corp.'s shareholders		(610,967)	(1,597,071)	(1,644,784)	(2,740,167)
Non-controlling interest		5,133	1,569	13,248	(10,727)
		(605,834)	(1,595,502)	(1,631,536)	(2,750,894)
Weighted average shares outstanding					
Basic		39,252,152	37,122,031	39,237,242	36,907,401
Diluted		39,252,152	37,122,031	39,237,242	36,907,401
Earnings (loss) per share					
Basic		(0.03)	(0.04)	(0.05)	(0.08)
Diluted		(0.03)	(0.04)	(0.05)	(0.08)

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, 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	-	-	-	(10,727)	80,492	(2,820,659)	(2,750,894)
Issuance of shares on private placement, net of share issue costs	1,533,645	337,891	165,941	-	-	-	503,832
Options exercised	190,000	51,646	(10,288)	-	-	-	41,358
Share-based payments	-	-	83,442	-	-	-	83,442
Balance October 31, 2021	37,227,228	31,401,698	5,455,462	1,218,395	(912,197)	(35,109,111)	2,054,247
Comprehensive income (loss) for the period	-	-	-	1,980	214,366	(2,022,762)	(1,806,416)
Shares issued pursuant to agreement with Equinox	1,096,842	557,768	-	-	-	-	557,768
Warrants exercised	100,000	21,225	(6,997)	-	-	-	14,228
Options exercised	776,600	214,281	(47,662)	-	-	-	166,619
Share-based payments	-	-	34,857	-	-	-	34,857
Balance, April 30, 2022	39,200,670	32,194,972	5,435,660	1,220,375	(697,831)	(37,131,873)	1,021,303
Comprehensive income (loss) for the period	-	-	-	13,248	443,805	(2,088,589)	(1,631,536)
Warrants exercised (note 15 (e))	51,482	10,740	(3,602)	-	-	-	7,138
Share-based payments (note 15 (d))	-	-	18,161	-	-	-	18,161
Balance October 31, 2022	39,252,152	32,205,712	5,450,219	1,233,623	(254,026)	(39,220,462)	(584,934)

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)

	Six months ended October 31,	
	2022	2021
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(2,075,341)	(2,831,386)
Items not involving cash:		
Depreciation	613,378	574,294
Depreciation of right of use assets	40,372	24,239
Share-based payments	18,161	83,442
Accretion expense	-	6,969
Accretion of asset retirement and reclamation obligations	44,907	34,732
Interest expense	305,375	222,071
Unrealized foreign exchange	192,373	54,659
Fair value adjustment on long term receivable	(22,504)	-
Accretion of contractual liabilities payable to Equinox	240,061	254,685
Loss (gain) in fair value adjustment of derivatives	704,790	324,417
Recognition of contingent debenture	-	779,310
Changes in non-cash operating working capital:		
Receivables	1,034,418	(1,139,885)
Prepaid expenses and deposits	(368,537)	80,584
Inventory	266,074	(2,713,243)
Accounts payable and accrued liabilities	(1,504,365)	1,032,157
Deferred revenue	4,044,900	716,000
Net cash provided by (used in) operating activities	3,534,062	(2,496,955)
Financing activities:		
Proceeds from issuance of shares (including exercised warrants and options)	7,138	545,190
Proceeds from liquidation of derivative financial assets	-	162,194
Proceeds from loans (net of repayments)	427,159	102,774
Proceeds from Gold Loans (net of repayment)	(2,632,746)	2,765,358
Payment of notes payable	-	(68,000)
Payment of secured debenture	-	(1,279,836)
Increase (decrease) in restricted cash	(260,000)	(150,000)
Interest paid	(249,415)	(218,939)
Net cash provided by financing activities	(2,707,864)	1,858,741
Investing activities:		
Purchase of property, plant and equipment (net of disposition)	(70,042)	(366,773)
Net cash used in investing activities	(70,042)	(366,773)
Decrease in cash	756,156	(1,004,987)
Effect of exchange rates on cash held in foreign currencies	(8,103)	(3,845)
Cash, beginning of the year	1,565,378	1,963,574
Cash, end of the period	2,313,431	954,742

Supplemental disclosure with respect to cash flows (note 20)

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 and Six Months Ended October 31, 2022 and 2021
(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 six months ended October 31, 2022, the Company had comprehensive loss of \$1.6 million, a deficit of \$39.2 million and working capital deficit of \$5.7 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.

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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Notes to the Condensed Interim Consolidated Financial Statements
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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 December 30, 2022.

(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, 2022 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 interim consolidated 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, 2022 and 2021.

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(Unaudited - Expressed in US Dollars)

NOTE 3 – RECEIVABLES

	October 31, 2022	April 30, 2022
	\$	\$
GST recoverable (Canada)	5,631	12,567
IGV recoverable (Peru)	2,084,944	3,199,814
Other	30,959	4,291
	2,121,534	3,216,672

NOTE 4 – DERIVATIVE FINANCIAL ASSETS

	October 31, 2022	April 30, 2022
	\$	\$
Beginning of year	528,320	50,940
Fair value gain (loss)	(202,160)	801,129
Fair value gain (loss) on disposition of assets	(826,369)	(323,749)
Transference from restricted cash	500,209	-
	-	528,320

Derivative financial assets consist of the Company's investment in seven contracts to buy a total of 700 ounces of gold at \$1,654.90 with settlement date February 2023. The Company has recorded these contracts at fair value using the future price of the gold quoted in active markets as at October 31, 2022.

In connection with its derivative financial assets the Company had \$0.04 million (April 30, 2022 - \$0.28 million) in a margin account, which as at October 31, 2022 have been classified as restricted cash in its condensed interim consolidated statements of financial position.

NOTE 5 – PREPAID EXPENSES AND DEPOSITS

	October 31, 2022	April 30, 2022
	\$	\$
Other deposits and advances	78,872	133,277
Prepaid taxes	666,523	469,863
Prepaid expenses	319,745	71,796
Deferred financing cost (note 13)	569,147	616,170
	1,634,287	1,291,106

INCA ONE GOLD CORP.

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

NOTE 6 – INVENTORY

	October 31, 2022	April 30, 2022
	\$	\$
Ore stockpiles and gold in process	2,608,848	5,698,215
Finished goods – gold doré bars	4,774,699	1,957,820
Materials and supplies	524,390	517,976
	7,907,937	8,174,011

As at October 31, 2022 and April 30, 2022, the Company recorded the value of its mineral in stockpiles, tanks and finished products at its cost.

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 million 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 October 31, 2022 the Company assessed that the collectability of the Historical IGV balance is uncertain and therefore has been reflected at its estimated fair value of \$0.29 million (April 30, 2022 \$0.32 million) and has been classified as a long-term receivable. The Company used a discount rate of 11% (April 30, 2022 – 11%), and a duration of approximately 11.5 years (April 30, 2022 – 12.5 years) for its estimation.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Plant	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2021	15,645,200	208,514	121,108	15,974,822
Additions	546,933	523	296	547,752
Change in ARO reserve	160,901	-	-	160,901
Balance, April 30, 2022	16,353,034	209,037	121,404	16,683,475
Additions	118,110	-	-	118,110
Balance, October 31, 2022	16,471,144	209,037	121,404	16,801,585

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
Accumulated Depreciation:				
Balance, April 30, 2021	5,144,993	148,254	102,679	5,395,926
Depreciation	1,147,298	17,507	10,888	1,175,693
Balance, April 30, 2022	6,292,291	165,761	113,567	6,571,619
Depreciation	601,113	5,960	6,305	613,378
Balance, October 31, 2022	6,893,404	171,721	119,872	7,184,997
Net Book Value:				
April 30, 2022	10,060,743	43,276	7,837	10,111,856
October 31, 2022	9,577,740	37,316	1,532	9,616,588

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2021	April 30, 2022
	\$	\$
Trade accounts payable and accruals ^(a)	3,351,608	4,784,182
Accrued interest	68,470	45,315
	3,420,078	4,829,497

^(a) Includes tax liabilities of which \$0.02 million has been classified as current and \$0.1 million has been classified as non-current liabilities

NOTE 10 – LEASES

The Company has leases for the land of its Chala One plant and for administrative offices in Lima and Vancouver, which have initial terms between 3 to 30 years. Certain leases include an option to renew the lease after the end of the contract term.

Right-of-use assets

	Land	Buildings	Total
	\$	\$	\$
Costs:			
Initial recognition	18,804	76,186	94,990
Additions	120,716	121,333	242,049
Balance, April 30, 2022	139,520	197,519	337,039
Additions	2,795	3,528	6,323
Balance, October 31, 2022	142,315	201,047	343,362

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NOTE 10 – LEASES (continued)

	Land \$	Buildings \$	Total \$
Accumulated Depreciation:			
Depreciation	1,453	61,594	63,047
Balance, April 30, 2022	1,453	61,594	63,047
Depreciation	2,077	38,295	40,372
Balance, October 31, 2022	3,530	99,889	103,419
Net Book Value:			
April 30, 2022	138,067	135,925	273,992
October 31, 2022	138,785	101,158	239,943

Lease liabilities

	October 31, 2022	April 30, 2022
	\$	\$
Beginning of year	226,682	-
Initial recognition	-	94,900
New lease Liability	3,773	242,090
Payment of lease liabilities	(34,406)	(110,308)
	194,049	226,682

The following table presents future lease payments:

	\$
Within one year	69,924
Within two to five years	41,538
After five years	82,587
Balance as at October 31, 2022	194,049

NOTE 11 – CONTRACTUAL LIABILITIES PAYABLE TO EQUINOX

As result of the Acquisition of Anthem, the Company entered into non-interest bearing promissory notes whit Equinox which as at October 31, 2022, had a face value of CAD\$7.24 million (April 30, 2022, CAD\$ 7.24 million) with the following details:

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NOTE 11 – CONTRACTUAL LIABILITIES PAYABLE TO EQUINOX (continued)

Face Value as at inception	Payments	Face Value as at October 31, 2022	due date	Payable in:	Estimated Fair value ^(c) as at October 31, 2022
CAD\$	CAD\$	CAD\$			USD\$
1,500,000	-	1,500,000	Deferred Indefinitely ^(a)	Cash	1,098,982
2,500,000	(1,761,009)	738,991	August 20, 2023	Cash or shares ^(b)	470,799
2,500,000	-	2,500,000	August 20, 2024	Cash or shares ^(b)	1,560,300
2,500,000	-	2,500,000	August 20, 2025	Cash or shares ^(b)	1,423,780
9,000,000	(1,761,009)	7,238,991			4,553,816

(a) On July 14, 2022 the Company agreed with Equinox to defer this cash payment (which was due on August 20, 2022) indefinitely

(b) 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").

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

The acquisition of Anthem also has a provision to pay in cash to Equinox, an amount equal to 50% of Historical IGTV recoveries. As at October 31, 2022, the fair value of the balance payable to Equinox is approximately \$0.26 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 October 31, 2022, 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 current liability.

The following table is a reconciliation of the movement related to these contractual liabilities as at October 31, 2022:

	April 30, 2022	OCI ^(a)	Accretion adjustments	New liability recognized	Reclass.	October 31, 2022
	\$	\$	\$	\$	\$	\$
Current Contractual Liabilities						
<u>Promissory Notes Payable</u>						
In cash	1,146,060	(73,444)	26,366	-	-	1,098,982
In cash or shares	-	(19,356)	15,701	-	474,454	470,799
<u>Working Capital Payable</u>						
In cash	-	-	9,549	-	638,192	647,741
<u>Historical IGTV</u>						
Payable in cash	238,069	-	-	22,446	-	260,515
Total Current	1,384,129	(92,800)	51,616	22,446	1,112,646	2,478,037

(a) Other Comprehensive Income

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NOTE 11 – CONTRACTUAL LIABILITIES PAYABLE TO EQUINOX (continued)

	April 30, 2022	OCI ^(b)	Accretion adjustments	New liability recognized	Reclass.	October 31, 2022
	\$	\$	\$	\$	\$	\$
Non-Current Contractual Liabilities						
<u>Promissory Notes Payable</u>						
In cash or shares	3,496,368	(207,601)	169,766	-	(474,454)	2,984,080
<u>Working Capital Payable</u>						
In cash	619,513	-	18,679	-	(638,192)	-
Total Non-current	4,115,881	(207,601)	188,445	-	(1,112,646)	2,984,080

(b) Other Comprehensive Income

NOTE 12 – LOANS PAYABLE

	October 31, 2022	April 30, 2022
Current Liabilities		
Promissory note ^(a)	970,610	531,991
USD Notes Payable ^(b)	862,000	862,000
USD Contingent Debenture ^(d)	779,310	779,310
Total Current loans payable	2,611,920	2,173,301
Non-current Liabilities		
Promissory note	-	11,459
Total Non-current loans payable	-	11,459

As at October 31, 2022, the Company had the following loans payable:

- (a) The Company received \$0.9 million from different lenders in exchange for 45 to 60 day promissory notes with an annual interest rate of 18%.
- (b) On March 16, 2020, the Company issued notes payable (the “Notes”) in the amount of \$0.93 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%. During May 2021, the Company made principal payments of \$0.07 million to the Creditors. Accrued interest of \$0.05 million has been included in accounts payable at October 31, 2022.
- (c) In September 2016, the Company completed a comprehensive capital restructuring which included issuing contingent debentures (the “Contingent Debentures”) totaling \$0.78 million. The Contingent Debentures were recognized as a current liability and as an expense on October 31, 2021, after the Company achieved production milestones. The Contingent Debentures have an annual interest rate of 12% payable quarterly and had a 12 months term of maturity. During October 2022, a majority of the Contingent Debentures holders agreed to extend the term by one year, to October 31, 2023. Accrued interest of \$0.02 million has been included in accounts payable at October 31, 2022.

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NOTE 13 – GOLD LOAN

On August 6, 2021, the Company arranged a \$9 million gold pre-payment facility (the “Facility”), available in two tranches, as follows.

First Tranche

The first tranche (“Tranche 1”) of \$6 million was drawn down on the same date as the Facility and is payable with 4,181 ounces gold in 16 equal, monthly payments of gold bullion of 261.3 ounces with the first payment due 90 days after receipt of funds. As at October 31, 2022, the Company had delivered ten payments of gold bullion, or approximately 2,613 ounces, with a balance of approximately 1,568 ounces remaining to be delivered.

Second Tranche

The second tranche (“Tranche 2”) of \$3 million was drew down (“advance”) on December 8, 2021, and is payable with 2,017 ounces of gold in 12 equal, monthly payments of gold bullion of 168.1 ounces with first payment due 120 days after the advance. As at October 31, 2022, the Company had delivered five payments of gold bullion, or approximately 840 ounces, with a balance of approximately 1,177 ounces remaining to be delivered.

On April 25, 2022, the Company agreed to amend the Facility to include an additional third tranche of \$1.5 million with details as follows:

Third Tranche

The third tranche (“Tranche 3”) of \$1.5 million was drew down on April 29, 2022. The loan is payable in three equal payments of gold bullion of 301.8 ounces. being the payments due 180 days, 270 days and 368 days after the respective release of the funds, with first delivery due on October 26, 2022.

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 each tranche at fair value which were calculated as the discounted cash flow of the expected gold deliveries considering the future price of the gold which approximates to each delivery date quoted in active markets and an annual discount rate of 12.67%, as result the Company recorded a deferred financing cost of \$1.03 million.

On October 14, 2022, the Company reached an agreement to restructure the payment schedule for each tranche, as result it was agreed to deliver additional 286 ounces on June 30, 2023. Management assessed that the new schedule of deliveries constitutes a modification for which the Company has re-measured the expected cash flow of all deliveries under the new terms, as result an additional deferred financing cost of \$0.3 million has been recorded and will be accreted for the duration of the facility.

Subsequent to October 31, 2022, the Company is in continuous discussions for further modifications to the payment schedule until such a time that additional working capital can be raised.

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NOTE 13 – GOLD LOAN (continued)

The following table reconciles the movement of the Gold Loans as at October 31, 2022:

	April 30, 2022	Re- measurement	Fair value loss (gain)		Delivery	Reclassify non-current to current	October 31, 2022
			Unrealized	Realized			
			\$	\$		\$	\$
Current							
Tranche 1	4,282,776	(40,874)	(499,131)	165,686	(1,413,096)	-	2,495,361
Tranche 2	3,350,197	(32,374)	(366,584)	127,510	(1,219,650)	-	1,859,099
Tranche 3	1,079,357	(18,038)	(149,727)	-	-	516,518	1,428,110
October 14, 2022	-	444,821	(2,051)	-	-	-	442,770
Total Current	8,712,330	353,535	(1,017,493)	293,196	(2,632,746)	516,518	6,225,340
Non-current							
Tranche 3	516,518		-	-	-	(516,518)	-
Total Non-current	516,518		-	-	-	(516,518)	-

The facility is secured by a Canadian general security agreement and also has a registered security agreement over the Chala One Plant.

The following table reconciles the movement of the deferred financing cost as at October 31, 2022:

	October 31, 2022	April 30, 2022
	\$	\$
Beginning of year	616,170	-
Additions:		
Deferred financing costs Tranche 1	-	653,013
Deferred financing costs Tranche 2	-	276,255
Deferred financing costs Tranche 3	-	95,875
Remeasurement of deferred financing costs (October 14, 2022)	353,535	-
Accretion ⁽¹⁾	(400,558)	(408,973)
	569,147	616,170

(1) Amount has been included in the condensed interim consolidated statements of operations and comprehensive loss and classified as fair value loss on financial instruments

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NOTE 14 – ASSET RETIREMENT AND RECLAMATION PROVISION

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

	October 31, 2022	April 30, 2022
	\$	\$
Beginning of year	1,391,454	1,152,653
Accretion	44,906	77,900
Change in estimate	-	160,901
	1,436,360	1,391,454

As at October 31, 2022, 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 \$0.8 million and \$0.8 million respectively (April 30, 2022 – \$0.7 million and \$0.8 million respectively) and are projected to be disbursed over 2036 and 2042 respectively. A 6.90% (April 30, 2022 – 6.90%) discount rate (Peruvian government bond rate) and an average of 5.78% (April 30, 2022 – 5.78%) inflation rate was used to calculate the present value of these provisions.

NOTE 15 – SHARE CAPITAL AND EQUITY RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At October 31, 2022, there were 39,252,152 shares issued and outstanding (April 30, 2022 – 39,200,670).

(c) Share Issuances

During the six months ended October 31, 2022, 51,482 common shares were issued for proceeds of \$0.01 million on the exercise of same number of warrants at CAD\$0.18 per share.

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NOTE 15 – 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 #	Weighted Average Exercise Price CAD\$
Balance, April 30, 2021	3,059,546	0.48
Granted	2,080,600	0.38
Exercised ⁽¹⁾	(966,600)	0.27
Expired/cancelled	(645,000)	0.43
Balance, April 30, 2022	3,528,546	0.48
Expired/cancelled	(50,000)	1.00
Balance, October 31, 2022	3,478,546	0.48

(1) For the year ended April 30, 2022, the weighted average trading price for the options exercised was CAD\$0.37 per option.

The following table summarizes the share-based options outstanding as at October 31, 2022:

Share-based Options #	Exercise Price CAD\$	Expiry Date	Vesting Provisions
37,500	0.50	August 1, 2023	Vested
1,584,546	0.55	December 18, 2022	Vested
915,000	0.37	March 2, 2024	Vested
350,000	0.55	December 18, 2024	Unvested
155,900	0.50	March 5, 2025	Unvested
75,000	0.38	June 30, 2025	Unvested
175,000	0.37	March 2, 2026	Unvested
185,600	0.37	April 21, 2026	Unvested
3,478,546 ⁽¹⁾			

(1) As at October 31, 2022, the total number of exercisable options is 2,945,596 share-based options

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NOTE 15 – SHARE CAPITAL AND EQUITY RESERVES (continued)

As at October 31, 2022, the weighted average remaining contractual life of the share-based options was 1.15 years (April 30, 2022 – 1.64 years).

During the three and six months ended October 31, 2022, the Company recognized share-based payments of \$0.01 million and \$0.01 million respectively (October 31, 2021 - \$0.02 million and \$0.06 million respectively) for share-based options vested during the period.

Subsequent to October 31, 2022, the Company granted 1.9 million share-based options with an exercise price of \$0.18 per share.

(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, 2021	868,743	0.28
Issued ⁽¹⁾	1,533,645	0.60
Exercised	(100,000)	0.18
Expired/Cancelled	(106,667)	1.00
Balance, April 30, 2022	2,195,721	0.47
Exercised	(51,482)	0.18
Balance, October 31, 2022	2,144,239	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 October 31, 2022:

Warrants	Exercise Price	Expiry Date
#	\$	
610,594	0.18	March 16, 2023
995,364	0.30	May 26, 2024
538,281	0.60	May 26, 2024
2,144,239		

As at October 31, 2022, the weighted average remaining contractual life of the warrants was 1.23 years (April 30, 2022 – 1.71 years).

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NOTE 16 – RELATED PARTY TRANSACTIONS**(a) Related Party Transactions**

Management and consulting fees were paid to companies controlled by the CEO and VP Operations & New Projects. The Company incurred charges to directors and officers or to companies associated with these individuals during the three and six months ended October 31, 2022 and 2021 as follows:

	Three Months Ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
			\$	\$
Management, salaries and consulting fees	178,563	101,440	363,166	205,167
Director fees	7,142	7,558	14,526	15,286
	185,705	108,998	377,692	220,453

(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 for the three and six months ended October 31, 2022 and 2021 as follows:

	Three Months Ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
			\$	\$
Management fees	103,382	61,663	210,261	124,716
Salaries	75,181	39,777	152,905	80,451
	178,563	101,440	363,166	205,167

(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 October 31, 2022 are non-interest bearing and payable on demand, with the exception of USD notes payable and USD contingent debenture (note 12 (b) and (c)). Those balances include \$0.7 million (April 30, 2022 - \$0.6 million) payable to the CEO and a company controlled by the CEO and \$0.7 million (April 30, 2022 - \$0.6 million) payable to the CFO.

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NOTE 17 – COMMITMENTS

As at October 31, 2022, the Company had a commitment to sell approximately 2,836 ounces of gold doré (April 30, 2022 - 502 ounces of gold doré) to a third party, which was settled subsequent to this report. At October 31, 2022 the fair value of this commitment is \$4.4 million (April 30, 2022 - \$0.3 million). Additionally, the Company has received advances of \$0.5 million (April 30, 2022 - \$0.5 million) to be offset against future sales of gold doré. Both amounts totaling \$4.9 million (April 30, 2022 - \$0.8 million) have been included in the condensed interim consolidated statements of financial position and classified as deferred revenues.

A summary of liabilities and future operating commitments at October 31, 2022 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	3,515,612	3,420,078	95,534	-
Contractual liabilities payable to Equinox	5,462,117	2,478,037	2,984,080	-
Loans payable	2,611,920	2,611,920	-	-
Gold loan	6,225,340	6,225,340	-	-
Lease liabilities	194,049	69,924	41,538	82,587
	18,009,038	14,805,299	3,121,152	82,587
Commitments				
Gold sale deferred revenue	4,884,900	4,884,900	-	-
Asset retirement and reclamation obligations	1,436,360	-	-	1,436,360
	6,321,260	4,884,900	-	1,436,360
	24,330,298	19,690,199	3,121,152	1,518,947

NOTE 18 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for \$0.5 million (April 30, 2022 - \$1.5 million) of cash and other current assets which are held in Canada.

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

	Three Months Ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
Peru segment			\$	\$
Revenue	9,365,053	10,724,480	21,064,003	19,120,253
Cost of goods	(8,991,936)	(10,176,317)	(19,975,982)	(18,734,548)
Gross margin (deficit)	373,117	548,163	1,088,021	385,705
Income (loss) for the year	(231,543)	93,909	94,013	(671,266)

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NOTE 18 – SEGMENTED INFORMATION (continued)

During the three and six months ended October 31, 2022, the Company received 100% of its metal revenues from three customers, noting that the Company has business relationships with other customers, and is not dependent on them.

NOTE 19 – INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
Cost of goods sold:			\$	\$
Ore	6,091,231	10,380,738	14,379,092	16,486,290
Salaries, benefits and other employee expenses	672,872	558,565	1,431,547	1,080,242
Production supplies	665,796	670,372	1,455,176	1,103,236
Transportation	143,423	156,684	198,291	286,806
Other production costs	801,456	1,048,258	1,676,299	1,793,767
Depreciation of property plant and equipment	301,327	289,354	602,169	563,276
Write-down (recovery) in fair value of inventory	-	(148,750)	-	-
Variation of finished goods – gold doré bars	(1,848,543)	(566,996)	(2,816,879)	(988,615)
Variation of ore stock piles and gold in process	2,184,402	(2,211,908)	3,089,366	(1,586,302)
Total cost of goods sold	9,011,964	10,176,317	20,015,061	18,738,700

	Three Months ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
Corporate and administrative expenses:	\$	\$	\$	\$
Consulting fees	2,753	-	4,640	-
Management fees and salaries	401,748	330,745	835,127	664,334
Depreciation	5,724	4,263	11,209	11,018
Depreciation – right of use assets	20,366	24,239	40,372	24,239
Directors fees	7,142	7,558	14,526	15,286
Investor relations and regulatory fees	34,843	28,850	76,723	90,488
Advertising and corporate development	-	112,953	3,564	185,459
Office, rent, utilities, insurance and other	211,509	93,404	389,865	180,105
Professional fees	132,659	193,695	248,543	296,701
Share-based payments	8,572	24,771	18,161	83,442
Travel and accommodation	17,815	3,000	35,652	3,000
Total corporate and administrative expenses	843,131	823,478	1,678,382	1,554,072

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NOTE 19 – INFORMATION INCLUDED IN THE CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (continued)

	Three Months ended October 31,		Six Months ended October 31,	
	2022	2021	2022	2021
Finance costs:	\$	\$	\$	\$
Accretion expense	(22,454)	(18,687)	(44,907)	(41,701)
Interest costs	(162,611)	(78,184)	(305,375)	(222,071)
Foreign exchange gain (loss)	(180,986)	77,400	(220,074)	(17,308)
Fair value gain (loss) on financial instruments	(112,640)	(335,019)	(704,790)	(324,417)
Accretion of contractual liabilities payable to Equinox	(106,432)	(127,533)	(240,061)	(254,685)
Fair value adjustment on long term receivable	14,034	(23,446)	22,504	(23,446)
Total finance costs	(571,089)	(505,469)	(1,492,703)	(883,628)

NOTE 20 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the six months ended October 31, 2022, were \$0.2 million (October 31, 2021 - \$0.2 million) and \$0.2 million (October 31, 2021 - \$0.1 million) respectively. Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.