



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the Three Months Ended July 31, 2018 and 2017
(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)

		July 31, 2018	April 30, 2018	April 30, 2017
	Note		Restated – Note 2(d)	Restated – Note 2(d)
		\$	\$	\$
Assets				
Current:				
Cash		70,111	266,836	38,017
Receivables	5	986,440	914,340	732,737
Prepaid expenses and deposits	6	534,831	606,981	635,573
Inventory	7	1,920,949	2,473,703	574,762
		3,512,331	4,261,860	1,981,089
Property, plant and equipment	8	5,084,710	5,206,236	5,079,305
Total assets		8,597,041	9,468,096	7,060,394
Liabilities				
Current:				
Accounts payable and accrued liabilities	9	1,738,079	2,121,050	1,640,706
Promissory notes payable		-	-	120,000
Secured debentures	10	300,000	300,000	-
Deferred revenue	15	746,359	1,064,585	-
		2,784,438	3,485,635	1,760,706
Secured debentures	10	1,170,737	1,183,889	2,030,769
Mineral notes	11	48,779	48,625	48,193
Derivative financial liability	15	905,945	974,394	740,873
Asset retirement provision	12	588,459	581,356	444,145
		5,498,358	6,273,899	5,024,686
Shareholders' Equity				
Share capital	13	22,175,028	22,175,028	19,328,264
Equity reserves	13	6,144,393	6,110,016	4,356,764
Accumulated other comprehensive income		(281,258)	(337,846)	(66,912)
Deficit		(24,939,480)	(24,753,001)	(21,582,408)
		3,098,683	3,194,197	2,035,708
Total liabilities and shareholders' equity		8,597,041	9,468,096	7,060,394

Nature of operations and going concern (note 1)

Commitments (note 15)

Subsequent events (note 10 and 21)

Restatement (note 2d)

Approved on behalf of the Board of Directors on September 26, 2018

"Bruce Bragnolo"

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 Income
(Unaudited - Expressed in US Dollars)

	Note	Three Months Ended	
		July 31, 2018	July 31, 2017 <i>Restated</i> – <i>Note</i> <i>2(d)</i>
		\$	\$
Revenue		5,645,321	3,054,908
Cost of goods sold			
Cost of operations	19	(5,046,449)	(3,032,708)
Depreciation	19	(170,689)	(143,532)
Total cost of goods sold		(5,217,138)	(3,176,240)
Income (loss) from operations		428,183	(121,332)
Corporate and administrative expenses	19	(517,980)	(477,824)
Operating loss		(89,797)	(599,156)
Reversal of prior year impairments		-	224,142
Finance and other expense	19	(96,682)	(60,173)
Net loss for the period		(186,479)	(435,187)
Other comprehensive income (loss):			
Foreign currency translation adjustment		56,588	(278,751)
Comprehensive loss for the period		(129,891)	(713,938)
Weighted average number of common shares outstanding			
Basic		146,426,552	65,688,488
Diluted		146,426,552	65,688,488
Earnings (loss) per share for the period			
Basic		(0.00)	(0.01)
Diluted		(0.00)	(0.01)

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

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

	Share capital		Equity reserves	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity (deficiency)
	Common shares (note 14(b))	Amount				
	#	\$				
Balance, April 30, 2017 restated – Note 2 (d)	59,316,401	19,328,264	4,356,764	(66,912)	(21,582,408)	2,035,708
Comprehensive loss for the period	-	-	-	(278,751)	(435,187)	(713,938)
Issuance of shares on private placement, net of share issue costs	12,968,000	850,356	122,334	-	-	972,690
Balance, July 31, 2017 restated – Note 2 (d)	72,284,401	20,178,620	4,479,098	(345,663)	(22,017,595)	2,294,460
Comprehensive loss for the period	-	-	-	39,483	(2,735,406)	(2,695,923)
Other comprehensive loss for the period	-	-	-	(31,666)	-	(31,666)
Shares issued for debt settlement (note 4)	19,087,151	1,035,575	-	-	-	1,035,575
Warrants issued for debt settlement (note 4)	-	-	23,868	-	-	23,868
Issuance of shares on private placement, net of share issue costs (note 13(c))	55,055,000	960,833	1,515,604	-	-	2,476,437
Share-based payments (note 13(d))	-	-	91,446	-	-	91,446
Balance, April 30, 2018 restated – Note 2 (d)	146,426,552	22,175,028	6,110,016	(337,846)	(24,753,001)	3,194,197
Comprehensive loss for the period	-	-	-	56,588	(186,479)	(186,479)
Share-based payments (note 13(d))	-	-	34,377	-	-	34,377
Balance, July 31, 2018	146,426,552	22,175,028	6,144,393	(281,258)	(24,939,480)	3,098,683

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

INCA ONE GOLD CORP.

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

	Three Months Ended	
	July 31, 2018	July 31, 2017
		<i>Restated – Note 2(d)</i>
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(186,479)	(435,187)
Items not involving cash:		
Depreciation	179,769	147,758
Share-based payments	34,377	-
Accretion expense	3,439	185
Accretion of asset retirement and reclamation obligations	7,103	4,051
Accrued interest	4,859	85,280
Interest expense	49,626	71,016
Unrealized foreign exchange	(28,452)	(123,175)
Restructuring impairments (reversals)	-	(224,142)
Changes in non-cash operating working capital:		
Receivables	(72,100)	537,156
Prepaid expenses and deposits	72,150	(264,266)
Inventory	552,754	(212,395)
Accounts payable and accrued liabilities	(427,768)	241,012
Deferred revenue	(318,226)	70,358
	(128,948)	(102,348)
Financing activities:		
Proceeds on issuance of common shares through private placement, net of issuance costs	-	972,690
Interest paid	(9,000)	(2,975)
	(9,000)	969,715
Investing activities:		
Purchase of property, plant and equipment	(58,242)	(334,425)
	(58,242)	(334,425)
Increase (decrease) in cash and cash equivalents	(196,190)	532,942
Effect of exchange rates on cash held in foreign currencies	(535)	5,712
Cash and cash equivalents, beginning of the year	266,836	38,017
Cash and cash equivalents, end of the period	70,111	576,671

Supplemental disclosure with respect to cash flows (note 20)

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2018 and 2017

(Unaudited - Expressed in US Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Gold Corp. (formerly Inca One Resources 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 "IO", 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 developing gold-bearing mineral processing operations in Peru, to service government permitted small scale miners. In recent years the Peruvian government instituted a formalization process for informal miners as part of its efforts to regulate their activities. The Company, through its Peruvian subsidiary Chala One SAC, ("Chala One") acquired an existing Peruvian mineral processing plant (the "Chala Plant"), which the Company successfully upgraded to 100 tonnes per day ("TPD") capacity, and began commercial production in February 2015. The Company's business plan is to source high grade gold mill feed from legally recognized Peruvian artisanal and small scale miners, purchase and process the material, and export gold concentrate or 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 period ended July 31, 2018, the Company incurred a net loss of \$186,479. As of that date the Company had a deficit of \$24,939,480 and working capital of \$727,893. These conditions indicate a material 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 facility in Peru and where required, from debt and equity financing and proceeds from option and warrant exercises.

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian ore 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

For the Three Months Ended July 31, 2018 and 2017

(Unaudited - Expressed in US Dollars)

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 26, 2018**.

(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 wholly owned subsidiaries, Inca One Metals Peru S.A. (“IO Metals”), Dynasty One S.A. (“Dynasty One”) and Chala One S.A.C. (“Chala One”) and do not include Anthem United Inc. which was acquired subsequent to July 31, 2018 (note 21).

Control is achieved when the Company is exposed to, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

(c) Use of Estimates and Judgments

The Company’s use of estimates and judgments were presented in note 2 of the audited annual consolidated financial statements for the year ended April 30, 2018.

(d) Foreign Currency Translation

(i) Functional currency and presentation currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

On August 21, 2018 the Company announced the completion of the acquisition of Koricancha processing facility in Peru, as result of this, the Company has decided to change the Company’s presentation currency from Canadian dollars to United States dollars which is the currency that will most strongly influence primary operating and capital decisions.

These condensed interim consolidated financial statements have been prepared in US dollars as if this currency had been the presentation currency since May 1, 2016 and all comparable prior-

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Notes to the Condensed Interim Consolidated Financial Statements

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

period financial statements have been restated to US dollars in accordance with IAS 21 “effect of Changes in Foreign Exchange Rates”. For the purposes of presentation of the comparative financial statements; all assets and liabilities have been converted to US dollars at the rate prevailing at the end of the reporting period. Fixed assets and equity transactions are converted at the date of the transaction or at the average exchange rate for the period depending on the nature of the underlying transaction.

The functional currency of the Canadian company is the Canadian dollar and the functional currency of Dynasty One, Chala One and IO Metals is the US dollar.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit or loss.

(iii) Consolidated entities

The results and financial position of consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Monetary assets and liabilities are translated at the closing rate at the reporting date;
- Non-monetary assets and equity are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined; and
- Income and expenses for each income statement are translated at exchange rates at the dates of the transactions and where appropriate, approximated by the average exchange rates for the period.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

- a) **IFRS 16 - Leases** - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases that is currently required by IAS 17 Leases and, instead, introduces a single lessee accounting model. From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. Management does not expect any material impact as result of the application of this new standard. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

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NOTE 4 – RESTRUCTURING

On March 29, 2018 the Company reached an agreement with certain debt holders to restructure a total of CAD\$2,683,887 of its debt for a combination of shares, warrants and a new debt. Under the terms of the agreements CAD\$1,083,887 was converted into 18,020,484 shares of the Company, and for the remaining balance of CAD\$1,600,000, the Company issued a new Secured Debenture (note 10). As consideration for this restructuring, the Company issued 1,066,667 shares and 1,066,667 warrants with an exercise price of CAD\$0.10 (note 13 (e)).

On May 7, 2018, the Company received final approval from TSX for this Debt Restructuring.

NOTE 5 – RECEIVABLES

	July 31, 2018	April 30, 2018
	\$	\$
GST recoverable (Canada)	8,316	11,206
VAT recoverable (Peru)	963,629	884,047
Other receivable	14,495	19,087
	986,440	914,340

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	July 31, 2018	April 30, 2018
	\$	\$
Deposits with mineral suppliers	86,040	129,210
Other deposits and advances	35,893	47,315
Prepaid taxes	220,263	221,293
Prepaid expenses	61,354	51,187
Prepaid marketing services	131,281	157,976
	534,831	606,981

NOTE 7 – INVENTORY

	July 31, 2018	April 30, 2018
	\$	\$
Ore stockpiles and gold in process	791,119	1,503,557
Finished goods – gold	1,018,672	855,383
Materials and supplies	111,158	114,763
	1,920,949	2,473,703

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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

	Plant	Computers	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2017	5,956,864	61,013	53,886	6,071,763
Additions	862,469	4,636	4,200	871,325
Balance, April 30, 2018	6,819,353	65,649	58,086	6,943,088
Additions	58,242	-	-	58,242
Balance, July 31, 2018	6,877,595	65,649	58,086	7,001,330
Accumulated Depreciation:				
Balance, April 30, 2017	943,879	20,886	27,687	992,452
Depreciation	731,828	7,176	5,396	744,400
Balance, April 30, 2018	1,675,707	28,062	33,083	1,736,852
Depreciation	176,882	1,567	1,319	179,768
Balance, July 31, 2018	1,852,590	29,630	34,402	1,916,622
Net Book Value:				
April 30, 2018	5,143,646	37,587	25,003	5,206,236
July 31, 2018	5,025,006	36,020	23,684	5,084,710

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2018	April 30, 2018
	\$	\$
Trade accounts payable and accruals	1,423,888	1,850,281
Management, consulting and professional fees payable ^(a)	211,488	210,353
Accrued interest	102,703	60,416
	1,738,079	2,121,050

(a) Management, consulting and professional fees details are included in note 13 (c).

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in US Dollars)

NOTE 10 – SECURED DEBENTURES

	July 31, 2018	April 30, 2018
	\$	\$
Current Liabilities		
Secured Debenture ⁽¹⁾	300,000	300,000
Total Current Secured Debentures	300,000	300,000
Non-current Liabilities		
CAD Secured Debenture (CAD\$ 1,600,000) ⁽²⁾	1,170,737	1,183,889
Total Non-current Secured Debentures	1,170,737	1,183,889

As a result of the Restructuring and Debt Settlement (note 4) the Company issued the following secured debentures:

- 1) On September 1, 2016, the Company issued a \$300,000 debenture which has a 24 month term to maturity, bears interest at a rate of 11% per annum, and has general security over the assets of the Company (the “USD Secured Debenture”) second in priority to the CAD Secured Debenture. Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance. Accrued interest of \$30,288 has been included in accounts payable at July 31, 2018.

Subsequent to July 31, 2018 the Company extended the terms and the secured debenture is now payable on August 31, 2020.

- 2) On March 28, 2018, the Company issued a CAD\$1,600,000 (CAD\$1,519,640 net of cost of CAD\$80,360) debenture with maturity day on September 1, 2021, 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\$60,756 has been included in accounts payable at July 31, 2018.

NOTE 11 – MINERAL NOTES

On December 14, 2015, the Company issued \$50,000 in secured notes, which bear interest at a rate of 12% per annum payable quarterly in arrears. The notes have a 60 months term to maturity at which time the principal balance plus all accrued and unpaid interest will be repaid to the subscriber. The Company retains the right (upon 90 days prior written notice to the affected holder) to redeem the notes in full. Accrued interest of \$6,621 has been included in accounts payable at July 31, 2018.

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 12 – ASSET RETIREMENT 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 plant; consequently, the Company accounted for its asset retirement obligations for the plant 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, 2018	April 30, 2018
	\$	\$
Beginning of year	581,356	444,145
Accretion	7,103	32,524
Change in estimate	-	104,687
	588,459	581,356

As at July 31, 2018, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is \$684,807 and is projected to be disbursed over 2026. A 4.94% discount rate and a 3.06% inflation rate were used to evaluate this provision.

NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

On August 16, 2016, the Company consolidated its share capital on a one-for-seven basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated share capital. At July 31, 2018, there were 146,426,552 shares issued and outstanding (April 30, 2018 – 146,426,552).

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(Unaudited - Expressed in US Dollars)

NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (continued)**(c) Share Issuances**

Share capital transactions for the three months ended July 31, 2018, were \$nil

(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 and is presented on a post consolidated basis (note 13(b)):

	Share-based Options #	Weighted Average Exercise Price CAD\$
Balance, April 30, 2017	3,312,500	0.45
Granted	8,600,000	0.09
Expired/Cancelled	(1,610,572)	0.44
Balance, April 30, 2018	10,301,928	0.15
Granted	833,334	0.06
Expired/Cancelled	(208,571)	1.75
Balance, July 31, 2018	10,926,691	0.15

The following table summarizes the share-based options outstanding, presented on a post consolidated basis (note 13(b)), as at July 31, 2018:

Share-based Options #	Exercise Price CAD\$	Expiry Date	Vesting Provisions
1,240,500	0.250	September 21, 2018	Vested
240,000	0.300	October 12, 2018	Vested
4,000,000	0.100	August 25, 2019	Unvested
4,100,000	0.075	March 14, 2020	Unvested
833,334	0.060	June 14, 2020	Vested
12,857	3.010	July 11, 2021	Vested
500,000	0.100	August 25, 2022	Unvested
10,926,691			

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NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (continued)

As at July 31, 2018, the weighted average remaining contractual life of the share-based options was 1.35 years (2017 – 1.18 years).

During the three months ended July 31, 2018, the Company recognized share-based payments of \$34,377 (2017 - \$nil) for share-based options granted and vested during the period.

On June 14, 2018, pursuant to the Company's stock option plan, the Company granted of 833,334 of incentive stock options to a consultant of the Company. The stock options have an exercise price of CAD\$0.06 per share, immediate vesting and are exercisable until June 14, 2020.

The fair value of stock options granted during the three months ended July 31, 2018 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	0.73%	-
Expected dividends	CAD\$nil	-
Expected volatility	54.17%	-
Expected life in years ^(a)	0.82	-

(a) Expected life of the options takes in consideration the forfeiture rate.

The weighted average fair value of stock options granted during the three months ended July 31, 2018 was CAD\$0.01 (2017 - \$nil) per option.

(e) Warrants

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 13(b)), is as follows:

	Warrants #	Weighted Average Exercise Price CAD\$
Balance, April 30, 2017	38,482,690	0.44
Issued	58,078,167	0.09
Expired/Cancelled	(739,048)	0.99
Balance, April 30, 2018	95,821,809	0.22
Issued	-	-
Expired/Cancelled	-	-
Balance, July 31, 2018	95,821,809	0.22

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NOTE 13 – SHARE CAPITAL AND EQUITY RESERVES (Continued)

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 13(b)), as at July 31, 2018:

Warrants	Exercise Price	Expiry Date
#	CAD\$	
5,500,000	0.150	December 12, 2018
984,000	0.150	January 7, 2019
4,527,500	0.150	February 15, 2019
13,358,303	0.400	August 30, 2019
315,600	0.400	August 30, 2019
9,180,820	0.400	September 1, 2019
420,000	0.450	September 1, 2019
795,320	0.850	September 1, 2019
12,365,900	0.400	October 5, 2019
650,680	0.400	October 5, 2019
657,019	1.260	December 22, 2020
46,000,000	0.075	January 31, 2021
1,066,667	0.100	September 1, 2021
95,821,809		

As at July 31, 2018, the weighted average remaining contractual life of the warrants was 1.70 years (2017 – 1.97 years).

NOTE 14 – RELATED PARTY TRANSACTIONS**(a) Related Party Transactions**

Professional fees were paid to a company controlled by the former CFO. Consulting and management fees are and 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 by the CEO, or and to a company controlled by a director. Office rent was paid or accrued to a company controlled by the former CFO.

The Company incurred charges to directors and officers or to companies associated with these individuals during the three months ended July 31, 2018 and 2017 as follows:

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NOTE 14 – RELATED PARTY TRANSACTIONS (continued)

	2018	2017
	\$	\$
Accounting and professional fees	-	20,058
Management, salaries and consulting fees	69,529	77,924
Director fees	7,446	5,676
Share-based payments	28,318	-
Rent	-	14,237
	105,293	117,895

(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 three months ended July 31, 2018 and 2017 as follows:

	2018	2017
	\$	\$
Management fees	46,009	77,924
Salaries	23,520	-
Share-based payments	28,318	-
	97,847	77,924

(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 July 31, 2018 are non-interest bearing and payable on demand, and are comprised of \$121,336 (April 30, 2018 - \$121,206) payable to the CEO and a company controlled by the CEO, \$23,740 (April 30, 2018 - \$24,392) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$78,922 (April 30, 2018 - \$85,006) payable to the CFO and \$12,510 receivable, net of \$45,107 payable (April 30, 2018 - \$20,251 receivable, net of 38,178 payable) to the Directors or companies controlled by the Directors.

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NOTE 15 – COMMITMENTS

In addition to the commitments in connection with the Company's financings (note 10), 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 payment of CAD\$3,726 and termination date on July 31, 2023.

During the three months ended July 31, 2018 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 July 31, 2018, the fair value of amount owing under these contracts at the gold spot rate were \$905,945 (April 30, 2018 - \$974,394) and is included in derivative financial liability.

As at July 31 2018 the Company had commitments to sell approximately 226 ounces of gold doré to third parties, which was settled subsequent to July 31, 2018 through the delivery of gold. At July 31, 2018 the fair value of these commitments is \$246,359. Additionally, the Company received advances of \$500,000 to be offset against future sales of gold doré. Both amounts, totaling \$746,359 (April 30, 2018 - \$1,064,585) have been included as current deferred revenues.

A summary of undiscounted liabilities and future operating commitments at July 31, 2018 are as follows:

	Total	Within One Year	One to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	1,738,079	1,738,079	-
Mineral notes payable	48,779	-	48,779
Secured debentures	1,470,737	300,000	1,170,737
	3,257,595	2,038,079	1,219,516
Commitments			
Office lease rental	300,444	77,244	223,200
Gold sale deferred revenue	746,359	746,359	-
Derivative financial liability	905,945	-	905,945
Asset retirement and reclamation obligations	588,459	-	588,459
	2,541,207	823,603	1,717,604
	5,798,802	2,861,682	2,937,120

Contingent Debenture

As a result of the Restructuring and Debt Settlement (note 4), the Company issued a \$779,309 contingent debenture certificate (the "Contingent Debenture"), which only becomes payable on the date that the Company achieves two production milestones including (i) achieving 300 tonnes per day mineral processing capacity in Peru, and (ii) achieving three months of 200 tonnes per day average daily production. Upon re-instatement, the Contingent Debenture will have a 12% annual interest rate paid

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NOTE 15 – COMMITMENTS (continued)

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, 2018 the value of the contingent debenture was \$nil.

NOTE 16 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for \$339,848 (April 30, 2018 \$511,849) 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:

Peru segment	Three months ended July 31,	
	2018	2017
	\$	\$
Revenue	5,645,321	3,054,908
Cost of goods sold (including \$170,689 of depreciation (2017 - \$143,532))	5,217,138	3,176,240
Gross margin (deficit)	428,183	(121,332)
Income (loss) for the period	139,243	(165,910)

Peru	July 31,	April 30,
	2018	2018
	\$	\$
Assets:		
VAT receivable	963,629	884,047
Inventory	1,920,949	2,473,703
Property, plant and equipment	5,025,006	5,143,646
Total long-term and operating assets	7,909,584	8,501,396

During the three months ended July 31, 2018, the Company received 100% of its metal revenues from two major customers, noting that the Company has business relationships with other customers, and is not dependent on them.

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NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at July 31, 2018, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, derivative financial liabilities, secured debentures and mineral notes. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, promissory notes payable, secured debentures and mineral notes are designated as other financial liabilities, which are measured at amortized cost. Derivative financial liabilities are measured at fair value.

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

The three levels of hierarchy are:

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

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

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

As at July 31, 2018, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, deferred revenue, secured debentures and mineral notes 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.

(b) 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 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 July 31, 2018, the Company had cash of \$70,111 (April 30, 2018 - \$266,836) and current working

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NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

capital of \$727,893 (April 30, 2018 - \$ 776,225) with total liabilities of \$5,498,358 (April 30, 2018 - \$6,273,899).

A summary of the Company's future operating commitments is presented in note 15.

(iii) Market risk

a. Interest rate risk

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

The Company invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements. At July 31, 2018, 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:

	July 31, 2018	April 30, 2018
	\$	\$
CA dollar:		
Cash	24,173	30,678
Receivables	8,316	11,206
Accounts payable and accrued liabilities	(444,253)	(335,522)
Secured debentures	(1,170,737)	(1,183,889)
Derivative financial liability	(905,945)	(974,394)
Net assets (liabilities)	(2,488,446)	(2,451,921)
Sol:		
Cash	18,904	27,389
Receivables	730,024	884,047
Accounts payable and accrued liabilities	(592,403)	(563,964)
Net assets (liabilities)	156,525	347,472

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NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assuming all other variables constant, an increase or a decrease of 10% of the Canadian dollar against the US dollar, as of July 31, 2018 would have changed the Company's net loss by approximately \$248,845. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the US dollar, as of July 31, 2018 would have changed the Company's net loss by approximately \$15,749.

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

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 deferred revenue 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.

NOTE 18 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders.

The Company considers its current capital structure to consist of secured debentures of \$1,470,737 (April 30, 2018 - \$1,483,889) and shareholders' equity of \$3,098,683 (April 30, 2018 - \$3,194,197). The Company's ability to generate sufficient funds to service its debts and to provide funding for future operations are dependent on restructuring its secured debentures and raising additional funds to achieve projected future proceeds from mineral processing operations. Notwithstanding these proceeds the Company expects to continue to be dependent on its capital resources which are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the further operation of its Peruvian ore processing operations the Company prepares expenditure budgets which are updated as necessary and are reviewed and approved by the Company's Board of Directors.

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NOTE 19 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Three Months Ended	
		July 31, 2018	July 31, 2017
Cost of sales:		\$	\$
Ore		3,865,629	2,227,514
Salaries, benefits and other employee expenses		242,005	215,967
Production supplies		293,386	222,453
Transportation		32,233	36,729
Other production costs		613,196	330,045
Depreciation of property plant and equipment		170,689	143,532
Total cost of sales		5,217,138	3,176,240
Corporate and administrative expenses:			
Consulting fees		6,058	18,132
Management fees and salaries	14	211,494	215,024
Depreciation	8	16,974	27,949
Directors fees		7,446	5,676
Investor relations and regulatory fees		63,767	37,772
Office, rent, utilities, insurance and other	14	91,175	96,123
Professional fees		71,159	72,749
Share-based payments	14	34,377	-
Travel and accommodation		15,530	4,399
Total corporate and administrative expenses		517,980	477,824
Finance and other income (expense):			
Accretion expense		(10,542)	(4,236)
Finance costs		(105,283)	(154,290)
Foreign exchange gain (loss)		(35,657)	29,499
Fair value of derivative financial liability		54,800	68,854
Total finance and other income (expense)		(96,682)	(60,173)

NOTE 20 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the three months ended July 31, 2018, were \$9,000 (2017 - \$27,975) and \$4,029 (2017 - \$1,377), respectively. Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the three months ended July 31, 2018, the following transactions were excluded from the statements of cash flows:

- The Company recorded \$26,397 (2017 - \$23,919) of depreciation expense to gold inventory.

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NOTE 21 – SUBSEQUENT EVENTS

Acquisition of the Koricancha Processing Facility in Peru

On August 21, 2018 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 \$CAD16.3 million, less any IGV tax credits collected to the benefit of Inca One.

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\$6 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 deemed price 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.
- 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 of at least \$4 million and therefore \$1 million estimated payable on the third anniversary.
- As part of the Transaction, the Company acquired approximately \$4.2 million in historical IGV related to the construction of Kori One and has agreed to pay Equinox for 50% of amounts collected less costs to collect, the remainder of which is for the benefit of the Company.

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NOTE 21 – SUBSEQUENT EVENTS (continued)

In connection with the Transaction, Equinox will be 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.