



MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended April 30, 2017 and 2016

Report Dated August 1, 2017

INCA ONE GOLD CORP.

Management Discussion & Analysis

For the Years Ended April 30, 2017 and 2016

The following information, prepared as of August 1, 2017, should be read in conjunction with the audited consolidated financial statements of Inca One Gold Corp. (the “Company” or “Inca One”) for the year ended April 30, 2017 (the “April 2017 Annual Financial Statements”). This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. All financial amounts are expressed in Canadian Dollars, unless otherwise indicated.

General Overview

Inca One was incorporated on November 9, 2005, and is engaged in the business of developing gold-bearing mineral processing operations in Peru, to service government permitted small scale miners. In recent years the Peruvian government instituted a formalization process for informal miners as part of its efforts to regulate their activities. The Company, through its Peruvian subsidiary Chala One SAC, (“Chala One”) has acquired an existing Peruvian mineral processing plant (the “Chala Plant”), which the Company successfully upgraded to 100 tonnes per day (“TPD”) capacity, and began commercial production in February 2015. The Company’s business plan is to source high grade gold mill feed from legally recognized Peruvian artisanal and small scale miners, purchase and process the material, and export gold concentrate or dore.

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

Inca One is listed for trading 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”.

Debt Settlement and Financing Completed in August 2016

In early 2016, the Company began a comprehensive capital restructuring (the “Restructuring”) which involved three major components including: (i) negotiating with debt holders to significantly reduce long and short term debt (the “Debt Settlement”), (ii) raising sufficient new capital in a private placement to provide sufficient working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company’s shares.

On August 16, 2016, the Company consolidated its capital on a one-for-seven basis and effective August 19, 2016 the Company’s common shares commenced trading on a consolidated basis.

On August 26, 2016, the Company received approval by the TSX-V for the Debt Settlement, which converted approximately \$13.5 million of the Company’s long and short term debt and related unpaid interest (the “Debts”) generally as follows:

- (i) Approximately \$8.0 million was settled into 20.3 million common shares plus 9.2 million warrants;
- (ii) Approximately \$3.8 million was settled into interest bearing debenture agreements with deferred payment terms or non-interest bearing repayment notes;
- (iii) Approximately \$1.8 million was settled into a combination of warrant deposits, and contingent debt; and
- (iv) Approximately 1.5 million warrants were issued to select parties relating to the warrant deposit and certain other settlement requirements.

On August 30, 2016 and October 5, 2016, the Company closed the first and second tranches, respectively, of its restructuring-related private placement for total gross proceeds of \$6,342,364 and issued 25,369,447 shares.

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Key Period Definitions (used below)

- three months ended April 30, 2017 (“**Q4 2017**”);
- three months ended January 31, 2017 (“**Q3 2017**”);
- three months ended October 31, 2017 and 2016 (“**Q2 2017**” and “**Q2 2016**” respectively);
- three months ended July 31, 2016 (“**Q1 2017**”);
- three months ended April 30, 2016 (“**Q4 2016**”);
- year ended April 30, 2017 (“**YE 2017**”); and
- year ended April 30, 2016 (“**YE 2016**”);

Operational Background

The Chala Plant commenced commercial production on February 1, 2015.

In Q4, 2016, the Company began a corporate Restructuring which concluded in Q2 2017. From Q2 2016 through Q1 2017 (the “pre-Restructuring period”), the Company operated at a lower operating capacity in order to better manage cash flows as the Company awaited the completion of IGV/VAT audits and the receipt of the respective refunds (see below), and the Company pursued the Restructuring process.

The IGV/VAT audits which were conducted by SUNAT, the Peruvian government tax and customs authority, began in July 2015 and were completed in June 2016. The audits covered the Company’s IGV filings from inception through May 2015, as well as for the period June through August 2015. Upon completion of the audits the Company received long-outstanding IGV refund credits totaling approximately \$1,558,000 which were refunded to the Company over Q4 2016 and in Q1 2017. Since early 2016, the Company has been filing for and receiving regular IGV monthly refunds from SUNAT. The IGV audit process was a very lengthy and onerous process and a significant hurdle for the Company to overcome.

During the year ended April 30, 2017, the final permitting steps were completed to attain the beneficial permit at the Chala Plant and transfer of the beneficial permit to the Company was enacted during this time. As part of the terms of the original purchase agreement for the Chala Plant, Inca One had 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. With completion of the beneficial permit allowing 100 TPD production capacity, the Company will be proceeding with the application of commercial permits to incrementally increase capacity up to 350 TPD, along with further investment in the plant. The Chala Plant currently sits on 21 hectares of land, and has ample room for plant expansion.

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Operational Highlights

(Expressed in Canadian Dollars, unless otherwise stated)

Quarter over Quarter highlights	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Variance % Q4 2017 to Q3 2017	Variance % Q4 2017 to Q4 2016
Tonnes processed in COGS (t)	5,401	6,970	2,860	2,399	2,748	(22.5%)	96.5%
Tonnes processed in period (t)	5,088	7,298	3,070	2,370	2,709	(30.3%)	87.8%
Average daily processing volume (t)	58.5	79.3	33.4	25.8	31.7	(26.3%)	84.6%
Mineral grade processed (oz/t gold)	0.52	0.50	0.46	0.51	0.49	5.2%	7.4%
Gold sold (equivalent) (oz)	2,640	3,208	1,386	1,256	1,526	(17.7%)	73.1%
Gold sold (oz)	2,575	3,149	1,357	1,227	1,459	(18.2%)	76.5%
Silver sold (oz)	4,433	4,119	2,256	2,173	5,206	7.6%	(14.8%)
Sales revenue (\$)	4,247,620	5,056,691	2,438,054	2,075,562	2,496,234	(16.0%)	70.2%
Cost of goods sold ("COGS") (\$)	4,130,304	5,594,639	1,880,835	2,394,169	3,270,732	(26.2%)	26.3%
Gross operating margin (deficit) (\$)	117,316	(537,948)	557,219	(318,607)	(774,498)	121.8%	115.1%
Revenue per tonne (\$)	786	725	853	865	908	8.4%	(14.6%)
Cost per tonne (\$)	765	803	658	998	1,207	(4.7%)	(36.6%)
Gross margin per tonne (\$)	22	(77)	195	(133)	(286)	128.6%	107.7%
Average gold price per oz sold (\$)	1,609	1,576	1,759	1,652	1,590	2.0%	1.2%
Cost per oz sold (\$)	1,564	1,744	1,357	1,906	2,241	(10.3%)	(30.2%)
Gross margin per oz sold (\$)	44	(168)	402	(254)	(531)	126.2%	108.3%
Average London Close price (\$)	1,654	1,593	1,721	1,674		3.8%	
Average London Close price (\$USD)	1,242	1,196	1,312	1,291	1,230	3.9%	1.0%

Highlights during Q4 2017 include:

- RESULTS: Total sales of \$4,247,620 (Q4 2016 - \$2,496,234) with total cost of goods sold of \$4,130,304 (Q4 2016 - \$3,270,732) resulting in a gross margin of \$117,316 (Q4 2016 - gross deficit \$774,498);
- TONNES AND GRADE: 5,088 tonnes (Q4 2016 - 2,709 tonnes) of mineral was processed with an average gold grade of 0.52 oz/t (Q4 2016 - 0.49 oz/t), and an average daily processing volume of 58.5 TPD (Q4 2016 - 31.7 TPD); and

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- **GOLD PRICE:** Average gold price per ounce sold increased in Q4 2017 by 2.0% and 1.2% when compared to Q3 2017 and Q4 2016, respectively.

Highlights during YE 2017 include:

- **RESULTS:** Total sales of \$13,817,927 (YE 2016 - \$16,482,179) with total cost of goods sold of \$13,999,947 (YE 2016 - \$17,762,752) resulting in a gross deficit of \$182,020 (YE 2016 - gross deficit \$1,280,573);
- **TONNES AND GRADE:** 17,826 tonnes (YE 2016 - 17,713 tonnes) of mineral was processed with an average gold grade of 0.50 oz/t (YE 2016 - 0.69 oz/t), and an average daily processing volume of 58.3 TPD (YE 2016 - 60.7 TPD); and
- **INVENTORY:** As at April 30, 2017, there were approximately 225 ounces of gold in process inventory, and 179 ounces of gold in 294 tonnes of stockpiled material.

Capitalized Purchase, Permits, and Pre-operating Costs

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility (the “Chala Plant”) in southern Peru for USD\$240,000 of which USD\$150,000 was paid on signing and USD\$90,000 was payable once transfer of the permitted facility was complete. A finder fee of USD\$40,000 and a sourcing and technical advice fee of USD\$59,000, inclusive of value added taxes (“VAT”) were paid in connection with the acquisition of the milling facility. An additional USD\$59,000 (inclusive of VAT) for sourcing and technical advice was paid once the plant became operational and had processed 250 tons of gold-bearing material.

During the year ended April 30, 2017, the final permitting steps were completed and transfer of the beneficial permit was enacted to the Company. Per the final permit transfer negotiations the Company was required to pay an additional USD\$110,000 of which USD\$10,000 and the above noted USD\$90,000 were paid during the year ended April 30, 2017, and the remaining USD\$100,000 balance will be paid in instalments over 2017.

Transfer of formal title was subject to a number of conditions. As part of the terms of the original purchase agreement for the Chala Plant, Inca One had 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.

Future Outlook

The Company is moving forward with its business plan to focus on gold-bearing mineral processing facilities in Peru and believes that the Chala Plant operations will provide the necessary cash flow to achieve ongoing profitability in calendar 2017. The Company intends to use the funds and net profits from mineral processing operations at the Chala Plant, and additional fundraising as required, to execute its business plan and expand mineral processing operations so that it can continue to achieve its long-term objectives. The Company has been receiving regular monthly IGV refunds and doesn’t anticipate any disruption in the tax refund process.

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Risks and Uncertainties

Mineral processing and natural resources exploration, development, and production involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational Risks:

The Company continuously monitors and responds to changes in operational risks, such as those noted below, and seeks to adhere to all regulations governing its operations.

Mineral Supply: The Company may not be able to source sufficient mill feed to economically operate the Chala Plant. In particular the Company currently sources material exclusively from third party sources and faces a competitive marketplace for purchase of supply from Peruvian government-approved mineral sources. Consequently the Company does not have control over the mineral grade, metallurgical recovery, nor quantities received, noting that the Company mitigates this risk by working with minimum cut-off purchase grades, providing fair terms to their customers, and sourcing material from established suppliers to ensure best efficiency and profitability of its plant operation.

Production Schedules: In relation to the mineral supply risks, no assurances can be provided that production schedules at the Chala Plant, and the related operating margins and cash flows, are achieved, noting that failure to meet these schedules can have an adverse impact on the Company's profitability, results of operations, cash flows, and overall financial conditions.

Qualified Staff: Due to the competitive marketplace, the Company may have difficulty in hiring and retaining skilled employees and contractors to source sufficient mineral feed, operate the Chala Plant effectively (noting the diversity of mill feed received), and effectively administer the Peruvian permitting, compliance, exportation, and regulatory functions.

Regulations, Permits, and Hazards: The Company must also manage changing governmental laws and regulations, and the Company cannot guarantee title to its properties and permits. The Company must also contend with environmental hazards (including discharge of pollutants or hazardous chemicals), as well as industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, and lack of accessibility to required expertise.

Resource Properties: The Company may not be able to find and develop resource properties economically. In addition the Company may have to deal with development and mining issues including pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water conditions, interruptions to gas and electricity supplies, human error and adverse weather conditions.

Acquisitions: There is no assurance that the Company will acquire additional mineral properties and/or processing plants and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties and plants.

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Financial risks:

Financial risks include commodity prices, interest rates and fluctuating foreign exchange rates, all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital to continue funding its operations.

Regulatory risks:

Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

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Selected Annual and Quarterly Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited consolidated financial statements of the Company for the years ended April 30, 2017, 2016 and 2015, as applicable. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Years ended April 30,		
	2017	2016	2015
	\$	\$	\$
Revenue	13,817,927	16,482,179	4,304,802
Cost of goods sold	13,999,947	17,762,752	4,173,660
Gross margin (deficit)	(182,020)	(1,280,573)	131,142
Finance and other expense, net	(916,025)	(3,104,957)	(1,250,722)
Restructuring gain	608,828	-	-
Net loss for the period	(2,997,722)	(7,572,530)	(4,207,372)
Net loss per share (basic and diluted)	(0.07)	(0.75)	(0.42)
Other comprehensive (loss) earnings	(309,035)	285,269	770,123

	As at April 30,		
	2017	2016	2015
	\$	\$	\$
Total assets	9,607,454	9,370,124	8,328,493
Total current liabilities	3,414,655	11,154,439	3,666,116
Total long term liabilities	3,444,202	4,705,169	5,673,756

The following table sets out selected quarterly financial data from the Company's unaudited quarterly financial statements for the last eight quarters.

Quarter ended	Working capital (deficiency)	Total assets	Long term liabilities	Net earnings (loss)	Basic (loss) earnings per share
	\$	\$	\$	\$	\$
April 30, 2017	(710,470)	9,607,454	3,444,202	(666,558)	(0.01)
January 31, 2017	457,487	9,490,022	3,151,464	(2,211,970)	(0.04)
October 31, 2016	2,320,511	10,622,447	3,169,778	1,162,745	0.03
July 31, 2016	(9,382,607)	8,665,436	4,487,799	(1,281,939)	(0.12)
April 30, 2016	(7,645,085)	9,370,124	4,705,169	(2,405,901)	(0.28)
January 31, 2016	(5,960,657)	10,991,135	5,225,760	(2,656,596)	(0.28)
October 31, 2015	(2,215,694)	11,152,022	5,863,988	(1,928,949)	(0.14)
July 31, 2015	(1,201,165)	11,433,207	5,787,037	(581,084)	(0.07)

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The change in working capital as at April 30, 2017, from January 31, 2017, is a result of a \$567,545 decrease in prepaids arising from amortization of marketing restructuring costs, coupled with an increase in accounts payable of \$660,072, offset in part by an increase in accounts receivable of \$463,775.

The significant change in working capital as at April 30, 2017, from April 30, 2016, arose from liabilities being settled upon the Restructuring. The Restructuring led to a reduction in current liabilities of \$7,739,784 from April 30, 2016, noting that an additional \$1,737,522 of debt became current in the quarter ended July 31, 2016 (pre-Restructuring).

The \$1,260,967 decrease in long term liabilities for the year ended April 30, 2017, arose due to the Restructuring that occurred during Q2 2017.

Results of Operations – Q4 2017 compared to Q4 2016

Revenue for Q4 2017 was \$4,247,620 (Q4 2016 – \$2,496,234) and cost of goods sold was \$4,130,304 (Q4 2016 – \$3,270,732) resulting in a gross margin of \$117,316 (Q4 2016 – gross deficit of \$774,498). The primary reason for the gross margin improvements was due to cost saving measures, operating efficiencies, and mineral purchasing efficiencies enacted over the year benefiting the quarter.

Q4 2017 operated at lower than the plant's capacity given low mineral availability due to the significantly prolonged rainy season and flooding that occurred in many regions of Peru. Notwithstanding the above, the Company benefitted from a reduction in operating costs due to cost cutting measures and right-sizing enacted, continued strong recoveries; and an overall focus on operating effectiveness in all areas of the business in a post-Restructuring ramp-up environment.

During Q4 2017, the Company reported a net loss of \$666,558, a significant improvement from the net loss of \$2,405,901 during Q4 2016, primarily as a result of cost cutting measures. The most significant components of the loss were (in addition to the gross operating margin of \$117,316), a net restructuring loss of \$365,353, management fees and salaries of \$323,261; finance costs of \$234,200; and professional fees of \$95,385.

During Q4 2017, the Company recorded a net restructuring loss of \$365,353 composed of amortized marketing restructuring costs of \$432,832, restructuring costs of \$110,747, impairments of \$23,702, offset by a gain on debt restructuring of \$201,928. There were no restructuring costs in the comparable period.

Management fees and salaries during Q4 2017 decreased by \$416,776 to \$323,261 compared to \$740,037 during Q4 2016, primarily due to cost cutting measures in fiscal 2017.

Finance costs during Q4 2017 decreased by \$73,920 to \$234,200 compared to \$308,120 during Q4 2016 primarily due to significantly lower debt and interest post-Restructuring and Debt Settlement.

Professional fees during Q4 2017 decreased by \$47,471 to \$95,385 compared to \$142,856 during Q4 2016, primarily due to cost cutting measures in fiscal 2017.

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Results of Operations – YE 2017 compared to YE 2016

Revenue for the YE 2017 was \$13,817,927 (YE 2016 - \$16,482,179) and cost of goods sold was \$13,999,947 (YE 2016 - \$17,762,752) resulting in a gross deficit of \$182,020 (YE 2016 – gross deficit of \$1,280,573). The primary reason for the gross deficit improvements was due to cost saving measures, operating efficiencies, and mineral purchasing efficiencies enacted over the year.

During the YE 2017, the Company reported a net loss of \$2,997,722 the most significant components of which were, a restructuring gain of \$608,828, management fees and salaries of \$1,140,642; finance costs of \$1,215,262; and professional fees of \$433,106.

The Company recorded a net restructuring gain of \$608,828 composed of a \$3,626,887 gain on restructuring of debt, offset by restructuring costs of \$1,192,028, amortized marketing restructuring costs of \$886,408, share based payments costs of \$455,555 and total impairments on restructuring of \$484,068. There were no restructuring costs in the comparable period.

Management fees and salaries during YE 2017 decreased by \$91,864 to \$1,140,642 compared to \$1,232,506 during YE 2016, primarily due to cost cutting measures in fiscal 2017.

Finance costs decreased during YE 2017 by \$468,003 to \$1,215,262 compared to \$1,683,265 during YE 2016, primarily as a result of significantly lower debt and interest post Restructuring and Debt Settlement.

Professional fees during YE 2017 increased by \$71,512 to \$433,106 compared to \$361,594 during YE 2016, primarily due to different contractor cost classifications in 2016.

Liquidity and Capital Resources

As at April 30, 2017, the Company has financed its operations and met its capital requirements primarily through operational cash flow re-investment at the Chala One plant, and the issuance of capital stock by way of private placements and stock option exercises. On August 26, 2016, the Company received approval by the TSX-V for the Debt Settlement, which converted approximately \$13.5 million of the Company's long and short term debt and related unpaid interest. As at April 30, 2017, the Company had cash of \$51,893 representing an increase of \$6,758 compared with cash of \$45,135 at April 30, 2016.

The Company reported a working capital deficiency of \$710,470 at April 30, 2017, compared to a working capital deficiency of \$7,645,085 as at April 30, 2016. The primary reason for the significant reduction in the working capital deficit during the year ended April 30, 2017, was the Restructuring that was completed by the Company in Q2 2017.

The Company continued developing the Chala Plant, which was successfully upgraded to approximately 100 TPD capacity during the year ended April 30, 2015. The Chala Plant commenced commercial production on February 1, 2015.

Management intends to finance operating costs over the year with funds received from operations upon the Company ramping up operations, and additional funds from financing as required for working capital to support the operational ramp up.

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Financings – Debt

Promissory Notes – Post-Restructuring Balances – Non-interest bearing notes

During the year ended April 30, 2017, the Company enacted a Restructuring and Debt Settlement whereby the majority of outstanding promissory notes payable balances which were outstanding both at April 30, 2016 and prior to the TSX Debt Settlement approval on August 26, 2016 were converted (subject to the specific settlement agreement terms) to a varied combination of equity (shares and warrants), contingent debt, cash repayments, and short term non-interest bearing notes. Upon settlement \$416,725 of new non-interest bearing notes were recognized including \$62,456 from settled CAD denominated convertible notes and related unpaid interest. The non-interest bearing notes are scheduled to be repaid through May 31, 2017. During the year ended April 30, 2017, \$260,365 of the new non-interest bearing notes was repaid and \$163,800 remains outstanding as at April 30, 2017.

Promissory Notes – Post-Restructuring Balances – Accelerated Notes (arising from settlement of the USD Debenture Notes)

As a result of the Restructuring and Debt Settlement the Company also recognized USD\$500,000 in non-interest bearing notes and CAD\$775,020 in a non-interest bearing Warrant Deposit which arose from the conversion of certain USD Debenture Notes (together the “Accelerated Notes”). The Accelerated Notes holders retained the option for repayment or accelerated repayment of the outstanding Accelerated Notes in part (or in full) through achieving certain fundraising criteria including sourcing proceeds for the Company in a market-priced private placement after close of the Debt Settlement. During the year ended April 30, 2017 the lender achieved the fundraising criteria, and consequently on the close of the October 5, 2016 tranche the lender was repaid their Accelerated Debt amount in full, therefore the remaining Accelerated Notes balance as at April 30, 2017 is \$nil (April 30, 2016 - \$nil).

Promissory Notes – Pre-Restructuring Balances – Directors and Officers

During May 2015, a director and/or officer of the Company advanced to the Company a total of \$100,000 in cash in exchange for short term promissory notes. The notes were unsecured with an interest rate of 20% per annum payable on maturity in six months. During April 2016, the parties agreed to extend the maturity date while the Company evaluated some balance sheet restructuring. During the year ended April 30, 2016, \$40,000 of the principal was repaid.

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 was unsecured with an interest rate of 20% per annum payable on maturity in six months.

Pursuant to the Debt Settlement all director and officer balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017, the principal balance was \$nil (April 30, 2016 - \$561,920), and interest expense recorded during the year ended April 30, 2017 was \$7,064 (2016 - \$96,206), of which \$nil (April 30, 2016 - \$36,487) is in accounts payable and accrued liabilities as April 30, 2017.

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Promissory Notes – Pre-Restructuring Balances – 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 while the Company evaluated some balance sheet restructuring.

Pursuant to the Debt Settlement all balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017, the principal balance was \$nil (April 30, 2016 - \$250,960) and interest expense recorded during the year ended April 30, 2017 was \$17,543 (2016 - \$53,182), of which \$nil (April 2016 - \$39,696) is in accounts payable and accrued liabilities as of April 30, 2017.

Promissory Notes – Pre-Restructuring Balances – 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 had a maturity date 24 months after issuance and bore interest at 20% per annum.

At the option of one of the subscribers, accrued interest of \$5,632 (April 30, 2016 - \$50,222) has been added to the principal of the promissory notes instead of being paid in cash. Subscribers were 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 were secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but were subordinate to any security held by holders of the Convertible Debentures.

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 was repaid. On December 31 2015, \$125,000 was paid as partial payment of principal and interest for the remaining promissory note outstanding. 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.

Pursuant to the Debt Settlement a final agreement on the remaining redeemable note balance was not settled and the disputed settlement balance was transferred to accounts payable until the issue is resolved. As of April 30, 2017 the principal balance of the redeemable notes was \$nil (April 30, 2016 - \$104,500).

Promissory Notes – Pre-Restructuring Balances – 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 USD\$550,000 less USD\$55,000 of prepaid interest for net proceeds of USD\$495,000 (the "Mineral Loan").

The Mineral Loan bears an annual interest rate of 20% and was 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.

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Pursuant to the Debt Settlement all balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017, the principal balance of the Mineral Loan was \$nil (April 30, 2016 - \$690,140) and interest expense recorded during the year ended April 30, 2017 was \$48,245, respectively (2016 - \$83,102), of which \$nil (April 30, 2016 - \$9,172) is in accounts payable and accrued liabilities as of April 30, 2017.

Promissory Notes – Pre-Restructuring Balances – TON 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 USD \$1,750,000 for the purpose of the acquisition of mineral at the Company’s Chala One ore processing plant. The Mineral Purchase Note paid 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 was subject to various maturity clauses including two months after the termination of the Binding LOI, which was terminated on November 30, 2015.

Pursuant to the Debt Settlement all balances owing were settled during the year ended April 30, 2017, and as at April 30, 2017 \$nil (April 30, 2016 - \$1,167,323) had been advanced/outstanding and interest expense recorded during the year ended April 30, 2017 was \$48,962 (2016 - \$67,255) of which \$nil (April 30, 2016 - \$67,255) is in accounts payable and accrued liabilities as of April 30, 2017.

CAD denominated Convertible Debentures – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the \$463,750 outstanding CAD denominated convertible debentures principal balance plus accrued and unpaid interest was converted (subject to the specific settlement agreement terms) to a combination of equity (shares and warrants), and short term non-interest bearing notes. As at April 30, 2015 the equity component had been fully converted. As at April 30, 2017 the outstanding principal and interest payable balances are \$nil.

CAD denominated Convertible Debentures – Pre-Restructuring Balances

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 had a maturity date of October 30, 2018 and were 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 was 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.

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 \$0.70 and the conversion of any interest payable was based on the greater of \$0.70 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 78,571 common shares of the Company.

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Interest on the debenture was payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of \$11,705 were incurred in connection with the debenture offering and were recorded against the liability and equity components on a pro-rata basis. During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$4,559 (2016 - \$13,005), and interest expense of \$7,393 (2016 - \$22,040) of which \$nil (April 30, 2016 - \$5,410) is in accounts payable and accrued liabilities as of April 30, 2017.

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 bore interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which could 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 \$0.875 per common share. The debentures had a maturity date of May 22, 2019 and were redeemable by the Company at any time after May 22, 2017. The debentures were 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 92,857 common shares of the Company. Professional fees of \$18,297 were incurred in connection with the debenture offering and were recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2017, with respect to this second debenture offering, the Company recorded accretion expense and amortization of issuance costs of \$4,742 (2016 - \$14,345), and interest expense of \$8,197 (2016 - \$27,373) of which \$nil (April 30, 2016 - \$4,063) is in accounts payable and accrued liabilities as at April 30, 2017.

USD denominated Convertible Debentures – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the remaining USD\$1,000,000 principal balance and unpaid and accrued interest was converted to a combination of equity (shares and warrants) at the same terms as the August 30, 2016 private placement, other than approximately USD\$12,700 of interest which was settled in cash. As at April 30, 2017 the outstanding principal and interest payable balances are \$nil.

USD denominated Convertible Debentures – Pre-Restructuring Balances

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 bore 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 had a twelve month term and was subject to a twelve month renewal option, subject to certain conditions. The USD Convertible Loan was secured by a pledge of the inventory and related assets of the Company's subsidiary, Chala One.

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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 was convertible into common shares the Company at the option of the Lenders at a conversion price of CAD\$1.75. The conversion amount would have been based on a fixed foreign exchange rate which could have resulted in maximum of 426,828 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 were incurred in connection with the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$6,505 (2016 - \$116,159), and interest expense of \$32,609 (2016 - \$134,308) of which \$nil (April 30, 2016 - \$22,401) is in accounts payable and accrued liabilities as of April 30, 2017.

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 \$37,267 were incurred in connection with the second tranche of the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$806 (2016 - \$14,399), and interest expense of \$22,731 (2016 - \$104,392) of which \$nil (April 30, 2016 - \$18,668) is in accounts payable and accrued liabilities as of April 30, 2017.

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 \$40,968 were incurred in connection with the third tranche of the USD Convertible Loan offering and were recorded against the liability and equity component on a pro-rata basis.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$656 (2016 - \$11,714), and interest expense of \$21,739 (2016 - \$74,446), of which \$nil (April 30, 2016 - \$14,934) is in accounts payable and accrued liabilities as of April 30, 2017.

On July 20 2016, USD\$500,000 of the USD Convertible Loan was repaid.

Bond Payable – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the full \$5,500,000 principal balance plus unpaid and accrued interest was converted partially to equity (shares and warrants) and partially through the issuance of a new Secured Debenture. As at April 30, 2017 the remaining outstanding principal and interest payable balances are \$nil.

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Bond Payable – Pre-Restructuring Balances

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 bore interest at 10% per annum calculated and payable quarterly in arrears commencing no later than 6 months after the closing date, and each tranche had a maturity date three years from the respective close date.

The bond was 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. was 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 was in effect until the USD Convertible Loan has been repaid/settled in full.

Pursuant to the terms of the bond financing agreement the Company had 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.

In connection with the bond financing the Company and the purchaser entered into a financing fee agreement whereby the Company has a commitment, which continues post-Restructuring, 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 year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$91,478 (2016 - \$270,469).

First tranche

On June 3, 2014, the Company closed the first tranche of the bond financing for gross proceeds of \$2,700,000. The first tranche bond bore 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 was 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 \$1.05 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.

During the year ended April 30, 2017, with respect to the first tranche of the bond financing the Company recorded interest expense of \$99,811 (2016 - \$260,908) of which \$nil (April 30, 2016 - \$91,396) is in accounts payable and accrued liabilities as of April 30, 2017.

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Second tranche

On August 29, 2014, the Company closed the second tranche of the bond financing for gross proceeds of \$1,400,000. The second tranche bond bore 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 was 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 \$1.05 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.

During the year ended April 30, 2017, with respect to the second tranche of the bond financing the Company recorded interest expense of \$50,568 (2016 - \$135,286) of which \$nil (April 30, 2016 - \$47,391) is in accounts payable and accrued liabilities as of April 30, 2017.

Third tranche

On November 20, 2014, the Company received the third and final tranche for gross proceeds of \$1,400,000. The third tranche bore 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 was 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 \$1.05 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.

During the year ended April 30, 2017, with respect to this third tranche of the bond financing the Company recorded interest expense of \$51,886 (2016 - \$135,286) of which \$nil (April 30, 2016 - \$47,391) is in accounts payable and accrued liabilities as of April 30, 2017.

USD First Debenture Units – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement the full USD\$2,100,000 debenture principal balance plus unpaid and accrued interest was converted (subject to the specific settlement agreement terms) to a combination of equity (shares and warrants), Warrant Deposits (see below), and short term non-interest bearing notes. As at April 30, 2017 the outstanding USD debenture principal and interest payable balances are \$nil.

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USD First Debenture Units – Post-Restructuring Balances – Warrant Deposit

As part of the settlement, the Company issued a \$775,020 non-interest bearing note (the “Warrant Deposit”), which was to be used exclusively for the exercise of certain higher rate warrants, that were separately issued as part of the Restructuring and Debt Settlement. As a provision to the Warrant Deposit, the holder retained the option to attain repayment of the Warrant Deposit in part (or in full) through achieving certain fundraising criteria including sourcing proceeds for the Company in a market-priced private placement after close of the Debt Settlement. During the year ended April 30, 2017 the lender achieved the fundraising criteria, and consequently on the close of the October 5, 2016 tranche the holder was repaid their Warrant Deposit amount in full, therefore the remaining Warrant Deposit balance as at April 30, 2017 is \$nil.

USD First Debenture Units – Pre-Restructuring Balances

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 3,571 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of \$1.75 until March 18, 2016. The holders of the debenture were entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears.

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 \$1.75, as applicable. Each finder warrant is exercisable into one common share of the Company at a price of \$1.75 until March 18, 2016.

In addition professional and finder’s fees of \$182,029 were paid in cash, 91,943 finder’s warrants were issued, and 228,571 subscriber warrants were issued. The warrants are exercisable at \$1.75 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.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$nil (2016 - \$279,869), and interest expense of \$98,245 (2016 - \$300,319) of which \$nil (April 30, 2016 - \$102,935) is in accounts payable and accrued liabilities as of April 30, 2017.

USD Second Debenture Units – Pre-Restructuring Balances

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 consisted of 20 units (the “Second Units”) with each Second Unit comprising one non-convertible debenture in the principal amount of USD\$25,000, and 3,571 non-transferable warrants. Each warrant is exercisable into one common share of the Company at a price of CAD\$1.75 until July 9, 2016.

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The holders of the debentures were entitled to receive interest at the rate of 14% per annum, calculated and paid quarterly in arrears. The term of the debentures was 12 months with a 12 month extension at the option of the Company and the debentures were 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 and 71,429 subscriber warrants were issued with an exercise price of \$1.75 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%.

During the year ended April 30, 2017, the Company recorded accretion expense and amortization of issuance costs of \$5,362 (2016 - \$20,646) and interest expense of \$30,702 (2016 - \$67,727), of which \$nil (April 30, 2016 - \$26,159) is in accounts payable and accrued liabilities as of April 30, 2017.

Secured Debentures – Post-Restructuring Balances

As a result of the Restructuring and Debt Settlement, on September 1, 2016 the Company issued a \$2,362,500 debenture which has a 24 month term to maturity, bears interest at a rate of 11% per annum, and has priority security over the assets of the Company (the "CAD Secured Debenture"). Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance. It is noted that the CAD Secured Debenture holder reserves the right to request that the Company use the proceeds from the exercise of approximately 2.1 million warrants (with an exercise price of \$0.40/share) which were issued on Debt Settlement towards early repayment of the CAD Secured Debenture. Accrued interest of \$172,301 has been included in accounts payable at April 30, 2017.

As a result of the Restructuring and Debt Settlement, on September 1, 2016 the Company issued a USD\$300,000 debenture which has a 24 month term to maturity, bears interest at a rate of 11% per annum, and has general security over the assets of the Company (the "USD Secured Debenture") second in priority to the CAD Secured Debenture. Principal is due on maturity, and the Company is required to make six equal quarterly interest payments beginning nine (9) months after the date of issuance. Accrued interest of \$29,865 has been included in accounts payable at April 30, 2017.

Financings – Equity

On August 16, 2016, the Company consolidated its capital on a one-for-seven basis. Effective August 19, 2016, the Company's common shares commenced trading on a consolidated basis. For the purpose of these financial statements the capital and per share amounts have been restated to present the post consolidated capital basis. At April 30, 2017, there were 59,316,401 issued and fully paid common shares (April 30, 2016 - 11,561,496, post consolidation).

Share capital transactions for the year ended April 30, 2017, were:

During the year ended April 30, 2017, 1,629,500 common shares were issued for gross proceeds of \$575,296 on the exercise of 1,379,500 stock options at \$0.25 per share and 250,000 stock options at \$0.30 per share. A reclassification of \$155,420 from stock option reserve to share capital was recorded on the exercise of these options.

On June 1, 2016, the Company issued 71,428 common shares valued at \$75,000 to an external service provider as a settlement for outstanding balance owed to them for services.

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On June 21, 2016, the Company issued 7,442 common shares valued at \$7,714 to a key Peruvian employee for services pursuant to his employment agreement.

On August 26, 2016, the Company finalized the Debt Settlement. As part of the Debt Settlement, the Company issued 20,322,340 common shares valued at a fair value of \$0.25 per common share for a total value of \$4,582,875.

On August 30, 2016, the Company closed the first tranche of its announced private placement and issued 13,003,547 units (the “Units”) for gross proceeds of \$3,250,889 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$1,294,610, with the remainder allocated to common shares. Total share issuance costs amounted to cash finder’s fees of \$246,070 and finder’s warrants valued at \$31,421, using the Black-Scholes model.

On October 5, 2016, the Company closed the second and final tranche of its announced private placement and issued 12,365,900 Units for gross proceeds of \$3,091,475 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$1,150,729, with the remainder allocated to common shares. Total share issuance costs amounted to cash finder’s fees of \$28,300 and finder’s warrants valued at \$60,550, using the Black-Scholes model.

On November 18, 2016, the Company issued additional shares related to the second and final tranche of its announced private placement and issued 354,748 Units for gross proceeds of \$82,510 or \$0.25 per Unit. Each Unit is comprised of one common share and one full, transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$35,318, with the remainder allocated to common shares. Also, relating to the prior tranches, additional share issuance costs were incurred and amounted to cash finder’s fees of \$20,000

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Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 72,284,401 common shares issued outstanding and the following options and warrants outstanding:

Stock Options:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	\$		
10,572	1.05	October 30, 2017	Vested
265,714	1.75	May 5, 2018	Vested
14,286	1.05	May 30, 2018	Vested
2,115,500	0.25	September 21, 2018	Vested
715,000	0.30	October 12, 2018	Vested
28,571	1.05	October 31, 2018	Vested
78,571	1.05	June 4, 2019	Vested
42,857	1.05	August 29, 2019	Vested
14,286	1.75	April 15, 2020	Vested
27,143	3.01	July 11, 2021	Vested
3,312,500			

Warrants:

Warrants	Exercise Price	Expiry Date
#	\$	
205,714	1.75	May 20, 2017
106,667	1.05	August 29, 2017
320,000	0.45	September 1, 2017
106,667	1.05	November 20, 2017
5,500,000	0.15	December 12, 2018
984,000	0.15	January 7, 2019
13,358,303	0.40	August 30, 2019
315,600	0.40	August 30, 2019
9,180,820	0.40	September 1, 2019
420,000	0.45	September 1, 2019
795,320	0.85	September 1, 2019
12,365,900	0.40	October 5, 2019
650,680	0.40	October 5, 2019
657,019	1.26	December 22, 2020
44,966,690		

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Transactions with Related Parties

(a) Related Party Transactions

The Company's related parties consist of the Company's directors, officers, former officer and companies associated with these individuals including the following:

- A company owned by Edward Kelly, the Company's President and CEO (also a director).
- A company controlled by Oliver Foeste, the Company's CFO (also a director).
- A company owned by both George Moen, the Company's ex-COO, and Mark Wright, the Company's VP Operations & New Projects.
- A company owned by Mark Wright, the Company's VP Operations & New Projects.

The following expenditures were charged by related parties for the year ended April 30, 2017 and 2016:

	Year ended April 30,	
	2017	2016
	\$	\$
Accounting and professional fees	100,897	15,518
Management and consulting fees	470,080	628,298
Restructuring fees	535,000	-
Directors Fee	17,939	-
Share-based payments	463,369	361,633
Finance costs	40,544	308,072
Rent	47,250	-
	1,675,079	1,313,521

Professional fees are paid to a company controlled by the CFO. Management and consulting fees are paid to companies controlled by the President and CEO (the "CEO"), CFO, ex-COO and the VP Operations & New Projects (the "VP Ops"). Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the CEO, or to a company controlled by a director. Office rent is paid or accrued to a company controlled by the CFO.

During the year ended April 30, 2016 there was a \$40,000 repayment of advances to the COO of the Company and USD\$100,000 to a company controlled by a director of the company.

(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, CEO, CFO, ex-COO and the VP Ops. Compensation in respect of services provided by key management consists of consulting and management fees paid to companies controlled by the CEO, CFO, ex-COO and the VP Ops, and by the issue of options.

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Compensation for key management personnel for the years ended April 30, 2017 and 2016.

	Year ended April 30,	
	2017	2016
	\$	\$
Management fees	470,080	643,816
Restructuring fees	535,000	-
Share-based payments	463,369	361,633
	1,468,449	1,005,449

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 April 30, 2017 are non-interest bearing and payable on demand, with the exception of short term financing through unsecured promissory notes, convertible debenture financing, and are comprised of \$90,564 (April 30, 2016 - \$163,901) payable to the CEO and a company controlled by the CEO, \$66,177 (April 30, 2016 - \$111,104) payable to the CFO or a company controlled by the CFO, \$nil (April 30, 2016 - \$148,470) payable to the ex-COO or a company controlled by the ex-COO, \$40,124 (2016 - \$56,445) payable to the VP Ops Projects or a company controlled by the VP Ops, \$59,061 receivable, net of \$15,939 payable (April 30, 2016 - \$1,929,635 payable) to the Directors or companies controlled by the directors.

(d) Related Party Restructuring Transactions

Pursuant to the Company's Restructuring, the majority of all director and officers advances owing at August 26, 2016 (the restructuring date) were settled during the year ended April 30, 2017.

To incentivize the executive management team to continue working on a dedicated and full-time basis during the very complicated Restructuring period, particularly as the executive management team was not receiving regular monthly fee payments and significant amounts were owing to them, the Company offered them a one-time contingent fee only payable upon successful completion of the Restructuring. On August 26, 2016, the contingent criteria were met and the Company compensated the executive management team a \$500,000 restructuring fee, which, as agreed in the contingent compensation plan, was fully reinvested in the August 30, 2016 private placement so that there was \$nil cash cost to the Company. In consideration of the practical requirement for the executive team to avoid selling these shares during early 2017 where the Company faced stock price pressure from the expected liquidation of post-Restructuring shares, and the fact that the executive would be required to liquidate a certain percentage of their shares to cover the tax cash cost relating to the 2016 fee, the Company provided the executive team with some assurance to cover up to \$120,000 of the cash tax cost liability, which as at April 30, 2017, has been accrued in these financial statements.

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Commitments and Contingencies

In addition to the commitments in connection with the Company's financings, 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. The corporate office in Vancouver, Canada is on a month to month rental agreement at \$4,313 per month, effective January 2017.

During the year ended April 30, 2017, the Company entered into a purchase and sale contract, funded by the third party, to sell approximately 585 ounces of gold dore to a third party, which would be settled at a future date in either cash or through the delivery of gold. At April 30, 2017, the fair value of amounts owing under this contract was \$1,011,291 (April 30, 2016 - \$359,179) and is included in deferred revenue.

A summary of undiscounted liabilities and future operating commitments at April 30, 2017 are as follows:

	Total	Within One Year	Two to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	2,239,564	2,239,564	-
Promissory notes payable	163,800	163,800	-
Mineral notes payable	66,234	-	66,234
Secured debentures	2,772,000	-	2,772,000
	5,241,598	2,403,364	2,838,234
Commitments			
Office lease rental	86,200	68,960	17,240
Gold sale contract deferred revenue	1,011,291	1,011,291	-
Asset retirement and reclamation obligations	605,968	-	605,968
	1,703,459	1,080,251	623,208
	6,945,057	3,483,615	3,461,442

Contingent Debenture

As a result of the Restructuring and Debt Settlement, the Company issued a USD\$779,309 contingent debenture certificate (the "Contingent Debenture"), which only becomes payable on the date that the Company achieves two production milestones including (i) achieving 300 tonnes per day mineral processing capacity in Peru, and (ii) achieving three months of 200 tonnes per day average daily production. Upon re-instatement, the Contingent Debenture will have a 12% annual interest rate paid quarterly in arrears, twelve month term to maturity, certain early redemption features, and a general security agreement will be issued. If the performance milestones are not achieved before August 31, 2026, the Contingent Debenture will be cancelled. As at April 30, 2017 the value of the contingent debenture was \$nil.

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Financial Instruments

As at April 30, 2017, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, promissory notes, deferred revenue and debentures. Cash and receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, promissory notes, and debentures are designated as other financial liabilities, which are measured at amortized cost. Deferred revenue is designated as a financial liability, measured at fair value.

As at April 30, 2016, 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 earnings 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 April 30, 2017, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, and debentures 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 and deferred revenue have been assessed based on the fair value hierarchy described above and are classified as Level 1.

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

(i) *Credit risk*

Credit risk exposure primarily arises with respect to the Company's cash and receivables. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of other receivables.

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(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 April 30, 2017, the Company had cash of \$51,893 (April 30, 2016 - \$45,135) and current working capital deficiency of \$710,470 (April 30, 2016 - deficit of \$7,645,085) with total liabilities of \$6,858,857 (April 30, 2016 - \$15,859,608).

A summary of the Company's future operating commitments is presented above, under the *Commitments and Contingencies* section.

(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 April 30, 2017, 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, in Canadian dollar equivalents, is as follows:

	April 30, 2017	April 30, 2016
US dollar:	\$	\$
Cash	11,826	31,063
Receivables	53,596	108,809
Accounts payable and accrued liabilities	(824,920)	(744,126)
Long term debts	(443,694)	(7,190,363)
Net assets	(1,203,192)	(7,794,617)
Sol:		
Cash	28,591	13,488
Receivables	913,477	1,523,703
Accounts payable and accrued liabilities	(561,939)	(1,018,224)
Net liabilities	380,129	518,967

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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 year ended April 30, 2017 would have varied by approximately \$741,713. 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 year ended April 30, 2017 would have varied insignificantly.

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

c. **Commodity price risk**

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's price risk relates primarily to: the spot price of gold for its deferred revenue financial liability balance, future gold price expectations as it relates to sales revenues, and previously to the share trading price of its GRIT shares, which were disposed of during 2017. The Company continuously monitors precious metal share trading prices as they are included in projections prepared to determine its future strategy.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of the Company's consolidated 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

Significant accounting judgments that Management has made in the process of applying accounting policies which it considers have had the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to going concern, date of commencement of commercial production, determination of functional currency, debt-holder or shareholder determination, extinguishment or modification of debt on restructuring, and contingent debenture. Management considers the areas currently requiring a significant degree of estimation and assumption and which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, to include, but not be limited to, the value attributed to share-based compensation, convertible debentures and debentures with warrants, deferred revenue, asset retirement and reclamation obligation, and deferred taxes.

These accounting judgments and estimates are further discussed in the Company's annual audited consolidated financial statements at April 30, 2017.

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Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward-looking statements. All statements, other than statements of historical fact, constitute “forward-looking statements” and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company’s strategy, plans or future financial or operating performance and other statements that express management’s expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words “may”, “will”, “should”, “continue”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “plan” or “project” or the negative of these words or other variations on these words or comparable terminology. All such forward-looking information and statements are based on certain assumptions and analyses made by the Company’s management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed, implied by or projected in the forward-looking information or statements.

Important factors that could cause actual results to differ from these forward-looking statements include but are not limited to: risks related to the exploration and potential development of the Company’s projects, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of minerals, as well as those factors discussed in the sections relating to risk factors of the Company set out in this MD&A.

There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. Except as required by law, the Company does not intend to revise or update these forward-looking statements after their date of issue, or to revise them to reflect the occurrence of future unanticipated events.

Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer’s Annual and Interim Filings) (“NI 52-109”), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements for the year ended April 30, 2017 and this accompanying MD&A (together, the “Annual Filings”).

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.