



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended October 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	October 31, 2015	April 30, 2015
		\$	\$
Assets			
Current:			
Cash		121,080	454,321
Receivables	4	2,927,417	631,480
Marketable securities	5	396,258	217,838
Prepaid expenses and deposits	6	822,249	377,729
Inventory	7	1,391,725	1,468,421
		5,658,729	3,149,789
Property, plant and equipment	8	5,493,293	5,178,704
Total assets		11,152,022	8,328,493
Liabilities			
Current:			
Accounts payable and accrued liabilities	9	1,131,513	848,520
Promissory notes payable	10	2,379,197	559,544
Convertible debentures	11	1,811,574	607,681
Debenture units	13	2,552,139	1,650,371
		7,874,423	3,666,116
Convertible debentures	11	361,741	348,716
Bond payable	12	5,014,805	4,884,211
Deferred income tax		175,576	162,000
Asset retirement and reclamation obligations	14	311,866	278,829
		13,738,411	9,339,872
Shareholders' Equity (Deficiency)			
Share capital	15	13,215,704	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		172,284	312,557
Deficit		(17,436,169)	(14,926,136)
		(2,586,389)	(1,011,379)
Total liabilities and shareholders' equity (deficiency)		11,152,022	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 December 30, 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)

	Note	Three months ended		Six months ended	
		2015	October 31, 2014	2015	October 31, 2014
		\$	\$	\$	\$
Revenue		4,330,350	-	10,880,220	-
Cost of goods sold (including \$102,129 and \$187,627 of depreciation (2014 - \$nil and \$nil), respectively)		4,667,587	-	10,781,958	-
Gross operating (deficit) margin		(337,237)	-	98,262	-
Corporate and administrative expenses	21	704,407	608,358	1,817,292	1,219,884
Operating loss		1,041,644	608,358	1,719,030	1,219,884
Finance and other expense	21	887,305	139,357	801,226	227,501
Loss before income taxes for the period		1,928,949	747,715	2,520,256	1,447,385
Deferred income tax recovery		-	-	(10,223)	-
Net loss for the period		1,928,949	747,715	2,510,033	1,447,385
Other comprehensive income (loss):					
Unrealized loss on marketable securities		-	(68,556)	-	(444,178)
Foreign currency translation adjustment		234,791	243,659	(140,273)	246,446
		234,791	175,103	(140,273)	(197,732)
Comprehensive loss for the period		(1,694,158)	(572,612)	(2,650,306)	(1,645,117)
Basic and diluted loss per share		(0.02)	(0.01)	(0.04)	(0.02)
Weighted average number of common shares outstanding		71,211,061	63,935,652	66,251,034	68,810,353

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	-	-	-	-	-	-	(197,732)	(1,447,385)	(1,645,117)
Convertible debentures – equity portion (Note 11(a))	550,000	114,039	-	-	-	12,049	-	-	126,088
Warrants issued on financings	-	-	-	213,890	213,890	-	-	-	213,890
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	-	-	350,172	-	350,172	-	-	-	350,172
Balance, October 31, 2014	64,479,674	11,420,953	867,928	240,394	1,108,322	85,136	(655,298)	(12,174,478)	(215,365)
Comprehensive loss for the period	-	-	-	-	-	-	967,855	(2,759,987)	(1,792,132)
Convertible debentures – equity portion (Notes 11(a) and 11(b))	-	-	-	-	-	66,519	-	-	66,519
Issuance of shares on conversion of debentures	650,000	121,643	-	-	-	(136,223)	-	-	(14,580)
Warrants issued on financings	-	-	-	200,832	200,832	-	-	-	200,832
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	42,037	-	-	-	-	-	-	42,037
Share-based payments	-	-	27,561	-	27,561	-	-	-	27,561
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	-	-	-	-	-	-	(140,273)	(2,510,033)	(2,650,306)
Convertible debentures – equity portion (Note 11(b))	-	-	-	-	-	23,854	-	-	23,854
Issuance of shares on private placement (Note 15(c))	4,009,726	581,371	-	-	-	-	-	-	581,371
Warrants issued on financings	-	-	-	26,008	26,008	-	-	-	26,008
Exercised warrants (Note 15(e))	100,000	20,000	-	-	-	-	-	-	20,000
Exercised options (Note 15(d))	210,000	68,761	(31,261)	-	(31,261)	-	-	-	37,500
Shares issued for services (Note 15(c))	158,285	24,930	-	-	-	-	-	-	24,930
Share-based payments (Note 15 (d))	-	-	361,633	-	361,633	-	-	-	361,633
Balance, October 31, 2015	73,858,925	13,215,704	955,272	467,234	1,422,506	39,286	172,284	(17,436,169)	(2,586,389)

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)

	Six Months Ended October 31,	
	2015	2014
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the period	(2,510,033)	(1,447,385)
Items not involving cash:		
Depreciation	243,922	4,626
Share-based payments	361,633	350,172
Impairment of marketable securities	151,580	-
Accretion expense	368,655	15,644
Accrued interest	100,895	16,861
Interest expense	750,357	-
Unrealized foreign exchange	279,053	-
Deferred income tax recovery	(10,223)	-
Changes in non-cash operating working capital:		
Receivables	(2,271,254)	(7,000)
Prepaid expenses and deposits	(444,517)	(68,327)
Inventory	76,696	(26,543)
Accounts payable and accrued liabilities	252,946	(255,373)
	(2,650,290)	(1,417,325)
Financing activities:		
Proceeds from promissory notes payable, net of issuance costs	1,988,114	-
Repayments of promissory notes	(253,030)	(220,000)
Proceeds from convertible debentures, net of issuance costs	1,043,711	-
Proceeds on issuance of common shares through private placement, net of issuance costs	581,371	58,100
Proceeds on issuance of common shares on exercise of share options	37,500	-
Proceeds on issuance of common shares on exercise of share warrants	20,000	-
Proceeds from bond payable, net	-	3,867,745
Proceeds from debenture financing	589,637	-
Deferred financing costs	-	23,421
Convertible debenture issuance costs	-	(18,297)
Interest paid	(674,670)	-
	3,332,633	3,710,969
Investing activities:		
Purchase of marketable securities	(330,000)	-
Purchase of property, plant and equipment	(684,551)	(2,170,907)
	(1,014,551)	(2,170,907)
(Decrease) increase in cash	(332,208)	122,737
Effect of exchange rates on cash held in foreign currencies	(1,033)	246,632
Cash, beginning of period	454,321	78,710
Cash, end of period	121,080	448,079

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 and Six Months Ended October 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 six months ended October 31, 2015, the Company incurred a net loss of \$2,510,033. As of that date the Company had a deficit of \$17,436,169 and working capital deficiency of \$2,215,694. 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 interim 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 December 30, 2015.

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Notes to the Condensed Interim Consolidated Financial Statements
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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”), and Chala One S.A.C. (“Chala One”).

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 affects the accounting policies and the reported amounts of assets and liabilities, and the 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.

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 interim financial statements, then adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position would be necessary (Note 1).

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) 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.

(iii) Determination of functional currency

The Company determines its 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.

(iv) 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.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For accounting purposes, each convertible debenture and each debenture unit 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 value of 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 debenture 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.

(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 October 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 October 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.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

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. Prior 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 on 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 and 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.

Upon 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.

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Notes to the Condensed Interim Consolidated Financial Statements
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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, 2018, with early adoption permitted. 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

	October 31, 2015	April 30, 2015
	\$	\$
GST recoverable (Canada)	20,815	24,435
VAT recoverable (Peru)	2,889,976	589,422
Other receivable	16,626	17,623
	2,927,417	631,480

NOTE 5 – MARKETABLE SECURITIES

Marketable securities consist of:

- (a) 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; and
- (b) 6,000,000 shares in Standard Tolling Corp (“TON” or “Standard Tolling”) which were acquired on October 7, 2015 at a value of \$0.055 per share for a total fair value of \$330,000 at time of acquisition.

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NOTE 5 – MARKETABLE SECURITIES (Continued)

As of October 31, 2015 the GRIT shares were recorded at a fair value of \$96,258 (April 30, 2015 – \$217,838) based on the GRIT share trading price of CDN\$0.13 (GBP £0.07). As a result an impairment of marketable securities of \$94,360 and \$121,580, respectively, was included in operating loss (2014 - \$68,556 and \$444,178, included in other comprehensive loss, respectively) for the three and six months ended October 31, 2015.

As of October 31, 2015 the TON shares were recorded at a fair value of \$300,000 (April 30, 2015 – \$nil) based on the TON share trading price of CDN\$0.05, after reflecting an impairment of marketable securities of \$30,000 (2014 - \$nil) that was included in operating loss for the three and six months ended October 31, 2015. Subsequent to period end TON halted trading of their shares and announced that they are illiquid. Management included this fact pattern in their determination that the TON share impairment is permanent.

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

	October 31, 2015	April 30, 2015
	\$	\$
Deposits with mineral suppliers	234,929	146,516
Other deposits and advances	97,959	111,206
Prepaid taxes	211,044	53,004
Prepaid expenses	278,317	67,003
	822,249	377,729

NOTE 7 – INVENTORY

	October 31, 2015	April 30, 2015
	\$	\$
Stockpiled gold-bearing material and in process inventory	1,060,985	1,331,480
Finished goods - gold	48,141	-
Materials and supplies	282,599	136,941
	1,391,725	1,468,421

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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	473,186	-	-	473,186
Reclassification of VAT	(339,088)	-	-	(339,088)
Foreign exchange	428,035	2,248	4,732	435,015
Balance, October 31, 2015	5,803,976	22,661	59,059	5,885,696
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	240,216	581	3,125	243,922
Foreign exchange	6,854	1,284	2,464	10,602
Balance, October 31, 2015	349,944	13,634	28,825	392,403
Net Book Value:				
April 30, 2015	5,138,969	8,644	31,091	5,178,704
October 31, 2015	5,454,032	9,027	30,234	5,493,293

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.

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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)

As at October 31, 2015, total plant upgrade costs and capitalized pre-operating costs was \$5,437,164 (April 30, 2015 - \$5,241,843) which includes \$1,855,686 (April 30, 2015 - \$1,712,199) of incidental revenue generated during the pre-operating period and \$286,699 (April 30, 2015 - \$264,531) of capitalized interest. During the six months ended October 31, 2015, the Company reclassified \$384,963 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 and six months ended October 31, 2015 was \$760 and \$2,186, respectively, (2014 - \$2,306 and \$5,428, respectively), of which \$nil (2014 - \$802) was capitalized to pre-operating costs of the Chala Plant.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2015	April 30, 2015
	\$	\$
Trade accounts payable and accruals	647,048	447,378
Management, consulting and professional fees payable	234,660	252,232
Accrued interest	249,805	148,910
	1,131,513	848,520

Management, consulting and professional fees payable include \$80,732 (April 30, 2015 - \$68,854) due to related parties (Note 16).

NOTE 10 – PROMISSORY NOTES PAYABLE

	October 31, 2015	April 30, 2015
	\$	\$
Director and officer advances	623,000	-
Third party advances (US \$200,000)	261,500	241,280
Redeemable notes	219,884	318,264
TON Mineral Loan (US\$550,000)	719,125	-
TON Mineral Purchase Note (US\$425,000)	555,688	-
	2,379,197	559,544

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NOTE 10 – PROMISSORY NOTES PAYABLE (continued)

Director and officer advances

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.

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 six months. Subsequent to period end, the parties agreed to extend the maturity date for an additional three months. As at October 31, 2015, the principal balance was \$100,000 (April 30, 2015 - \$nil) and interest expense of \$9,490 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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 six months. Subsequent to period end, the parties agreed to extend the maturity date for an additional three months. As at October 31, 2015, the principal balance was US\$400,000 (CAD\$523,000) (April 30, 2015 - \$nil), and interest expense recorded during the three and six months ended October 31, 2015 was of \$28,686 and \$43,737, respectively (2014 - \$nil and \$nil, respectively), of which \$12,830 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Third party advances

On January 14, 2015, the Company received USD\$200,000 in cash in exchange for a promissory note with a third party. The note is unsecured, originally had a six month term, and carried an interest rate of 20% per annum calculated and payable on the maturity date. In July 2015 and in October 2015, the Parties agreed to cumulatively extend the maturity date for an additional six months. As at October 31, 2015, the principal balance was \$261,500 (April 30, 2015 - \$241,280) and interest expense of \$14,894 (2014 - \$nil) and \$30,392 (2014 - \$nil) was incurred during the three and six months ended October 31, 2015, respectively, of which \$19,102 has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

Redeemable notes

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.

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NOTE 10 – PROMISSORY NOTES PAYABLE (continued)

At the option of one of the subscribers, accrued interest of \$55,846 (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. During October 2015 and subsequent to period end, the remaining subscriber agreed to extend repayment of the remaining balance owing of \$219,884, whereby subsequent to period end \$125,000 was 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 October 31, 2015, the principal balance, including capitalized interest, was \$219,884 (April 30, 2015 - \$318,264) and interest expense recorded during the three and six months ended October 31, 2015 was \$10,605 and \$22,743, respectively (2014 - \$19,650 and \$41,572, respectively) of which \$1,085 (2014 - \$1,730) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015. In addition, accretion of transaction costs of \$1,125 (2014 - \$1,119) has been recorded.

TON Mineral Loan

On October 6, 2015, the Company entered into a binding letter of intent with TON (the "Binding LOI") to acquire all of the issued and outstanding shares of TON under a plan of arrangement, subject to due diligence and other conditions. As part of the Binding LOI, the Company entered into a loan with TON for US\$550,000 less US\$55,000 of prepaid interest for net proceeds of US\$495,000 (the "Mineral Loan"). The Mineral Loan bears an annual interest rate of 20% and is due April 6, 2016 or earlier subject to certain maturity conditions including 30 days after the termination of the Binding LOI, which was terminated on November 30, 2015 (see Note 23 – Subsequent Events). As at October 31, 2015, the principal balance of the Mineral Loan was \$719,125 (April 30, 2015 - \$nil) and interest expense recorded during the three and six months ended October 31, 2015 was \$11,976 and (2014 - \$nil), which was offset against the prepaid interest amount.

TON Mineral Purchase Note

As part of the Binding LOI, on October 21, 2015, the Company also entered into a mineral purchase agreement with TON (the "Mineral Purchase Note") whereby TON would advance the Company up to US\$1,750,000 for the purpose of the acquisition of mineral at the Company's Chala One toll milling plant. The Mineral Purchase Note pays a profit sharing fee to TON at a fixed rate of 12% per annum on advances approximately four weeks after the advance. The Mineral Purchase Note is subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015 (see Note 23 – Subsequent Events). As at October 31, 2015, US\$425,000 (CAD\$555,688) (April 30, 2015 - \$nil) had been advanced and interest expense recorded during the three and six months ended October 31, 2015 was \$1,225 and (2014 - \$nil) which has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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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	13,025	-
Balance, October 31, 2015	361,741	-

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.

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 and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$3,221 and \$6,383, respectively, (2014 – \$3,740 and \$7,411, respectively), and interest expense of \$1,474 and \$4,011, respectively, (2014 – \$6,932 and \$13,788, respectively) of which \$nil (2014 - \$2,760) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 11 – CONVERTIBLE DEBENTURES (continued)

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 and six months ended October 31, 2015, with respect to this second debenture offering the Company recorded accretion expense and amortization of issuance costs of \$3,352 and \$6,642, respectively, (2014 - \$4,154 and \$8,233, respectively), and interest expense of \$6,127 and \$12,288, respectively, (2014 - \$8,192 and \$18,486, respectively) of which \$2,071 (2014 - \$2,760) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

(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	65,929	-
Foreign exchange	128,331	-
Balance, October 31, 2015	1,811,574	39,286

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NOTE 11 – CONVERTIBLE DEBENTURES (continued)

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 was available to 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 is 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%.

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 and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$28,383 and \$55,560, respectively (2014 - \$nil and \$nil), and interest expense of \$29,661 and \$59,277, respectively (2014 - \$nil and \$nil, respectively) 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 and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$4,291 and \$5,718, respectively (2014 - \$nil and \$nil), and interest expense of \$20,859 and \$38,993 (2014 - \$nil and \$nil, respectively) of which \$16,389 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 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%.

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NOTE 11 – CONVERTIBLE DEBENTURES (continued)

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 and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$3,491 and \$4,652, respectively (2014 - \$nil and \$nil, respectively), and interest expense of \$26,292 and \$39,193, respectively (2014 - \$nil and \$nil, respectively), of which \$13,111(2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

NOTE 12 – BOND PAYABLE

	October 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	257,787	127,193
Current portion	-	-
Long-term portion	5,014,805	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.

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NOTE 12 – BOND PAYABLE (continued)

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 and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$130,594 (2014 - \$nil).

No principal repayments were required in the six months ending October 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 <hr/>

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 and six months ended October 31, 2015, with respect to this first tranche of the bond financing the Company recorded interest expense of \$74,860 and \$ 149,721, respectively, (2014 - \$51,671 and \$119,726, respectively) of which \$65,095 (2014 - \$119,726) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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NOTE 12 – BOND PAYABLE (continued)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.

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 and six months ended October 31, 2015, with respect to this second tranche of the bond financing the Company recorded interest expense of \$38,816 and \$77,633, respectively (2014 - \$ nil and \$28,839) of which \$30,800 (2014 - \$28,839) has been recorded and remains in accounts payable and accrued liabilities as of October 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:

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NOTE 12 – BOND PAYABLE (continued)

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

During the three and six months ended October 31, 2015, with respect to this third tranche of the bond financing the Company recorded interest expense of \$39,238 and \$77,633, respectively, (2014 - \$nil and \$nil, respectively) of which \$2,532 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

NOTE 13 – USD DEBENTURE UNITS

	October 31, 2015	April 30, 2015
	\$	\$
First debenture (USD\$1,600,000) (closed March 18, 2015)	1,932,517	1,932,517
Second debenture (USD\$500,000) (closed July 10, 2015)	599,432	-
Financing and issuance costs	(263,200)	(227,382)
Accretion and amortization	179,665	31,595
Foreign exchange	103,725	(86,359)
	2,552,139	1,650,371

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 March 18, 2016. The holders of the debenture are entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The debenture matures on March 18, 2016. 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 also issued 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, as applicable. Each finder warrant is exercisable into one common share of the Company at a price of CAD\$0.25 until March 18, 2016.

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.

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NOTE 13 – DEBENTURE UNITS (continued)

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 and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$70,275 and \$140,398, respectively, (2014 - \$nil and \$nil, respectively), and interest expense of \$73,942 and \$135,970, respectively (2014 - \$nil) of which \$23,884 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 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 until July 9, 2016.

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, expiring on July 9, 2016. 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%.

As at October 31, 2015, the principal balance was \$719,125 (April 30, 2015 - \$nil) and during the three and six months ended October 31, 2015, the Company recorded accretion expense and amortization of issuance costs of \$6,537 and \$7,672, respectively (2014 - \$nil and \$nil, respectively) and interest expense of \$35,295 and \$48,196, respectively (2014 - \$nil and \$nil, respectively), of which \$7,716 (2014 - \$nil) has been recorded and remains in accounts payable and accrued liabilities as of October 31, 2015.

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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:

	October 31, 2015	April 30, 2015
	\$	\$
Beginning of year	278,829	-
New obligation	-	278,829
Accretion	9,481	-
Unrealized foreign exchange	23,556	-
	311,866	278,829

As at October 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.

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

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At October 31, 2015, there were 73,858,925 issued and fully paid common shares (April 30, 2015 – 69,380,914).

(c) Share Issuances

During the six months ended October 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 six months ended October 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.

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NOTE 15 – SHARE CAPITAL AND RESERVES (continued)

On August 25, 2015, the Company closed a private placement of 4,009,726 common shares at \$0.15 per share for gross proceeds of \$601,459. No finder's fees were incurred. Share issuance costs amounted to \$20,088.

On October 16, 2015, the Company issued 158,285 common shares valued at \$23,743 to a related party as a form of compensation for services. No share issuance costs were incurred.

(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.

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, October 31, 2015	6,201,000	0.226

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NOTE 15 – SHARE CAPITAL AND RESERVES (continued)

The following table summarizes the options outstanding as at October 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 October 31, 2015, the weighted average remaining contractual life of the options is 3.07 years.

During the three and six months ended October 31, 2015, the Company recognized share-based payments of \$361,633, (2014 – \$64,188 and \$350,172, respectively) for stock options granted and vested during the period. The fair value of stock options granted during the six months ended October 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%	158.94%
Expected life in years	3.00	5.00

The weighted average fair value of stock options granted during the six months ended October 31, 2015 was \$0.13 (2014 – \$0.09) per option.

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NOTE 15 – SHARE CAPITAL AND RESERVES (continued)**(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, October 31, 2015	13,800,734	0.199

The following table summarizes the share purchase warrants outstanding at October 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 October 31, 2015, the weighted average remaining contractual life of the warrants is 0.74 years.

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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 October 31, 2015 and 2014 as follows:

	Three months ended October 31,		Six months ended October 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Accounting fees in professional fees	4,168	50,864	11,974	78,084
Consulting and management fees	171,546	45,000	301,873	90,000
Finance costs	2,016	7,316	4,011	22,657
Legal fees	-	31,917	-	50,472
	177,730	135,097	317,858	241,213

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 six months ended October 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).

(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.

	Three months ended October 31,		Six months ended October 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Management, accounting and CFO fees included in Note 16(a) above	130,328	95,864	301,873	168,084
Share-based payments	-	32,094	-	209,962
	130,328	127,958	301,873	378,046

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

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NOTE 16 – RELATED PARTY TRANSACTIONS (continued)**(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 October 31, 2015 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes (see Note 10), convertible debenture financing (see Note 11(a) and (b)), and are comprised of \$81,546 (April 30, 2015 - \$30,958) payable to the President and a company controlled by the President, \$25,801 (April 30, 2015 - \$7,826) payable to the CFO or a company controlled by the CFO, \$155,477 (April 30, 2015 - \$71,424) payable to the COO and a company controlled by the COO, \$27,234 (April 30, 2015 - \$9,128) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$1,835,175 (April 30, 2015 - \$504,278) payable to a companies controlled by directors, and \$nil (April 30, 2015 - \$36,724) payable to a legal firm with which a former Corporate Secretary was associated. Included in prepaid expense is \$32,550 (April 30, 2015 - \$52,000) 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.

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 \$712,336 (October 31, 2014 - \$696,836 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 October 31,		Six months ended October 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenue	4,330,350	-	10,880,220	-
Cost of goods sold (including \$102,129 and \$187,627 of depreciation (2014 - \$nil and \$nil), respectively)	4,667,587	-	10,781,958	-
Gross (deficit) margin	(337,237)	-	98,262	-
Net loss	(1,928,949)	(747,715)	(2,510,033)	(1,447,385)

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NOTE 18 – SEGMENTED INFORMATION (continued)

	As at October 31, 2015	As at October 31, 2014	As at April 30, 2015
	Peru	Peru	Peru
	\$	\$	\$
Assets:			
Inventory	1,391,725	434,771	1,468,421
Property, plant and equipment	5,490,118	3,314,788	5,175,055
Total long-term and operating assets	6,881,843	3,749,559	6,643,476

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

As at October 31, 2015, the Company's financial instruments consist of cash, other receivables, marketable securities, accounts payable and accrued liabilities, 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, promissory notes payable, convertible debentures, debentures and loan payable are designated as other financial liabilities, which are measured at amortized cost.

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 October 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:

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NOTE 19 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 October 31, 2015, the Company had cash of \$121,080 (April 30, 2015 - \$454,321) and current working capital deficiency of \$2,215,694 (April 30, 2015 - \$516,327) with total liabilities of \$13,738,411 (April 30, 2015 - \$9,339,872).

(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 October 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.

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NOTE 19 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	October 31, 2015	April 30, 2015
	\$	\$
US dollar:		
Cash	80,914	321,099
Receivables	16,626	54,643
Accounts payable and accrued liabilities	(707,976)	(525,948)
Debenture, convertible debenture and promissory notes	(6,766,313)	(2,895,360)
Net assets	(7,376,749)	(3,045,566)
Sol:		
Cash	44,851	38,858
Receivables	2,889,975	589,500
Accounts payable and accrued liabilities	(403,614)	(347,062)
Net liabilities	2,531,212	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 and six months ended October 31, 2015 would have varied by approximately \$379,000 and \$731,000, respectively.

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 and six months ended October 31, 2015 would have varied by approximately \$164,000 and \$232,000, respectively.

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.

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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		Six months ended	
		2015	October 31, 2014	2015	October 31, 2014
		\$	\$	\$	\$
Corporate and administrative expenses:					
Consulting and management fees	16	215,162	145,678	424,083	215,608
Depreciation	8	2,186	2,306	2,946	4,626
Investor relations and regulatory fees		67,813	155,515	164,092	237,860
Office, rent, utilities and other	16	195,951	67,084	311,314	100,460
Professional fees	16	73,634	99,459	139,500	173,295
Salaries and benefits		119,129	10,446	321,063	19,540
Share-based payments	15	-	64,187	361,633	350,171
Travel and accommodation	16	30,532	63,683	92,661	118,324
Total corporate and administrative expenses		704,407	608,358	1,817,292	1,219,884
Finance and other income (expense):					
Accretion expense		(191,138)	(7,894)	(368,655)	(15,644)
Finance costs		(465,438)	(129,706)	(814,892)	(222,576)
Foreign exchange (loss) gain		(106,369)	(9,338)	533,656	2,828
Finance income		-	7,581	245	7,891
Impairment of marketable securities	5	(124,360)	-	(151,580)	-
Total finance and other expense		(887,305)	(139,357)	(801,226)	(227,501)

NOTE 22 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the six months ended October 31, 2015, were \$674,700 (2014 - \$76,458) and \$60,000 (2014 - \$ nil), 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 six months ended October 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 options at a fair value of \$361,633 which were totally vested.
- The Company accrued \$117,144 (2014 - \$305,999) in property, plant and equipment expenditures through accounts payable and accrued liability.

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NOTE 22 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

- The Company reclassified \$294,426 (2014 - \$ nil) of VAT paid to property, plant and equipment.
- The Company recorded \$22,966 (2014 - \$ 27,369) of depreciation expense to gold inventory.

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

- The Company issued 2,186,667 finder's warrants at the fair value of \$213,890 pursuant to the bond financing.
- A total of \$55,000 of the convertible debentures were converted to 550,000 common shares of the Company. A reclassification of \$40,952 from the liability component and \$73,087 from the equity component of the convertible debentures to share capital was recorded on the conversion.

NOTE 23 – SUBSEQUENT EVENTS

- (a) On November 18, 2015, the Company announced a non-brokered private placement of mineral/ore backed purchase notes for gross proceeds of up to US\$2,500,000 at a price of US\$100 per note (the "Mineral Notes"). The Mineral Notes private placement was not closed as of the date of these financial statements.
- (b) On November 18, 2015, the Company also announced a non-brokered private placement of up to 22,700,000 units at a subscription rate of \$0.11 per unit (the "Units"), and subject to amendments announced on December 21, 2015, each Unit is comprised of one common share and one full transferrable common share purchase warrant which will be exercisable to purchase additional common shares at an exercise price of \$0.18 per share for a period of 60 months from the closing date. On December 23, 2015 the Company closed the first tranche of the Unit private placement for gross proceeds of \$505,905.
- (c) On November 30, 2015, the Company announced that the October 7, 2015 Binding LOI with Standard Tolling Corp. had been terminated, and a revised binding letter of intent was being negotiated which would reflect material revisions to the transaction terms (the "TON Transaction"). The TON transaction would no longer constitute a business combination; rather the parties are negotiating an asset purchase and debt assumption agreement.
- (d) On December 23, 2015, Standard Tolling advised the Company that select creditors (the "TON Ore Note Holders") had concerns regarding the debt assumption agreement that had been under discussion with Inca One. Accordingly Standard Tolling delivered notice to Inca One that all amounts outstanding on the TON Mineral Loan and the TON Mineral Purchase Note will be payable by the end of February 2016, in accordance with the terms of the respective agreements. Standard Tolling and Inca One intend to together negotiate repayment terms with the TON Ore Note Holders in the first part of 2016 to reach the optimum resolution for repayment to the TON Ore Note Holders.