



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the Three Months Ended July 31, 2015 and 2014
(Unaudited - Expressed in Canadian 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 Canadian Dollars)

	Note	July 31, 2015	April 30, 2015
		\$	\$
Assets			
Current:			
Cash		235,943	454,321
Receivables	4	2,366,575	631,480
Marketable securities	5	190,618	217,838
Prepaid expenses and deposits	6	764,176	377,729
Inventory	7	2,386,225	1,468,421
		5,943,537	3,149,789
Property, plant and equipment	8	5,489,670	5,178,704
Total assets		11,433,207	8,328,493
Liabilities			
Current:			
Accounts payable and accrued liabilities	9	1,667,813	848,520
Promissory notes payable	10	1,224,368	559,544
Convertible debentures	11	1,776,159	607,681
Debenture units	13	2,476,362	1,650,371
		7,144,702	3,666,116
Convertible debentures	11	355,169	348,716
Bond payable	12	4,949,077	4,884,211
Deferred income tax		175,643	162,000
Asset retirement and reclamation obligations	14	307,148	278,829
		12,931,739	9,339,872
Shareholders' Equity (Deficiency)			
Share capital	15	12,609,403	12,520,642
Reserves	15	1,422,506	1,066,126
Convertible debentures – equity component	11	39,286	15,432
Accumulated other comprehensive (loss) income		(62,507)	312,557
Deficit		(15,507,220)	(14,926,136)
		(1,498,532)	(1,011,379)
Total liabilities and shareholders' equity (deficiency)		11,433,207	8,328,493

Nature of operations and going concern (Note 1)

Commitments (Notes 10, 11, 12, 13, and 17)

Subsequent events (Note 23)

Approved on behalf of the Board of Directors on September 28, 2015

“Robert McMorran”

Director

“Brian Antenbring”

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
(Unaudited - expressed in Canadian Dollars)

		Three Months Ended July 31,	
	Note	2015	2014
		\$	\$
Revenue		6,549,870	-
Cost of goods sold (including \$85,498 of depreciation)		6,114,371	-
Gross margin		435,499	-
Corporate and administrative expenses	21	1,112,885	611,526
Operating loss		(677,386)	(611,526)
Finance and other income (expense)	21	86,079	(88,144)
Loss before income taxes for the period		(591,307)	(699,670)
Deferred income tax recovery		(10,223)	-
Net loss for the period		(581,084)	(699,670)
Other comprehensive (loss) income:			
Unrealized loss on marketable securities	5	-	(375,622)
Foreign currency translation adjustment		(375,064)	2,787
		(375,064)	(372,835)
Comprehensive loss for the period		(956,148)	(1,072,505)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average number of common shares outstanding		65,508,497	63,685,054

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 Canadian Dollars)

	Share capital		Reserves			Convertible debenture – equity component	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity (deficiency)
	Common shares	Amount	Stock options	Warrants	Total				
	#	\$	\$	\$	\$	\$	\$	\$	
Balance, April 30, 2014	63,574,674	11,231,319	648,501	26,504	675,005	73,087	(457,566)	(10,840,343)	681,502
Comprehensive loss for the period	-	-	-	-	-	-	(372,835)	(699,670)	(1,072,505)
Convertible debentures – equity portion (Note 11(a))	-	-	-	-	-	85,136	-	-	85,136
Warrants issued on financings	-	-	-	153,304	153,304	-	-	-	153,304
Exercised warrants	175,000	35,000	-	-	-	-	-	-	35,000
Exercised options	180,000	40,595	(17,495)	-	(17,495)	-	-	-	23,100
Expired options	-	-	(113,250)	-	(113,250)	-	-	113,250	-
Share-based payments	-	-	285,984	-	285,984	-	-	-	285,984
Balance, July 31, 2014	63,929,674	11,306,914	803,740	179,808	983,548	158,223	(830,401)	(11,426,763)	191,521
Comprehensive loss for the period	-	-	-	-	-	-	1,142,958	(3,507,702)	(2,364,744)
Convertible debentures – equity portion (Notes 11(a) and 11(b))	-	-	-	-	-	(6,568)	-	-	(6,568)
Issuance of shares on conversion of debentures	1,200,000	235,682	-	-	-	(136,223)	-	-	99,460
Warrants issued on financings	-	-	-	261,418	261,418	-	-	-	261,418
Exercised warrants	1,727,000	345,400	-	-	-	-	-	-	345,400
Exercised options	2,244,000	590,609	(262,260)	-	(262,260)	-	-	-	328,349
Expired options	-	-	(8,329)	-	(8,329)	-	-	8,329	-
Shares issued for services	280,240	42,036	-	-	-	-	-	-	42,036
Share-based payments	-	-	91,749	-	91,749	-	-	-	91,749
Balance, April 30, 2015	69,380,914	12,520,642	624,900	441,226	1,066,126	15,432	312,557	(14,926,136)	(1,011,379)
Comprehensive loss for the period	-	-	-	-	-	-	(375,064)	(581,084)	(956,148)
Convertible debentures – equity portion (Note 11(b))	-	-	-	-	-	23,854	-	-	23,854
Warrants issued on financings	-	-	-	26,008	26,008	-	-	-	26,008
Exercised warrants	100,000	20,000	-	-	-	-	-	-	20,000
Exercised options	210,000	68,761	(31,261)	-	(31,261)	-	-	-	37,500
Share-based payments	-	-	361,633	-	361,633	-	-	-	361,633
Balance, July 31, 2015	69,690,914	12,609,403	955,272	467,234	1,422,506	39,286	(62,507)	(15,507,220)	(1,498,532)

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 Canadian Dollars)

	Three Months Ended July 31,	
	2015	2014
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the period	(581,084)	(699,670)
Items not involving cash:		
Depreciation	114,759	2,320
Share-based payments	361,633	285,984
Impairment of marketable securities	27,220	-
Accretion expense	177,517	7,750
Accrued interest	38,127	48,585
Interest expense	338,705	89,254
Unrealized foreign exchange	48,609	-
Deferred income tax recovery	(10,223)	-
Changes in non-cash operating working capital:		
Receivables	(1,735,095)	(3,250)
Prepaid expenses and deposits	(386,447)	121
Inventory	(917,804)	(126,354)
Accounts payable and accrued liabilities	757,865	(365,839)
	(1,766,218)	(761,099)
Financing activities:		
Proceeds from promissory notes payable, net of issuance costs	713,300	-
Repayments of promissory notes	(120,000)	(120,000)
Proceeds from convertible debentures, net of issuance costs	1,043,711	-
Proceeds on issuance of common shares	57,500	58,100
Proceeds from bond payable, net	-	2,471,524
Proceeds from debenture financing	589,622	-
Deferred financing costs	-	23,421
Convertible debenture issuance costs	-	(18,297)
Interest paid	(290,636)	(40,670)
	1,993,497	2,374,078
Investing activity:		
Purchase of property, plant and equipment	(440,551)	(661,521)
(Decrease) increase in cash	(213,272)	951,458
Effect of exchange rates on cash held in foreign currencies	(5,106)	2,865
Cash, beginning of period	454,321	78,710
Cash, end of period	235,943	1,033,033

Supplemental disclosure with respect to cash flows (Note 22)

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, 2015 and 2014

(Unaudited - expressed in Canadian 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 1125 – 595 Howe Street, Vancouver, Canada, V6C 2T5 and its registered office is located at Suite 2600 – 1066 West Hastings Street, Vancouver, Canada, V6E 3X1.

These condensed interim consolidated financial statements ("interim 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, 2015, the Company incurred a net loss of \$581,084. As of that date the Company had a deficit of \$15,507,220 and working capital deficiency of \$1,201,165. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian toll-milling operations and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. 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. Management intends to finance operating costs over the year with the proceeds from debt financing, equity financing, its current working capital, proceeds from option and warrant exercises, and net profits from processing operations at the Company's gold milling facility in Peru.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent 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").

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended April 30, 2015.

These interim consolidated financial statements have been prepared on a historical cost basis and were approved by the board of directors for issue on September 28, 2015.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

(Unaudited - expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Basis of Consolidation**

The interim financial statements are presented in Canadian dollars unless otherwise noted. The interim financial statements include the accounts of the Company, its wholly owned subsidiaries, Inca One Metals Peru S.A. (“IO Metals”), Dynasty One S.A. (“Dynasty One”), Chala One S.A.C. (“Chala One”), and during the year ended April 30, 2014 Minera Huaquillas SAC (“Minera”), a private company incorporated in Peru. Although Minera was not a subsidiary of the Company, the Company consolidated 100% of its operations during the year ended April 30, 2014 as the Company had effective control and therefore the right to obtain the majority of the benefits and were exposed to the risks of the activities of Minera. The investment in Minera was fully impaired as of April 30, 2014.

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 preparation of the Company’s interim financial statements in accordance with IAS 1, *Presentation of Financial Statements*, requires management to make certain critical accounting estimates and to exercise judgment that affect the accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

(Unaudited - expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements include but are not limited to the following:

(i) Going concern

The interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined the exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, the evaluation of permitting and environmental issues and local support for the project, and the ability to find joint venture partners if necessary.

(iii) Commencement of commercial production

Management conducted an assessment of commercial production indicators and concluded that commercial production commenced as at February 1, 2015. This assessment included key parameters being met such as: a) all major and auxiliary processing circuits were fully operational including ball mill, crushing, and leaching circuits, and related facilities in place; b) average production throughput at the plant since February 1, 2015 has been in excess of 50 tonnes per day ("TPD") with production ramping up to the full 100 TPD production capacity; and c) a reasonable testing and commissioning period had completed. As a result of the commencement of commercial production the Company began on that date reporting the results of its mineral processing operations in the consolidated statement of operations and amortizing the capitalized costs of its milling plant.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

(Unaudited - expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(v) Exploration and evaluation assets title

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of exploration and evaluation assets. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements. As at April 30, 2015, the Company fully impaired all of its exploration and evaluation assets.

Significant estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

(i) Value of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimates and the Company's earnings and equity reserves.

(ii) Value of convertible debentures and debenture units with warrants

For accounting purposes, each convertible debenture and debenture units with warrants is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the Debentures assuming a 20% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion or warrant feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

(Unaudited - expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)*(iii) Value of marketable securities*

Marketable securities have been classified as available-for-sale financial instruments and are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income (loss). The fair value of the shares currently included in marketable securities has been estimated using their July 31, 2015 share trading price which, due to the low volume of trading activity and restrictive holding periods initially attached to these shares, may not be indicative of actual fair value. Changes in the share trading price after July 31, 2015 can materially affect the fair value estimates and the Company's earnings.

(iv) Asset retirement and reclamation obligations

The Company assesses its asset retirement and reclamation obligation at each reporting date. Significant estimates and assumptions are made in determining the asset retirement obligation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(v) Deferred taxes

Deferred tax assets and liabilities are measured using the tax rates expected to be in effect in future periods. Management estimates these future tax rates based on information available at the period end. Actual future rates may be significantly different. Factors causing such differences include changes in the ruling government or changes in national or regional economic circumstances of the areas where mines are located.

(d) Functional and Presentation of Foreign Currency*(i) Functional 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.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

(Unaudited - expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

These interim financial statements are presented in Canadian dollars, which is the functional currency of the Canadian company. The functional currency of Dynasty One, Chala One and IO Metals is the US dollar. Previously to April 30, 2015 IO Metal's functional currency was the Peruvian Sol. On May 1, 2015, the functional currency of IO Metals changed from the Peruvian Sol to the US dollar. The change was based in management's assessment, taking into consideration the currency that most strongly influences primary operating and capital decisions in addition to the currency in which funding requirements are met. This change in accounting treatment is applied prospectively. The assets and liabilities of IO Metals were translated from Peruvian Sol to US dollar at the exchange rate in effect on the date of change in functional currency.

(ii) 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:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustment.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - expressed in Canadian Dollars)

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2015. Pronouncements that are not applicable to the Company have been excluded from this note.

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

- a) IFRS 15 - Revenue from Contracts with Customers - Establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. In May 2015, the IASB proposed to defer the effective date to January 1, 2018. Management is currently assessing the impact of the new standard.
- b) IFRS 9 - Financial Instruments (effective January 1, 2018) - This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management is currently assessing the impact of the new standard.

The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

NOTE 4 – RECEIVABLES

	July 31, 2015	April 30, 2015
	\$	\$
GST recoverable (Canada)	16,312	24,435
VAT recoverable (Peru)	2,232,496	589,422
Other receivable	117,767	17,623
	2,366,575	631,480

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Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - expressed in Canadian Dollars)

NOTE 5 – MARKETABLE SECURITIES

Marketable securities consist of 733,007 shares in Global Resources Investment Trust PLC (“GRIT”) which were acquired on February 28, 2014 in exchange for the issue of 12,000,000 common shares in the Company at a value of \$0.11 per share.

As of July 31, 2015 the GRIT shares were recorded at a fair value of \$190,618 (April 30, 2015 – \$217,838) based on the GRIT share trading price of CDN\$0.26 (GBP £0.13), as a result an impairment of marketable securities of \$27,220 was included in operating expenses (2014 - \$375,622, included in other comprehensive loss) for the three months ended July 31, 2015.

Due to the persistent reduction in its market price, management has determined that the GRIT shares were permanently impaired at the year ended April 30, 2015. The impairment resulted in the Company recognizing an unrealized loss of \$1,102,162 in the consolidated statement of loss for the year ended April 30, 2015 (April 30, 2014 – \$nil). Previously the adjustment to fair value was recorded through other comprehensive income. As a result of the impairment, all previously recorded adjustments to fair value related to the GRIT investment were reclassified from the other comprehensive income to net loss including \$472,552 recorded during the year ended April 30, 2014.

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	July 31, 2015	April 30, 2015
	\$	\$
Deposits with mineral suppliers	310,709	146,516
Other deposits and advances	161,254	111,206
Prepaid taxes	151,135	53,004
Prepaid expenses	141,078	67,003
	764,176	377,729

NOTE 7 – INVENTORY

	July 31, 2015	April 30, 2015
	\$	\$
Stockpiled gold-bearing material and in process inventory	1,954,225	1,331,480
Finished goods - gold	160,681	-
Materials and supplies	271,319	136,941
	2,386,225	1,468,421

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

(Unaudited - expressed in Canadian Dollars)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2014	1,035,105	19,993	58,658	1,113,756
Additions	4,098,871	1,023	1,237	4,101,131
Impairment	(92,079)	(761)	(13,163)	(106,003)
Foreign exchange	199,946	158	7,595	207,699
Balance, April 30, 2015	5,241,843	20,413	54,327	5,316,583
Additions	344,112	-	-	344,112
Reclassification of VAT	(339,088)	-	-	(339,088)
Foreign exchange	431,275	2,253	4,749	438,277
Balance, July 31, 2015	5,678,142	22,666	59,076	5,759,884
Accumulated Depreciation:				
Balance, April 30, 2014	-	9,373	10,927	20,300
Depreciation	96,748	2,324	9,786	108,858
Foreign exchange	6,126	72	2,523	8,721
Balance, April 30, 2015	102,874	11,769	23,236	137,879
Depreciation	112,989	284	1,486	114,759
Foreign exchange	13,726	1,294	2,556	17,576
Balance, July 31, 2015	229,589	13,347	27,278	270,214
Net Book Value:				
April 30, 2015	5,138,969	8,644	31,091	5,178,704
July 31, 2015	5,448,553	9,319	31,798	5,489,670

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Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended July 31, 2015 and 2014
(Unaudited - expressed in Canadian Dollars)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility (“Chala Plant”) in Southern Peru for US\$240,000. Of this amount, US\$150,000 has been paid and the remaining US\$90,000 has been accrued and is payable once transfer of the permitted facility is complete. Transfer of formal title is subject to a number of conditions. As part of the terms of the original purchase agreement for the Chala Plant, Inca One has an agreement between its wholly owned subsidiary, Chala One, and the seller and initial permit applicant, to operate under the umbrella of formalization until the successful completion of all the environmental and operating permits. A finder fee of US\$40,000 and a sourcing and technical advice fee of US\$59,000, inclusive of value added taxes (“VAT”), were paid in connection with the acquisition of the milling facility. An additional US\$59,000, including VAT for sourcing and technical advice, was paid once the plant became operational and had processed 250 tons of gold-bearing material. VAT paid became refundable to the Company in fiscal 2015 as the Company began commercial production and the exportation of gold.

As at July 31, 2015, total plant upgrade costs and capitalized pre-operating costs was \$5,678,142 (April 30, 2015 - \$5,241,843) which includes \$nil (April 30, 2015 – \$1,712,199) of incidental revenue generated during the pre-operating period and \$nil (April 30, 2015 - \$264,531) of capitalized interest. During the three months ended July 31, 2015, the Company reclassified \$339,088 of VAT in Peru previously included in pre-operating expenses as a result of the review of the VAT receivable from the Peruvian tax authorities.

Depreciation during the three months ended July 31, 2015 was \$114,759 (2014 – \$3,122), of which \$nil (2014 – \$802) was capitalized to pre-operating costs of the Chala Plant.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2015	April 30, 2015
	\$	\$
Trade accounts payable and accruals	1,230,313	447,378
Management, consulting and professional fees payable	250,463	252,232
Accrued interest	187,037	148,910
	1,667,813	848,520

Management, consulting and professional fees payable include \$119,491 (April 30, 2015 - \$68,854) due to related parties (Note 16).

INCA ONE GOLD CORP.

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NOTE 10 – PROMISSORY NOTES PAYABLE

During the year ended April 30, 2014, two directors and officers of the Company advanced to the Company a total of \$170,000 in cash in exchange for promissory notes. The notes were unsecured and payable on demand with an interest rate of 20% per annum calculated and paid quarterly in arrears. During the year ended April 30, 2014 \$50,000 of the principal was repaid with the remaining \$120,000 repaid during the year ended April 30, 2015.

During December 2014, directors and officers advanced to the Company a total of \$205,000. The advances were unsecured and non-interest bearing. During the year ended April 30, 2015 the \$205,000 was repaid in full.

On January 14, 2015, the Company received USD\$200,000 in cash in exchange for a promissory note. The note is unsecured, has a six month term, and an interest rate of 20% per annum calculated and payable on the maturity date. On July 29, 2015, the note was extended for an additional three months.

As at July 31, 2015, the principal balance was \$261,600 and interest expense of \$15,498 was incurred of which \$4,208 was included in accounts payable and accrued liabilities.

On October 22, 2013 and November 6, 2013, the Company closed a non-brokered private placement of secured, redeemable promissory notes for gross proceeds of \$420,000. Of this amount an aggregate of \$150,000 was issued to an officer and a company controlled by a director. The promissory notes mature after 24 months and bear interest at 20% per annum. At the option of one of the subscribers, accrued interest of \$49,389 (2014 – \$14,038) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. The notes are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures (Note 11).

During the year ended April 30, 2015, \$100,000 of the promissory notes were redeemed by an officer of the Company and \$50,000 of the promissory notes were redeemed by a company controlled by a director of the Company. On May 31, 2015, \$120,000 of the notes were repaid.

A cash finder fee of \$2,500 and legal and regulatory costs of \$2,540 incurred in connection with the financing were charged against the promissory notes amount payable. As at July 31, 2015 interest expense of \$12,139 (2014 - \$21,922) has been recorded with respect to these promissory notes, of which \$1,032 (2014 - \$2,181) was included in accounts payable and accrued liabilities. In addition, accretion of transaction costs of \$562 (2014 - \$559) has been recorded.

During May 2015, a director and officer and an officer of the Company advanced to the Company a total of \$100,000 in cash in exchange for short term promissory notes. The notes are unsecured with an interest rate of 20% per annum payable on maturity in 6 months. As at July 31, 2015, interest expense of \$4,449 (2014 - \$nil) has been recorded and included in accounts payable and accrued liabilities.

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NOTE 10 – PROMISSORY NOTES PAYABLE (continued)

During June 2015 a company controlled by an individual who was subsequently appointed a director of the Company on July 8, 2015 advanced to the Company USD\$500,000 in cash in exchange for a short term promissory note of which USD\$100,000 was repaid during August 2015. The note is unsecured with an interest rate of 20% per annum payable on maturity in 6 months. As at July 31, 2015, interest expense of \$15,051 (2014 - \$nil) has been recorded and included in accounts payable and accrued liabilities.

NOTE 11 – CONVERTIBLE DEBENTURES**(a) CAD denominated convertible debentures**

	Liability Component	Equity Component
	\$	\$
Balance, April 30, 2014	197,351	73,087
May 23, 2014 convertible debenture issuance	234,785	90,215
Issuance costs allocated	(13,218)	(5,079)
Accretion and amortization	29,257	-
Deferred tax impact on equity component	-	(22,000)
Conversion to common shares	(99,459)	(136,223)
Balance, April 30, 2015	348,716	-
Accretion and amortization	6,453	-
Balance, July 31, 2015	355,169	-

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

The debenture is secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement and hold preference to any security held by holders of the promissory notes (Note 10).

Until October 30, 2014 each debenture holder had the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal was based on a share price of \$0.10 and the conversion of any interest payable was based on the greater of \$0.10 per share or the closing share price on the date the Company received notice from the holder. On October 30, 2014, \$55,000 of the convertible debentures were converted to 550,000 common shares of the Company.

INCA ONE GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2015 and 2014

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NOTE 11 – CONVERTIBLE DEBENTURES (continued)

Interest on the debenture is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. During the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$3,162 (2014 – \$3,671), and interest expense of \$5,485 (2014 – \$6,856) of which \$3,490 has been included in accounts payable and accrued liabilities.

On May 23, 2014, the Company closed a second debenture financing for gross proceeds of \$325,000. The Company had received all of the proceeds in advance of the closing and accordingly they were reflected as current liabilities on the Consolidated Statements of Financial Position as at April 30, 2014. The debentures bear interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which shall be convertible into shares during the first year of the debenture term. Also during the first year of the debenture term a maximum of 25% of the principal may, at the option of the holder, be converted into common shares of the Company at a price of \$0.125 per common share. The debentures mature on May 22, 2019 and are redeemable by the Company at any time after May 22, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement. At the date of issue \$234,785 was attributed to the liability component of the convertible debenture and \$90,215 to the equity component based on an effective interest rate of 20%. On December 1, 2014, \$81,250 of the convertible debentures were converted to 650,000 common shares of the Company.

Professional fees of \$18,297 have been incurred in connection with the debenture offering and have been recorded against the liability and equity component on a pro-rata basis. During the three months ended July 31, 2015, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$3,291 (2014 - \$4,079), and interest expense of \$6,161 (2014 - \$2,760) of which \$2,070 (2014 -\$2,760) has been included in accounts payable and accrued liabilities.

INCA ONE GOLD CORP.

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For the Three Months Ended July 31, 2015 and 2014

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NOTE 11 – CONVERTIBLE DEBENTURES (continued)**(b) USD denominated convertible debentures**

	Liability Component	Equity Component
	\$	\$
Balance, April 30, 2014	-	-
April 27, 2015 convertible debenture issuance	704,902	23,858
Issuance costs allocated	(101,228)	(3,426)
Deferred tax impact on equity component	-	(5,000)
Accretion and amortization	8,927	-
Foreign exchange	(4,920)	-
Balance, April 30, 2015	607,681	15,432
May 19, 2015 second tranche	591,631	19,968
Issuance costs allocated second tranche	(34,910)	(1,178)
May 29, 2015 third tranche	481,237	16,243
Issuance costs allocated third tranche	(28,325)	(956)
Deferred tax impact on equity component	-	(10,223)
Accretion and amortization	29,765	-
Foreign exchange	129,080	-
Balance, July 31, 2015	1,776,159	39,286

On March 20, 2015, the Company announced the terms of a convertible loan with a group of lenders for gross proceeds of USD\$1,500,000 (the “USD Convertible Loan”). The USD Convertible Loan bears interest at a rate of 15% per annum and can be drawn down in three tranches of USD\$600,000, USD\$500,000, and USD\$400,000, respectively, with the third tranche at the option of the Company. Each tranche of the USD Convertible Loan has a twelve month term and will be subject to a twelve month renewal option, subject to certain conditions. The USD Convertible Loan is secured by a pledge of the inventory and related assets of the Company’s subsidiary, Chala One.

The Company paid an arrangement fee of 5% of the proceeds of the USD Convertible Loan to a third party for its role in arranging the USD Convertible Loan. In certain circumstances, up to 40% of the outstanding indebtedness under the USD Convertible Loan will be convertible into common shares the Company at the option of the Lenders at a conversion price of CAD\$0.25. The conversion amount will be based on a fixed foreign exchange rate which will result in maximum of 2,987,800 common shares issuable upon conversion.

On April 27, 2015, the Company closed the first tranche for gross proceeds of USD\$600,000. At the date of issue \$704,902 was attributed to the liability component of the convertible debenture and \$23,858 to the equity component based on an effective interest rate of 20%.

INCA ONE GOLD CORP.

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NOTE 11 – CONVERTIBLE DEBENTURES (continued)

Professional and arrangement fees of \$104,654 have been incurred in connection with the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$27,177 (2014 - \$nil), and interest expense of \$29,616 (2014 - \$nil) which has been totally paid.

On May 19, 2015, the Company closed the second tranche for gross proceeds of USD\$500,000. At the date of issue \$591,631 was attributed to the liability component of the convertible debenture and \$19,969 to the equity component based on an effective interest rate of 20%.

Professional and arrangement fees of \$36,089 have been incurred in connection with the second tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$1,427 (2014 - \$nil), and interest expense of \$18,134 (2014 - \$nil) which has been included in accounts payable and accrued liabilities as of July 31, 2015.

On June 1, 2015, the Company closed the third tranche for gross proceeds of USD\$400,000. At the date of issue \$481,237 was attributed to the liability component of the convertible debenture and \$16,243 to the equity component based on an effective interest rate of 20%.

Professional and arrangement fees of \$29,281 have been incurred in connection with the second tranche of the USD Convertible Loan offering and have been recorded against the liability and equity component on a pro-rata basis.

During the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$1,161 (2014 - \$nil), and interest expense of \$12,901 (2014 - \$nil) which has been included in accounts payable and accrued liabilities as of July 31, 2015.

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NOTE 12 – BOND PAYABLE

	July 31, 2015	April 30, 2015
	\$	\$
First tranche (closed June 3, 2014)	2,700,000	2,700,000
Second tranche (closed August 29, 2014)	1,400,000	1,400,000
Third tranche (closed November 20, 2014)	1,400,000	1,400,000
Financing and issuance costs	(742,982)	(742,982)
Accretion and amortization	192,059	127,193
Current portion	-	-
Long-term portion	4,949,077	4,884,211

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

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

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

Also in connection with the financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment to pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement. All or a portion of the financing fee can be repurchased by the Company on either December 31, 2024 or December 31, 2029 in exchange for the cash payment of USD\$1,500,000 or a corresponding pro-rata portion thereof and otherwise the fee will continue to be payable until December 31, 2034.

In connection with the financing, during the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$64,866 (2014 - \$nil).

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NOTE 12 – BOND PAYABLE (continued)

No principal repayments were required in the three months ending July 31, 2015. Principal repayment of the bond financing is scheduled as follows:

Year ending:	\$
April 30, 2017	1,193,179
April 30, 2018	4,306,821
	<hr/> 5,500,000

First tranche

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

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

For purposes of the calculations of compensation charge associated with the 1,440,000 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	1.13%
Expected dividends	\$nil
Expected volatility	96%
Expected life	3 years

During the three months ended July 31, 2015, with respect to this first tranche of the bond financing the Company recorded interest expense of \$74,860 (2014 – \$6,856) of which \$64,206 (2014 - \$51,671) has been included in accounts payable and accrued liabilities.

Second tranche

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

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NOTE 12 – BOND PAYABLE (continued)

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

For purposes of the calculations of compensation charge associated with the 746,667 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	1.13%
Expected dividends	\$nil
Expected volatility	94%
Expected life	3 years

During the three months ended July 31, 2015, with respect to this second tranche of the bond financing the Company recorded interest expense of \$38,816 (2014 - \$nil) of which \$30,800 (2014 - \$nil) has been included in accounts payable and accrued liabilities as of July 31, 2015.

Third tranche

On November 20, 2014, the Company received the third and final tranche for gross proceeds of \$1,400,000. The third tranche bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than April 25, 2015. The bond principal of \$1,400,000 is repayable in increments of \$102,273 on each of November 20, 2016, February 20, 2017, May 20, 2017 and August 20, 2017, with the remainder due November 20, 2017.

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

For purposes of the calculations of compensation charge associated with the 746,667 finder's warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	1.13%
Expected dividends	\$nil
Expected volatility	93%
Expected life	3 years

During the three months ended July 31, 2015, with respect to this third tranche of the bond financing the Company recorded interest expense of \$38,394 (2014 - \$nil) of which \$1,534 (2014 - \$nil) has been included in accounts payable and accrued liabilities as of July 31, 2015.

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NOTE 13 – DEBENTURE UNITS

First debenture

On March 18, 2015, the Company closed a non-brokered private placement of debenture units with warrants (the “Debenture Unit Financing”) for gross proceeds of USD\$1,600,000 including a USD\$100,000 over-subscription. Pursuant to the closing of the Debenture Unit Financing, the Company issued 64 units (the “Units”), with each Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 25,000 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$0.25 until a date that is 12 months from the respective closing date of the Debenture Unit Financing. The holders of the debenture are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debenture is 12 months. A finder’s fee of 8% of the gross proceeds of the Debenture Unit Financing was payable in cash by the Company to the finders, as applicable. The Company will also issue to the finders that number of finder’s warrants equal to 8% of the proceeds of the Debenture Unit Financing, divided by the exercise price of CAD\$0.25. Each finder warrant is exercisable into one common share of the Company at a price of CAD\$0.25 until a date that is 18 months from the closing date of the Debenture Unit Financing.

In addition professional and finder’s fees of \$182,029 were paid in cash, 643,600 finder’s warrants were issued, and 1,600,000 subscriber warrants were issued. The warrants are exercisable at \$0.25 per share for 18 months and 12 months respectively. At the date of issue \$1,932,517 was attributed to the debenture and \$84,081 to the warrants based on an effective interest rate of 20%. The fair value of the finder’s warrants was \$45,353.

For purposes of the calculations of compensation charge associated with the 643,600 finder’s warrants granted, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	0.78%
Expected dividends	\$nil
Expected volatility	64%
Expected life	1.5 years

During the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$70,122 (2014 - \$nil), and interest expense of \$62,028 (2014 - \$nil) of which \$23,893 (2014 - \$nil) has been included in accounts payable and accrued liabilities as of July 31, 2015.

Second debenture

On July 10, 2015, the Company closed a non-brokered debenture financing (the “Second Debenture Unit Financing”) for gross proceeds of USD\$500,000. The Second Debenture Unit Financing consists of 20 units (the “Second Units”) with each Second Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 25,000 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$0.25 for 12 months from the closing date of the Second Debenture Unit Financing.

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NOTE 13 – DEBENTURE UNITS (continue)

The holders of the debentures are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debentures is 12 months with a 12 month extension at the option of the Company and the debentures are secured by a security interest in certain of the Company's present and after acquired property to be registered in British Columbia.

In addition professional and finder's fees of \$35,818 were paid in cash. 500,000 subscriber warrants were issued with an exercise price of \$0.25 per share and exercisable in 12 months. At the date of issue \$599,432 was attributed to the debenture and \$26,008 to the warrants based on an effective interest rate of 20%.

During the three months ended July 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$1,134 (2014 - \$nil) and interest expense of \$5,268 (2014 - \$nil) which has been included in accounts payable and accrued liabilities as of July 31, 2015.

NOTE 14 – ASSET RETIREMENT AND RECLAMATION OBLIGATIONS

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 become available.

The table below presents the evolution of the asset retirement obligations for the mineral processing operations for the periods ended:

	July 31, 2015	April 30, 2015
	\$	\$
Beginning of year	278,829	-
New obligation	-	278,829
Accretion	4,614	
Unrealized foreign exchange	23,705	-
	307,148	278,829

As at July 31, 2015, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is \$535,055 and is projected to be disbursed over years 10 and 11. A 6.40% discount rate was used to evaluate this and a 2.92% inflation rate.

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NOTE 15 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At July 31, 2015, there were 69,690,914 issued and fully paid common shares (April 30, 2015 – 69,380,914).

(c) Share Issuances

During the three months ended July 31, 2015, 100,000 common shares were issued for proceeds of \$20,000 on the exercise of 100,000 warrants at \$0.20 per share.

During the three months ended July 31, 2015, 210,000 common shares were issued for proceeds of \$37,500 on the exercise of 150,000 stock options at \$0.15 per share and 60,000 stock options at \$0.25 per share. A reclassification of \$31,261 from stock option reserve to share capital was recorded on the exercise of these options.

(d) Stock Options

The Company adopted an incentive stock 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 to the Company, non-transferable 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. Stock options will be exercisable for a period of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of twelve months after such death, subject to the expiry date of such option.

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NOTE 15 – SHARE CAPITAL AND RESERVES (continued)

The status of the options outstanding is as follows:

	Options	Weighted Average Exercise Price
	#	\$
Balance, April 30, 2014	3,798,000	0.221
Granted	2,710,000	0.156
Exercised	(2,424,000)	0.145
Forfeited	(453,000)	0.374
Balance, April 30, 2015	3,631,000	0.204
Granted	2,780,000	0.250
Exercised	(210,000)	0.179
Balance, July 31, 2015	6,201,000	0.226

The following table summarizes the options outstanding as at July 31, 2015:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	\$		#
150,000	0.25	February 9, 2017	Vested
250,000	0.15	October 5, 2017	Vested
396,000	0.15	October 30, 2017	Vested
2,780,000	0.25	May 5, 2018	Vested
275,000	0.15	May 30, 2018	Vested
200,000	0.15	October 31, 2018	Vested
950,000	0.15	June 4, 2019	Vested
450,000	0.15	August 29, 2019	Vested
100,000	0.25	April 15, 2020	Vested
75,000	0.22	September 23, 2020	Vested
575,000	0.43	July 11, 2021	Vested
6,201,000			

As at July 31, 2015, the weighted average remaining contractual life of the options is 3.32 years.

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NOTE 15 – SHARE CAPITAL AND RESERVES (continued)

During the three months ended July 31, 2015, the Company recognized share-based payments of \$361,633 (2014 – \$285,984) for stock options granted and vested during the period. The fair value of stock options granted during the three months ended July 31, 2015 and 2014 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2015	2014
Risk-free interest rate	1.03%	2.00%
Expected dividends	\$nil	\$nil
Expected volatility	92.47%	160.04%
Expected life in years	3.00	5.00

The weighted average fair value of stock options granted during the three months ended July 31, 2015 was \$0.13 (2014 – \$0.14) per option.

(e) Warrants

The status of the share purchase warrants outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	\$
Balance, April 30, 2014	10,125,800	0.200
Issued	5,176,934	0.193
Exercised	(1,902,000)	0.200
Balance, April 30, 2015	13,400,734	0.197
Issued	500,000	0.250
Exercised	(100,000)	0.200
Balance, July 31, 2015	13,800,734	0.199

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NOTE 15 – SHARE CAPITAL AND RESERVES (continued)

The following table summarizes the share purchase warrants outstanding at July 31, 2015:

Warrants	Exercise Price	Expiry Date
#	\$	
1,600,000	0.25	March 18, 2016
8,123,800	0.20	April 5, 2016
400,000	0.25	July 3, 2016
100,000	0.25	July 5, 2016
643,600	0.25	September 18, 2016
1,440,000	0.15	May 20, 2017
746,667	0.15	August 29, 2017
746,667	0.15	November 20, 2017
13,800,734		

As at July 31, 2015, the weighted average remaining contractual life of the warrants is 0.98 years.

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

The Company incurred charges to directors and officers or to companies associated with these individuals during the three months ended July 31, 2015 and 2014 as follows:

	2015	2014
	\$	\$
Accounting fees in professional fees	7,806	27,220
Consulting and management fees	157,420	45,000
Director fees	-	15,341
Finance costs	1,995	18,555
	167,221	106,116

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

During the three months ended July 31, 2015 there was a \$15,000 repayment of advances to officers of the Company and \$35,000 to companies controlled by the President or CFO (See Note 11).

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NOTE 16 – RELATED PARTY TRANSACTIONS (continued)**(b) Compensation of Key Management Personnel**

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

	2015	2014
	\$	\$
Management, accounting and CFO fees included in Note 16(a) above	136,752	72,220
Share-based payments	342,120	177,868
	478,872	250,088

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

(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, 2015 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes (see Note 10) and convertible debenture financing (see Note 11(a)), and are comprised of \$101,879 (2014 – \$101,526) payable to the President and a company controlled by the President, \$18,401 (2014 – \$nil) payable to the CFO or a company controlled by the CFO, \$145,147 (2014 – \$70,111) payable to the COO and a company controlled by the COO, \$19,843 (2014 – \$nil) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$14,221 (2014 – \$57,739) payable to directors or companies controlled by directors and \$nil (2014 – \$66,551) payable to a legal firm with which a former Corporate Secretary was associated. Included in prepaid expense is \$32,550 (2014 - \$nil) relating to the remuneration to officers of the Company, which will be amortized to management and consulting fees over the balance of calendar 2015-2016.

NOTE 17 – COMMITMENTS

In addition to the commitments in connection with the Company's financings (see notes 10, 11, 12, and 13), the Company has a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of USD\$4,210 and termination date on July 31, 2018.

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NOTE 18 – SEGMENTED INFORMATION

The Company operates in one reportable operating segment, currently being gold milling facilities in Peru. All of the Company's operating and capital assets are located in Peru except for \$408,198 (July 31, 2014 - \$1,303,803 and April 30, 2015 - \$550,425) 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	Three months ended
	July 31, 2015	July 31, 2014
	Peru	Peru
	\$	\$
Revenue	6,549,870	-
Cost of goods sold (including \$85,498 of depreciation)	6,114,371	-
Gross margin	435,499	-
Net loss	(581,084)	(699,670)

	As at	As at	As at
	July 31, 2015	July 31, 2014	April 30, 2015
	Peru	Peru	Peru
	\$	\$	\$
Assets:			
Inventory	2,386,225	534,582	1,468,421
Property, plant and equipment	5,489,670	1,749,929	5,175,055
Exploration and evaluation assets	-	20,000	-
Total long-term and operating assets	7,875,895	2,304,511	6,643,476

NOTE 19 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at July 31, 2015, the Company's financial instruments consist of cash, other receivables, marketable securities, accounts payable and accrued liabilities, due to related parties, promissory notes payable convertible debentures, debentures and loan payable. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value through other comprehensive income or loss. Accounts payable and accrued liabilities, due to related parties, promissory notes payable, convertible debentures, debentures and loan payable are designated as other financial liabilities, which are measured at amortized cost.

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NOTE 19 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2015, the Company believes that the carrying values of cash, other receivables, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, debentures and loan payable approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The fair value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

(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 other receivables. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of other receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at July 31, 2015, the Company had cash of \$235,943 (April 30, 2015 - \$454,321) and current working capital deficiency of \$1,201,165 (April 30, 2015 - \$516,327) with total liabilities of \$12,931,739 (April 30, 2015 - \$9,339,872).

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NOTE 19 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*(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, 2015, the Company has no variable rate debt.

b. Foreign currency risk

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

The Company’s net exposure to the US dollar and Sol on financial instruments is as follows:

	July 31, 2015	April 30, 2015
	\$	\$
US dollar:		
Cash	201,337	321,099
Receivables	109,967	54,643
Accounts payable and accrued liabilities	(815,349)	(525,948)
Debenture, convertible debenture and promissory notes	(5,624,400)	(2,895,360)
Net assets	(6,128,445)	(3,045,566)
Sol:		
Cash	42,753	38,858
Receivables	2,232,496	589,500
Accounts payable and accrued liabilities	(643,668)	(347,062)
Net liabilities	1,631,581	281,296

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the three months ended July 31, 2015 would have varied by approximately \$352,000.

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NOTE 19 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assuming all other variables constant, an increase or a decrease of 10% of the Sol against the Canadian dollar, the net loss of the Company and the equity for the three months ended July 31, 2015 would have varied by approximately \$68,000.

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 future gold price expectations and the share trading price of its GRIT shares. The Company continuously monitors precious metal and GRIT share trading prices as they are included in projections prepared to determine its future strategy.

NOTE 20 – 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 promissory notes payable, convertible debentures, debentures, bond payable and the items included in shareholders' equity (deficiency). The Company's projected future revenues from mineral processing operations are intended to generate sufficient funds to service its debts and to provide funding for future 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 except for the right of first refusal for future debt and equity financings provided to bond and debenture holders per financings entered during the 2015 fiscal year.

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 toll-milling 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 21 – INFORMATION INCLUDED IN THE CONDENSED INTERIM
CONSOLIDATED STATEMENTS OF OPERATIONS**

	Note	Three Months Ended July 31,	
		2015	2014
		\$	\$
Corporate and administrative expenses:			
Consulting and management fees	16	208,921	69,930
Depreciation	8	760	2,320
Investor relations and regulatory fees		96,279	82,345
Office, rent, utilities and other	16	115,363	33,376
Professional fees	16	65,866	73,836
Salaries and benefits		201,934	9,094
Share-based payments	15	361,633	285,984
Travel and accommodation		62,129	54,641
Total corporate and administrative expenses		1,112,885	611,526
Finance and other income (expense):			
Accretion expense		(177,517)	(7,750)
Finance costs		(349,472)	(92,870)
Foreign exchange gain		640,025	12,166
Finance income		263	310
Impairment of marketable securities	5	(27,220)	-
Total finance and other income (expenses)		86,079	(88,144)

NOTE 22 – SUPPLEMENTAL CASH FLOW INFORMATION

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, 2015, the following transactions were excluded from the statements of cash flows:

- The Company issued 500,000 warrants at the fair value of \$26,008 pursuant to the convertible debenture financing.
- The Company issued 2,780,000 stock option at a fair value of \$361,633 which were totally vested.
- The Company accrued \$111,215 in property, plant and equipment expenditures through accounts payable and accrued liability.

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NOTE 22 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

During the three months ended July 31, 2014, the following transactions were excluded from the statements of cash flows:

- The Company issued 1,440,000 finder's warrants at the fair value of \$153,304 pursuant to the bond financing.

NOTE 23 – SUBSEQUENT EVENTS

On August 25, 2015 the Company closed a private placement of 4,009,726 shares at \$0.15 per share for gross proceeds of \$601,459. No finder's fees were incurred.