



INCA ONE GOLD CORP.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended October 31, 2017 and 2016
(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, 2017	April 30, 2017
		\$	\$
Assets			
Current:			
Cash		64,391	51,893
Receivables	5	644,475	1,000,186
Prepaid expenses and deposits	6	1,296,332	867,556
Inventory	7	1,184,527	784,550
		3,189,725	2,704,185
Property, plant and equipment	8	6,921,998	6,903,269
Total assets		10,111,723	9,607,454
Liabilities			
Current:			
Accounts payable and accrued liabilities	9	2,354,798	2,239,564
Promissory notes payable	10	154,716	163,800
Secured debentures	11	2,749,290	-
Deferred revenue	16	1,146,322	1,011,291
		6,405,126	3,414,655
Secured debentures	11	-	2,772,000
Mineral notes	12	62,349	66,234
Asset retirement provision	13	589,069	605,968
		7,056,544	6,858,857
Shareholders' Equity (Deficiency)			
Share capital	14	24,376,433	22,432,969
Equity reserves	14	5,803,925	5,523,225
Accumulated other comprehensive income		(114,430)	288,791
Deficit		(27,010,749)	(25,496,388)
		3,055,179	2,748,597
Total liabilities and shareholders' equity		10,111,723	9,607,454

Nature of operations and going concern (note 1)

Commitments (note 16)

Subsequent events (note 22)

Approved on behalf of the Board of Directors on December 22, 2017

"Bruce Bragagnolo"

Director

"Edward Kelly"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statements of Operations
(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended		Six months ended	
		2017	October 31, 2016	2017	October 31, 2016
		\$	\$	\$	\$
Revenue		4,633,939	2,438,054	8,670,694	4,513,616
Cost of goods sold (including \$160,726 and \$314,538 of depreciation (2016 - \$221,562 and \$325,733), respectively)		(4,573,902)	(1,880,835)	(8,770,986)	(4,275,004)
Gross operating margin (deficit)		60,037	557,219	(100,292)	238,612
Corporate and administrative expenses	20	(744,387)	(583,313)	(1,374,688)	(1,134,571)
Operating loss		(684,350)	(26,094)	(1,474,980)	(895,959)
Reversal of prior year impairments		53,833	-	350,014	-
Finance and other income (expense)	20	(307,961)	(299,609)	(389,395)	(711,683)
Restructuring gain, net	4, 20	-	1,498,671	-	1,498,671
Earnings (loss) before income taxes for the period		(938,478)	1,172,968	(1,514,361)	(108,971)
Deferred income tax (expense) recovery		-	(10,223)	-	(10,223)
Net earnings (loss) for the period		(938,478)	1,162,745	(1,514,361)	(119,194)
Other comprehensive income (loss):					
Foreign currency translation adjustment		219,197	197,879	(403,221)	(21,573)
Comprehensive earnings (loss) for the period		(719,281)	1,360,624	(1,917,582)	(140,767)
Earnings (loss) for the period					
Basic		79,863,042	37,152,037	72,775,765	24,381,676
Diluted		79,863,042	38,726,874	72,775,765	24,381,676
Weighted average number of common shares outstanding					
Basic		(0.01)	0.03	(0.02)	(0.00)
Diluted		(0.01)	0.03	(0.02)	(0.00)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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

	Share capital		Equity reserves			Convertible debenture – equity component	Accumulated other comprehensive (loss) income	Deficit	Total shareholders' equity (deficiency)
	Common shares (note 14(a))	Amount	Stock options	Warrants	Total				
	#	\$	\$	\$	\$				
Balance, April 30, 2016	11,561,496	13,636,263	955,272	780,535	1,735,807	39,286	597,826	(22,498,666)	(6,489,484)
Comprehensive loss for the period	-	-	-	-	-	-	(21,573)	(119,194)	(140,767)
Convertible debentures – equity portion	-	-	-	-	-	(39,286)	-	-	(39,286)
Issuance of shares on private placement, net of share issue costs	25,369,447	3,559,718	-	2,508,276	2,508,276	-	-	-	6,067,994
Shares issued for debt settlement	20,322,340	4,582,875	-	-	-	-	-	-	4,582,875
Warrants issued for debt settlement	-	-	-	874,655	874,655	-	-	-	874,655
Shares issued for services (note 14(c))	78,870	82,714	-	-	-	-	-	-	82,714
Share-based payments (note 14(d))	-	-	455,555	-	455,555	-	-	-	455,555
Balance, October 31, 2016	57,332,153	21,861,570	1,410,827	4,163,466	5,574,293	-	576,253	(22,617,860)	5,394,256
Comprehensive loss for the period	-	-	-	-	-	-	(287,462)	(2,878,528)	(3,165,990)
Issuance of shares on private placement, net of share issue costs	354,748	(3,897)	-	104,352	104,352	-	-	-	100,455
Issuance of shares on exercise of options (note 14(d))	1,629,500	575,296	(155,420)	-	(155,420)	-	-	-	419,876
Balance, April 30, 2017	59,316,401	22,432,969	1,255,407	4,267,818	5,523,225	-	288,791	(25,496,388)	2,748,597
Comprehensive loss for the period	-	-	-	-	-	-	(403,221)	(1,514,361)	(1,917,582)
Issuance of shares on private placement, net of share issue costs (note 14(c))	22,023,000	1,943,464	-	258,838	258,838	-	-	-	2,202,302
Share-based payments (note 14(d))	-	-	21,862	-	21,862	-	-	-	21,862
Balance, October 31, 2017	81,339,401	24,376,433	1,277,269	4,526,656	5,803,925	-	(114,430)	(27,010,749)	3,055,179

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended October 31,	
	2017	2016
Cash flows provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(1,514,361)	(119,194)
Items not involving cash:		
Depreciation	386,566	421,144
Share-based payments	21,862	455,555
Loss on sale of marketable securities	-	11,648
Accretion expense	-	106,932
Accretion of asset retirement and reclamation obligations	15,779	-
Interest expense	78,270	259,440
Shares issued for services	-	82,714
Unrealized foreign exchange	(93,266)	(217,632)
Deferred income taxes	-	10,223
Gain on restructuring, net	-	(1,498,671)
Changes in non-cash operating working capital:		
Receivables	355,711	1,027,226
Prepaid expenses and deposits	(428,776)	(1,603,446)
Inventory	(399,977)	(938,610)
Accounts payable and accrued liabilities	36,964	(1,717,628)
Deferred revenue	135,031	157,906
	(1,406,197)	(3,562,393)
Financing activities:		
Repayments of convertible debentures	-	(652,752)
Repayments of debt on restructuring	-	(1,609,109)
Proceeds on issuance of common shares	2,202,301	6,067,994
	2,202,301	3,806,133
Investing activities:		
Proceeds from sale of marketable securities	-	75,790
Purchase of property, plant and equipment	(780,381)	(278,975)
	(780,381)	(203,185)
Increase (decrease) in cash and cash equivalents	15,723	40,555
Effect of exchange rates on cash held in foreign currencies	(3,225)	(1,256)
Cash and cash equivalents, beginning of the period	51,893	45,135
Cash and cash equivalents, end of the period	64,391	84,434

Supplemental disclosure with respect to cash flows (note 21)

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 Six Months Ended October 31, 2017 and 2016
(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 1120 - 1090 West Pender Street, Vancouver, Canada, V6E 2N7 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, 2017, the Company incurred a net loss of \$1,514,361. As of that date the Company had a deficit of \$27,010,749 and working capital deficiency of \$3,215,401. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance operating costs over the year with the proceeds from debt financing, equity financing, proceeds from option and warrant exercises, and net profits from processing operations at the Company's gold milling facility in Peru. Additionally, management is exploring alternatives for improving its working capital by either re-financing or restructuring the current debt of \$2,749,290 classified as secured debentures. On August 26, 2016, the Company restructured and settled approximately \$13.5 million of the Company's long and short term debt and related unpaid interest (note 4).

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian ore processing operations and its ability to raise equity capital or borrowings sufficient to meet current and future obligations.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting principles adopted are consistent with those of the previous financial year.

These condensed interim consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below and were approved by the board of directors for issue on December 22, 2017.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted and 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 Company’s use of estimation and judgments were presented in note 2 of the audited annual consolidated financial statements for the year ended April 30, 2017.

(d) Foreign Currency Translation

(i) Functional currency and presentation currency

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

These interim consolidated 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. Management’s assessment of functional currency takes into consideration the currency that most strongly influences primary operating and capital decisions in addition to the currency in which funding requirements are met.

(ii) Foreign currency transactions and balances

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

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 exchange rates at the dates of the transactions and where appropriate, approximated by the average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustment.

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

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.
- b) IFRS 9 - Financial Instruments - 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- c) IFRS 16 - Leases - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases that is currently required by IAS 17 Leases and, instead, introduces a single lessee accounting model. From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. Management is currently assessing the impact of

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS (continued)

the new standard. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

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

NOTE 4 – RESTRUCTURING

In September 2016 the Company completed a comprehensive capital restructuring (the “Restructuring”) which involved: (i) negotiating with debt holders to 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 (note 14(b)).

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 into shares of the Company.

NOTE 5 – RECEIVABLES

	October 31, 2017	April 30, 2017
	\$	\$
GST recoverable (Canada)	14,885	60,706
VAT recoverable (Peru)	599,744	895,862
Other receivable	29,846	43,618
	644,475	1,000,186

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

	October 31, 2017	April 30, 2017
	\$	\$
Deposits with mineral suppliers	262,370	373,914
Other deposits and advances	191,311	74,844
Prepaid taxes	284,944	297,254
Prepaid expenses	176,875	121,544
Prepaid marketing services	380,832	-
	1,296,332	867,556

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

NOTE 7 – INVENTORY

	October 31, 2017	April 30, 2017
	\$	\$
Stockpiled gold-bearing material and in process inventory	1,035,757	642,086
Materials and supplies	148,770	142,464
	1,184,527	784,550

The costs of inventories recognized as an expense for three and six months ended October 31, 2017 were \$4,573,902 and \$8,770,986 respectively (2016 - \$1,880,835 and 4,275,004 respectively) and are included in cost of goods sold.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	\$	\$	\$	\$
Costs:				
Balance, April 30, 2016	6,421,448	22,126	56,834	6,500,408
Additions	1,120,588	42,966	3,169	1,166,723
Foreign exchange	582,313	2,952	4,820	590,085
Balance, April 30, 2017	8,124,349	68,044	64,823	8,257,216
Additions	771,002	2,740	6,639	780,381
Foreign exchange	(440,667)	(3,428)	(3,303)	(447,398)
Balance, October 31, 2017	8,454,684	67,356	68,159	8,590,199
Accumulated Depreciation:				
Balance, April 30, 2016	594,939	13,759	30,940	639,638
Depreciation	620,905	9,628	6,893	637,426
Foreign exchange	72,878	1,116	2,889	76,883
Balance, April 30, 2017	1,288,722	24,503	40,722	1,353,947
Depreciation	378,435	4,759	3,372	386,566
Foreign exchange	(69,077)	(1,041)	(2,194)	(72,312)
Balance, October 31, 2017	1,598,080	28,221	41,900	1,668,201
Net Book Value:				
April 30, 2017	6,835,627	43,541	24,101	6,903,269
October 31, 2017	6,856,604	39,135	26,259	6,921,998

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (continued)**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 finders 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. As at October 31, 2017, USD\$10,000 remains in accounts payable.

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.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2017	April 30, 2017
	\$	\$
Trade accounts payable and accruals	2,082,259	1,681,225
Management, consulting and professional fees payable	55,253	455,747
Accrued interest	217,286	102,592
	2,354,798	2,239,564

Management, consulting and professional fees payable include \$4,424 (April 30, 2017 - \$147,835) due to related parties (note 15).

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Notes to the Condensed Interim Consolidated Financial Statements
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NOTE 10 – PROMISSORY NOTES PAYABLE

	October 31, 2017	April 30, 2017
	\$	\$
Non-interest bearing notes	154,716	163,800

The non-interest bearing promissory notes payable were originally issued in the amount of USD\$150,000. On November 30, 2016, the Company repaid USD\$30,000. The remaining balance of USD\$120,000 was due and payable on May 31, 2017, and continued to be payable as at October 31, 2017.

NOTE 11 – SECURED DEBENTURES

	October 31, 2017	April 30, 2017
	\$	\$
CAD Secured Debenture	2,362,500	2,362,500
USD Secured Debenture (USD\$300,000)	386,790	409,500
	2,749,290	2,772,000

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

- a) 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 \$153,307 has been included in accounts payable at October 31, 2017.
- b) 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 USD38,515 has been included in accounts payable at October 31, 2017.

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NOTE 12 – MINERAL NOTES

On December 14, 2015, the Company issued USD\$50,000 in secured notes, which bear interest at a rate of 12% per annum payable quarterly in arrears. The notes have a 60 months term to maturity at which time the principal balance plus all accrued and unpaid interest will be repaid to the subscriber. The Company retains the right (upon 90 days prior written notice to the affected holder) to redeem the notes in full. Accrued interest of USD\$2,133 has been included in accounts payable at October 31, 2017.

NOTE 13 – ASSET RETIREMENT PROVISION

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

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

	October 31, 2017	April 30, 2017
	\$	\$
Beginning of year	605,968	308,840
Accretion	16,130	20,753
Unrealized foreign exchange	(33,029)	27,872
Change in estimate	-	248,503
	589,069	605,968

As at October 31, 2017, the estimated undiscounted cash flow required to settle the asset retirement obligation for the gold processing plant and related tailings pond is \$734,854 and is projected to be disbursed over 2026. A 5.65% (2016 – 6.40%) discount rate was used to evaluate this and a 3.11% (2016 – 2.92%) inflation rate.

NOTE 14 – SHARE CAPITAL AND EQUITY RESERVES**(a) Authorized**

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

On August 16, 2016, the Company consolidated its share capital on a one-for-seven basis. For the purpose of these financial statements the capital and per share amounts have been restated to present

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Notes to the Condensed Interim Consolidated Financial Statements

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NOTE 14 – SHARE CAPITAL AND RESERVES (continued)

the post consolidated share capital. At October 31, 2017, there were 81,339,401 shares issued and outstanding (April 30, 2017 – 59,316,401).

(c) Share Issuances

Share capital transactions for the six months ended October 31, 2017, were:

- On June 12, 2017, the Company closed the first tranche of a private placement and issued 11,000,000 units (the “Units”) for gross proceeds of \$1,100,000 or \$0.10 per Unit. Each Unit is comprised of one common share and one-half of one transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$138,926 with the remainder allocated to common shares.
- On July 7, 2017, the Company closed the second tranche of a private placement and issued 1,968,000 units (the “Units”) for gross proceeds of \$196,800 or \$0.10 per Unit. Each Unit is comprised of one common share and one-half of one transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$24,194 with the remainder allocated to common shares.
- On August 15, 2017 the Company closed the third tranche of a private placement and issued 9,055,000 units (the “Units”) for gross proceeds of \$905,500 of \$0.10 per Unit. Each Unit is comprised of one common share and one-half of one transferable common share purchase warrant. The total value of the warrants contained in the Units issued is \$95,718 with the remainder allocated to common shares.

(d) Share-based Options

The Company adopted an incentive share-based option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants of the Company, non-transferable share-based options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Share-based options will be exercisable for a period of up to 10 years from the date of grant.

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.

On August 25, 2017, the Company announced that the Board of Directors authorized the granting of incentive stock options (the “Options”) to directors and officers of the Company to acquire an aggregate of 3.8 million common shares of the Company. The options have an exercise price of \$0.10

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NOTE 14 – SHARE CAPITAL AND RESERVES (continued)

per share, exercisable until August 25, 2019 and are subject to a vesting period of 50% in six months and 50% after one year.

The following table is a reconciliation of the movement in share-based options for the period and is presented on a post consolidated basis (note 14(b)):

	Share-based Options #	Weighted Average Exercise Price \$
Balance, April 30, 2016	885,857	1.58
Granted	4,710,000	0.26
Exercised	(1,629,500)	0.26
Expired/Cancelled	(653,857)	1.60
Balance, April 30, 2017	3,312,500	0.45
Granted	4,500,000	0.10
Expired/Cancelled	(110,572)	0.33
Balance, October 31, 2017	7,701,928	0.25

The following table summarizes the share-based options outstanding, presented on a post consolidated basis (note 14(b)), as at October 31, 2017:

Share-based Options #	Exercise Price \$	Expiry Date	Vesting Provisions
265,714	1.75	May 5, 2018	Vested
14,286	1.05	May 30, 2018	Vested
2,015,500	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
4,000,000	0.10	August 25, 2019	Unvested
42,857	1.05	August 29, 2019	Vested
14,286	1.75	April 15, 2020	Vested
27,143	3.01	July 11, 2021	Vested
500,000	0.10	August 25, 2022	Unvested
7,701,928			

As at October 31, 2017, the weighted average remaining contractual life of the share-based options is 1.64 years (2016 – 1.92 years).

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NOTE 14 – SHARE CAPITAL AND RESERVES (continued)

During the three and six months ended October 31, 2017, the Company recognized share-based payments of \$21,862 and \$21,862 respectively (2016 - \$455,555 and \$455,555 respectively) for share-based options granted and vested during the period.

(e) Warrants

The status of the share purchase warrants outstanding, presented on a post consolidated basis (note 14(b)), is as follows:

	Warrants #	Weighted Average Exercise Price \$
Balance, April 30, 2016	1,239,438	1.25
Issued	37,406,623	0.39
Expired/Cancelled	(163,371)	1.75
Balance, April 30, 2017	38,482,690	0.44
Issued (note 14(c))	11,011,500	0.15
Expired/Cancelled	(632,381)	0.97
Balance, October 31, 2017	48,861,809	0.36

The following table summarizes the share purchase warrants outstanding, presented on a post consolidated basis (note 14(b)), as at October 31, 2017:

Warrants #	Exercise Price \$	Expiry Date
106,667	1.05	November 20, 2017
5,500,000	0.15	December 12, 2018
984,000	0.15	January 7, 2019
4,527,500	0.15	February 15, 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
48,861,809		

As at October 31, 2017, the weighted average remaining contractual life of the warrants is 1.73 years (2016 – 2.81 years).

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NOTE 15 – 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 and six months ended October 31, 2017 and 2016 as follows:

	Three months ended October 31,		Six months ended October 31,	
	2017	2016	2017	2016
Professional fees	-	53,329	26,504	76,706
Consulting and management fees	75,000	110,500	177,969	217,000
Restructuring fees	-	500,000	-	500,000
Director fees	5,511	-	13,011	-
Share-based payments	18,461	200,410	18,461	200,410
Finance costs	-	27,759	-	104,593
Office Rent	-	11,250	18,813	22,500
	98,972	903,248	254,758	1,121,209

Professional fees were paid to a company controlled by the former CFO. Consulting and management fees are and were paid to companies controlled by the CEO, former CFO and VP Operations & New Projects. Finance costs on interest bearing debt instruments were paid or accrued to companies controlled by the CEO, or and to a company controlled by a director. Office rent was paid or accrued to a company controlled by the former CFO.

(b) Compensation of Key Management Personnel

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, CEO, CFO, former CFO, former 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 CEO, former CFO, former COO and VP Operations & New Projects, accounting fees paid to companies controlled by a director or company controlled by the former CFO, and by the issue of options. The compensation for key management personnel paid as management, accounting and former CFO fees was for the three and six months ended October 31, 2017 \$93,461 and \$196,430 respectively (October 31, 2016 – \$810,910 and \$917,410 respectively). 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 October 31, 2017 are non-interest bearing and payable on demand, and are comprised of \$39,874 (April 30, 2017 - \$90,564) payable to the President and a company controlled by the President, \$13,701 (April 30, 2017 - \$40,124) payable to the VP Operations & New Projects or a company controlled by

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the VP Operations & New Projects and \$54,017 receivable, net of \$25,850 payable (April 30, 2017 - \$15,939) payable to directors.

NOTE 16 – COMMITMENTS

In addition to the commitments in connection with the Company's financings (note 11), the Company has a three-year rent agreement for its corporate office in Lima, Peru, with a monthly payment of USD\$4,600 and termination date on July 31, 2018.

During the three and six months ended October 31, 2017 the Company had a commitment through a purchase and sale contract to sell approximately 700 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 October 31, 2017, the fair value of amounts owing under this contract was \$1,146,323 (April 30, 2017 - \$1,011,291) and is included in deferred revenue.

A summary of undiscounted liabilities and future operating commitments at October 31, 2017 are as follows:

	Total	Within One Year	One to Five Years
Maturity analysis of financial liabilities	\$	\$	\$
Accounts payable and accrued liabilities	2,582,968	2,582,968	-
Promissory notes payable and mineral notes	154,716	154,716	-
Mineral notes payable	64,465	-	64,465
Secured debentures	2,749,290	2,749,290	-
	5,551,439	5,486,974	64,465
Commitments			
Office lease rental	37,132	37,132	-
Gold sale contract deferred revenue	1,146,322	1,146,322	-
Asset retirement and reclamation obligations	589,069	-	589,069
	1,772,523	1,183,454	589,069
	7,323,962	6,670,428	653,534

Contingent Debenture

As a result of the Restructuring and Debt Settlement (note 4), 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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NOTE 17 – SEGMENTED INFORMATION

All of the Company's operating and capital assets are located in Peru except for \$698,048 (April 30, 2017 \$234,275) of cash and other current assets which are held in Canada.

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

Peru	Three months ended, October 31,		Six months ended, October 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenue	4,633,939	2,438,054	8,670,494	4,513,616
Cost of goods sold (including \$160,726 and \$314,538 of depreciation (2016 - \$221,462 and \$325,733) respectively)	4,573,902	1,880,835	8,770,986	4,275,004
Gross margin (deficit)	60,037	557,219	(100,292)	238,612
Earnings (loss)	(938,478)	1,162,745	(1,514,361)	(119,194)

Peru	As at October 31, 2017	As at April 30, 2017
	\$	\$
Assets:		
Inventory	1,184,527	784,550
Property, plant and equipment	6,913,813	6,898,566
Total long-term and operating assets	8,098,340	7,683,116

During the three and six months ended October 31, 2017, the Company received 100% of its metal revenues from one major customer, noting that the Company has business relationships with other customers, and is not dependent on the one customer.

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**(a) Fair Value of Financial Instruments**

As at October 31, 2017, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, deferred revenue, secured debentures and mineral notes. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, promissory notes payable, deferred revenue, secured debentures and mineral notes are designated as other financial liabilities, which are measured at amortized cost.

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NOTE 18– FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

The three levels of hierarchy are:

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

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

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

As at October 31, 2017, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, deferred revenue, secured debentures and mineral notes approximate their fair values because of their nature and relatively short maturity dates or durations or their interest rates approximate market interest rates. The fair value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

(b) Financial Instruments Risk

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

(i) Credit risk

Credit risk exposure primarily arises with respect to the Company's cash and 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 2017, the Company had cash of \$64,391 (April 30, 2017 - \$51,893) and current working capital deficiency of \$3,215,401 (April 30, 2017 - \$ 710,470) with total liabilities of \$7,284,714 (April 30, 2017 - \$6,858,857).

A summary of the Company's future operating commitments is presented in note 16.

(iii) Market risk

a. Interest rate risk

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NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2017, the Company had no variable rate debt.

b. Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates associated with the fluctuations in its 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:

	October 31, 2017	April 30, 2017
	\$	\$
US dollar:		
Cash	3,404	11,826
Receivables	29,847	53,596
Accounts payable and accrued liabilities	(896,096)	(824,920)
Long term debts	(658,379)	(443,694)
Net assets (liabilities)	(1,521,224)	(1,203,192)
Sol:		
Cash	15,181	28,591
Receivables	599,744	913,477
Accounts payable and accrued liabilities	(860,092)	(561,939)
Net assets (liabilities)	(245,167)	380,129

Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, as of October 31, 2017 would have change the Company’s net loss by approximately \$152,122. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the Canadian dollar, as of October 31, 2017 would have change the Company’s net loss by approximately \$24,517.

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

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NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c. Commodity price risk

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

NOTE 19 – 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 of \$154,716 (April 30, 2017 - \$163,800), secured debentures of \$2,749,290 (April 30, 2017 - \$2,772,000) and shareholders' equity of \$3,055,179 (April 30, 2017 - \$2,748,597). The Company's ability to generate sufficient funds to service its debts and to provide funding for future operations are dependent on restructuring its secured debentures and raising additional funds to achieve projected future proceeds from mineral processing operations. Notwithstanding these proceeds the Company expects to continue to be dependent on its capital resources which are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements.

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

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NOTE 20 – INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Three months ended October 31,		Six months ended October 31,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Corporate and administrative expenses:					
Consulting fees		9,340	3,759	33,300	43,835
Management fees and salaries	15	316,493	192,705	600,628	443,442
Depreciation	8	35,595	1,316	71,426	5,784
Directors fees		8,192	-	15,692	-
Investor relations and regulatory fees		162,192	96,571	212,105	147,307
Office, rent, utilities and other	15	103,601	74,409	230,619	141,842
Professional fees	15	62,462	174,824	158,593	311,949
Share-based payments	15	21,862	7,814	21,862	7,814
Travel and accommodation		24,650	31,915	30,463	32,598
Total corporate and administrative expenses		744,387	583,313	1,374,688	1,134,571
Finance and other income (expense):					
Accretion expense (a)		(10,884)	(8,465)	(16,481)	(101,761)
Finance costs		(228,771)	(185,600)	(432,650)	(687,327)
Foreign exchange (loss) gain		(31,390)	(117,196)	5,669	105,086
Finance income		-	11,652	-	43,728
Loss on sale of marketable securities (b)		-	-	-	(11,648)
Impairment of marketable securities		-	-	-	(59,761)
Fair value of deferred revenue	16	(36,916)	-	54,067	(11,648)
Total finance and other expense		(307,961)	(299,609)	(389,395)	(711,683)
Restructuring gain (expense):					
Gain on restructuring		-	3,424,959	-	3,424,959
Restructuring advisory costs		-	(873,616)	-	(873,616)
Share based compensation restructuring reset		-	(455,555)	-	(455,555)
Amortized marketing restructuring costs		-	(130,647)	-	(130,647)
Other impairment and restructuring costs		-	(466,470)	-	(466,470)
Total restructuring gain, net		-	1,498,671	-	1,498,671

(a) Accretion expense during the three and six months ended on October 31, 2016, includes \$2,357 and \$90,918 respectively recorded in connection with financing through convertible debentures (in USD\$ and CAD\$), bond payable and USD\$ debentures units.

(b) On February 28, 2014, the Company acquired 733,007 shares in Global Resources Investment Trust PLC ("GRIT") in exchange for the issue of 12,000,000 common shares in the Company at a value of \$0.11 (GBP £0.060) per share. On June 23, 2016, the Company sold all GRIT shares at a price of \$0.10 (GBP £0.060) per share for total proceeds of \$75,791, resulting in a loss on marketable securities of \$11,648.

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NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the six months ended October 31, 2017, were \$42,409 (2016 - \$58,275) and \$22,519 (2016 - \$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, 2017, the following transactions were excluded from the statements of cash flows:

- The Company recorded \$32,225 (2016 - \$34,763) of depreciation expense to gold inventory.

During the six months ended October 31, 2016, the following transactions were excluded from the statements of cash flows:

- The Company recorded \$22,728 (2015 - \$22,966) of depreciation expense to gold inventory.
- Pursuant to the closing of the Company's private placements and Restructuring, the Company issued 36,319,875 (note 17(e)).
- The Company issued 4,710,000 stock options, at a fair value of \$455,555, which vested immediately.