



**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the Three Months Ended July 31, 2019 and 2018  
Report Dated September 30, 2019

# **INCA ONE GOLD CORP.**

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

---

This Management's Discussion and Analysis ("MD&A") of Inca One Gold Corp. (the "Company" or "Inca One") has been prepared by management as of September 30, 2019 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the Three Months Ended July 31, 2019 and 2018 and the related notes thereto. This MD&A has been reviewed and approved by the Board of Directors of the Company. Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in United States Dollars unless stated otherwise. During the quarter ended July 31, 2018, the Company changed its presentation currency to the United States Dollar. References to CAD\$ are to Canadian dollars and references to restated ("Restated") financial information are to amounts previously reported in Canadian dollars.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in "**Risks and Uncertainties**" and "**Cautionary Statement on Forward-Looking Information**" at the end of this MD&A.

### **Description of the Business**

Inca One was incorporated on November 9, 2005 and is in the business of developing 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, has two Peruvian gold milling facilities ("Chala One" and "Kori One") with a total permitted capacity of 450 tonnes per day ("TPD") and has been in commercial production since 2015. The Company purchases high-grade gold mill feed from legally recognized Peruvian small scale miners and processes the material for the export and sale of gold doré and refined gold.

Inca One is listed 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".

Inca One's vision is to become the largest, undisputed ore processor of choice in Peru, while maintaining its uncompromising guiding principles while it grows. This vision will be achieved through:

- Continuing to increase purchases of high-grade gold mill feed;
- The acquisition and development of mineral concessions that could be mined by contract miners and that would provide long-term supply to Chala One and Kori One; and
- Pursuing growth via merger and acquisition, including additional mineral processing operations.

### **Key Period Definitions (used below)**

- three months ended July 31, 2019 ("**the Quarter**" or "**Q1 2020**");
- three months ended April 30, 2019 ("**Q4 2019**");
- three months ended January 31, 2019 ("**Q3 2019**")
- three months ended October 31, 2018 ("**Q2 2019**")
- three months ended July 31, 2018 ("**Q1 2019**");

# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

### **First Quarter 2020 Highlights and Key Business Developments**

- During the Q1 2020, the Company processed 10,741 tonnes, which represents a decrease of 3,631 tonnes when compared to 14,372 processed during Q4 2019. The daily production averages during Q1 2020 was 117 TPD, which represents a decrease of 44 TPD when compared with the 161 TPD average of Q4 2019.
- Gold sales during Q1 2020 totaled 4,192 ounces, which represents a decrease of 2,128 ounces compared to 6,320 ounces sold in Q4 2019, however the Company had inventory of 2,295 ounces of gold doré in inventory pending final processing at the refinery at the end of the Quarter. Total revenues for Q1 2020 were \$5.5 million, a decrease of \$2.9 million when compared to Q4 2019 of \$8.4 million.
- During Q1 2020, the Company received a VAT refund of approximately \$2.4 million related to VAT paid for the construction of Kori One in 2015. Approximately \$1.2 million of the refund is payable to Equinox Gold Corp.
- During Q1 2020, the Company recruited an experienced management team in Peru to lead the operations and ore buying teams.
- The company completed a \$0.3 million expansion of the Kori One tailings facility, which added tailings capacity to support processing of approximately 150 TPD for the next 2.5 years.

### **Operational Highlights - Consolidated**

Quarter over Quarter highlights	Q1 2020 <sup>(2)</sup>	Q4 2019 <sup>(2)</sup>	Q3 2019 <sup>(2)</sup>	Q2 2019 <sup>(1)</sup>	Q1 2019	Variance % Q1 2020 to Q4 2019	Variance % Q1 2020 to Q1 2019
Tonnes processed in period (t)	10,741	14,372	16,099	15,264	9,404	(25.26%)	14.22%
Average daily processing volume (t)	117	161	175	187	102	(24.56%)	19.19%
Mineral grade processed (oz/t gold)	0.55	0.54	0.57	0.54	0.51	2.03%	8.56%
Gold production (oz)	5,419	6,830	8,343	7,238	4,363	(20.66%)	24.20%
Gold sold (equivalent oz) <sup>(3)</sup>	4,277	6,456	9,339	7,409	4,324	(33.75%)	(1.09%)
Gold sold (oz)	4,192	6,320	9,129	7,118	4,250	(33.67%)	(1.37%)
Silver sold (oz)	7,286	11,367	16,854	24,198	6,491	(35.90%)	12.26%
Sales revenue (\$)	5,549,466	8,413,716	11,574,969	8,939,622	5,645,321	(34.04%)	(1.70%)
Cost of goods sold ("COGS") (\$)	5,982,020	7,947,986	10,410,518	8,703,606	5,217,138	(24.74%)	14.66%
Gross operating margin (deficit) (\$)	(432,554)	465,730	1,164,451	236,016	428,183	(192.88%)	(201.02%)
Gross operating margin %	(7.8%)	5.5%	10.0%	2.6%	7.6%	(240.81%)	(202.77%)
Revenue per tonne (\$)	642	639	658	611	701	0.58%	(8.32%)
Cost per tonne (\$)	693	603	592	595	648	14.77%	6.94%
Gross margin per tonne (\$)	(51)	36	66	16	53	(242.86%)	(194.34%)

# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

Quarter over Quarter highlights	Q1 2020 <sup>(2)</sup>	Q4 2019 <sup>(2)</sup>	Q3 2019 <sup>(2)</sup>	Q2 2019 <sup>(1)</sup>	Q1 2019	Variance % Q1 2020 to Q4 2019	Variance % Q1 2020 to Q1 2019
Average gold (equivalent) price per oz sold (\$)	1,298	1,303	1,239	1,207	1,306	(0.44%)	(0.62%)
Cost per oz sold (\$)	1,399	1,231	1,115	1,175	1,207	13.61%	15.92%
Gross margin per oz sold (\$)	(101)	72	125	32	99	(240.28%)	(202.02%)
Average London Close price (\$)	1,354	1,302	1,254	1,205	1,274	3.94%	6.28%

- (1) All amounts in Q2 2019 include amounts of Kori One for the period of August 21 to October 31, 2018 on a 100% basis.
- (2) All amounts include amounts of Kori One on a 100% basis.
- (3) Actual ounces of gold sold plus an estimate of the equivalent ounces of gold that could be purchased for the equivalent number of silver ounces sold.

## **Future Outlook**

The Company is currently operating at 115 to 150 TPD and has a platform for growth with 450 TPD of permitted capacity, making it the largest publicly listed gold processing company in Peru with respect to permitted capacity.

Production has been lower than expected during Q1 2020, due to delayed deliveries as a result of the extended rainy season which has now ended. Finally, deliveries from our mining partners are starting to improve and production is expected to increase in the coming months. The Company is well-capitalized and has excess capacity to make up for lost production during recent months.

The Company believes that it can ramp up production to 200 to 250 TPD at current gold prices and at the same time allow for organic growth. The Company is optimistic that the operations at both Chala One and Kori One will continue to grow and achieve ongoing profitability.

The Company is continuing its efforts to reduce costs and is looking at options for a centralized purchasing team and a restructuring of the Peruvian entities to maximize efficiencies and minimize taxes.

In addition to the cost savings, the Company believes that having Equinox Gold Corp. as a significant and supportive long-term shareholder will enhance Inca One's scale and capital markets profile. Equinox is a leader in the mining space and now holds approximately 19.99% of the common shares of the Company.

Additionally, the Company has recruited key management personnel as part of its plan to improve the organizational capability within Inca One as it pushes to increase throughput and grow the business. These appointments are:

### **Ivan Salas – Country Manager Peru**

Ivan has more than 12 years of managerial achievements directing and accelerating the growth in transnational companies operating in Peru. He is an executive with proven experience in business management and has a Master's in Business Administration, International Diploma in Marketing and is a Chemical Metallurgist. Most recently Ivan was the Commercial Director - Energy and Resources for Sodexo in Lima, Peru working in energy and resources (mining, gas, oil and power generation). Prior to this, he was the Country Manager for the Achilles

# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

Group, focusing on risk management in the supply chain for mining companies in the hydrocarbon and industrial gases industry.

### Jimmy Chu – Global Director of Trading

Jimmy has over 10 years of professional experience in commercial, logistics and financial areas for large scale multinational companies, including the metal trading business, servicing small and medium mining companies in Peru and Ecuador. Most recently Jimmy was a Metals Trader for IXM Trading (a Louis Dreyfus company) in Lima, Peru.

### Selected Quarterly and Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the unaudited condensed interim consolidated financial statements of the Company for the Three Months Ended July 31, 2019 and 2018 and from the audited consolidated financial statement for the year ended April 30, 2019 as applicable. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Three Months Ended		
	July 31, 2019	April 30, 2019	July 31, 2018
	\$	\$	\$
Revenue	5,549,466	8,413,716	5,645,321
Cost of goods sold	(5,982,020)	(7,947,986)	(5,217,138)
Gross margin (deficit)	(432,554)	465,730	428,183
Finance and other income (expense), net	(416,462)	94,632	(96,682)
Net income (loss) for the period	(1,439,302)	1,204,566	(186,479)
Net income (loss) per share (basic and diluted)	(0.01)	0.00	(0.00)
Other comprehensive loss	(1,585,462)	1,148,102	(129,891)

	Three Months Ended		
	July 31, 2019	April 30, 2018	July 31, 2018
	\$	\$	\$
Total assets	24,175,991	24,057,897	8,597,041
Total current liabilities	9,412,584	7,982,730	2,784,438
Total long term liabilities	7,344,978	7,091,690	2,713,920

# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

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

<b>Quarter ended</b>	<b>Working capital (deficiency)</b>	<b>Total assets</b>	<b>Long term liabilities</b>	<b>Net income (loss)</b>	<b>Basic loss per share</b>
	\$	\$	\$	\$	\$
<b>July 31, 2019</b>	<b>2,259,771</b>	<b>24,175,991</b>	<b>7,344,978</b>	<b>(1,439,302)</b>	<b>(0.01)</b>
April 30, 2019	3,417,245	24,057,897	7,091,690	1,204,566	0.00
January 31, 2019	3,695,305	21,251,543	8,522,216	29,793	0.00
October 31, 2018	3,010,284	21,094,908	8,337,432	(1,132,371)	(0.00)
July 31, 2018	727,893	8,597,041	2,713,920	(186,479)	(0.00)
April 30, 2018 <sup>(1)</sup>	776,225	9,468,096	2,788,264	(1,112,921)	(0.01)
January 31, 2018 <sup>(1)</sup>	(1,576,040)	8,976,399	513,478	(879,833)	(0.01)
October 31, 2017 <sup>(1)</sup>	(2,493,913)	7,858,765	505,250	(742,652)	(0.01)

(1) Amounts previous to Q1 2019 have been Restated to United States dollars

## Results of Operations

### Three months ended July 31, 2019 compared to three months ended July 31, 2018

Revenue for Q1 2020 was \$5.5 million (Q1 2019 - \$5.6 million), and cost of goods sold was \$6 million (Q1 2019 - \$5.2 million) resulting in a gross operating deficit of \$0.4 million (Q1 2019 - gross operating margin of \$0.4 million). The gross operating margin decreased mainly due to the combination of a lower amount of gold ounces sold to 4,277 when compared to 4,324 in Q1 2019 and the decrease of \$104 in the gross margin per ounce (Q1 2020 deficit of \$51 per ounce sold compared to Q1 2019 gross margin of \$53 per ounce sold). Gross margin decreased due to the increase in fixed costs associated with operating both the Kori One and Chala One plants compared to the previous year when the Company was only operating the Chala One plant.

During Q1 2020, the Company reported a net loss of \$1.4 million, a decrease of \$1.2 million compared to a net loss of \$0.2 million during Q1 2019. This change is partially explained by the combination of the decrease in operating margin of \$0.8 million, the increase of \$0.05 million in business development expenses and the increase of \$0.35 million in finance expenses due to:

- The increase \$0.2 million in fair value adjustments of the financial liabilities contracted on August 21, 2018 as result of the acquisition of Anthem United, and
- The increase of \$0.15 million of expenses attributable to the fair value adjustment of the Company's financial liabilities.

## Liquidity and Capital Resources

As at July 31, 2019, the Company financed its operations and met its capital requirements primarily through the re-investment of operational cash flows from the Chala One and the Kori One plants.

The Company had cash of \$2.5 million at July 31, 2019, representing an increase of \$0.7 million compared to a cash of \$1.8 million as at April 30, 2019 and working capital of \$2.3 million at July 31, 2019 representing decrease of \$1.1 million when compared to a working capital of \$3.4 million as at April 30, 2019.

## **INCA ONE GOLD CORP.**

Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

---

Management intends to continue funding operations, administration, debt and debt service costs and any capital requirements with the proceeds of the sale of gold doré and refined gold from the Company's Chala One and Kori One plants. If required and depending on the strength of the junior resource markets, the Company will continue to be dependent on its capital resource's to cover any deficiencies in working capital.

### Contractual Liabilities as a result of the Acquisition of Anthem United

As a result of the acquisition of Anthem and Kori One, the Company issued Promissory Notes payable to Equinox as follows:

- CAD\$7.5 million payable to Equinox in three equal payments of CAD\$2.5 million on the first, second and third anniversaries of the completion of the Purchase Agreement to be paid in cash or Inca One Shares at the discretion of Inca One, based on the higher of CAD\$0.065 per share and the preceding 20-day volume-weighted average price of Inca One Shares, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares (the "Equinox Ownership Limit").
- CAD\$1.5 million payment to Equinox in cash on the second anniversary of the completion of the Purchase Agreement.

As part of the transaction the Company also agreed to the following contractual obligations:

- Payment of an amount equal to 50% of the Historical IGV recovered prior to the fifth anniversary of the Closing Date. During Q1 2020, the company recovered approximately \$2.4 million of Historical IGV, of which approximately \$1.2 million is payable to Equinox in September 2019.
- Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and \$3 million. Anthem's working capital at such date was approximately \$3.7 million, and therefore the estimated amount payable is \$0.7 million payable on August 21, 2021.

Subsequent to Q1 2020, the first payment of CAD\$2.5 million was due on August 21, 2019 for which the Company exercised its share payment election and issued 1,607,328 shares at \$0.065 per share as partial payment of the installment. Due to the Equinox Ownership Limit, this was the maximum number of shares that the Company could issue. The Company has an additional obligation of 36,854,210 shares at \$0.065 per share to satisfy the first installment payment and will do so when Equinox's ownership is reduced below 19.99%.

### Share Issuances

On August 21, 2019 the Company issued 1,607,328 shares as partial payment of the installment due to Equinox as part of the consideration for the acquisition of Anthem United Inc.

### Summary of Outstanding Share Data

As at the date of this MD&A, the Company had 264,517,440 common shares issued and outstanding, 20,612,857 share-based options and 60,740,266 warrants outstanding (with exercise prices ranging between CAD\$0.05 and CAD\$1.26 per share). The fully diluted shares outstanding at the date of this MD&A is 345,870,563.

# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

### Transactions with Related Parties

#### (a) Related Party Transactions

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

- A company owned by Edward Kelly, the Company's CEO (also a director).
- A company owned by Mark Wright, the Company's VP Operations & New Projects.

The following expenditures were charged by related parties during the Three Months Ended July 31, 2019 and 2018:

	Three Months Ended July	
	2019	31, 2018
	\$	\$
Management, salaries and consulting fees	99,075	69,529
Director fees	7,152	7,446
Share-based payments	17,935	28,318
	<b>124,162</b>	<b>105,293</b>

Consulting and management fees were paid to companies controlled by the CEO and VP Operations & New Projects.

#### (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, 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 and VP Operations & New Projects and by the issue of options. The compensation for key management personnel paid as management were for the three months ended July 31, 2019 and 2018 as follows:

	Three Months Ended	
	2019	July 31, 2018
	\$	\$
Management fees	61,430	46,009
Salaries	37,645	23,520
Share-based payments	12,253	28,318
	<b>111,328</b>	<b>97,847</b>

#### (c) Related Party Balances

All related party balances payable, including for business expenses reimbursements, interim advances to the Company, annual bonuses as approved by the board of directors, and for services rendered as at July 31, 2019 are non-interest bearing and payable on demand, and are comprised of \$0.13 million (April 30, 2019 - \$0.12 million) payable to the CEO and a company controlled by the CEO, \$0.05 million (April 30,



# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

2019 - \$0.05 million) payable to the VP Operations & New Projects or a company controlled by the VP Operations & New Projects, \$0.11 million (April 30, 2019 - \$0.11 million) payable to the CFO and \$nil million payable (April 30, 2019 – \$0.02 million payable) to the Directors or companies controlled by the Directors.

### Commitments

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 \$3,574 and termination date on July 31, 2021, and
- a five-year rent agreement for its corporate office in Vancouver, Canada with a monthly fee of CAD\$3,726 and termination date on July 31, 2023.

During the three months ended July 31, 2019 the Company had commitments through a financial liability to sell approximately 742 ounces of gold doré to a third party, which would be settled at a future date in either cash or through the delivery of gold. At July 31, 2019, the fair value of amount owing under these contracts at the gold spot rate were \$1.1 million (April 30, 2019 - \$1 million) and is included in derivative financial liability.

As at July 31, 2019 the Company had commitments to sell approximately 1,842 ounces of gold doré to third parties, which was settled subsequent to July 31, 2019 through the delivery of gold. At July 31, 2019 the fair value of these commitments is \$2.4 million. Additionally, the Company received advances of \$0.5 million to be offset against future sales of gold doré. Both amounts, totaling \$2.9 million (April 30, 2019 - \$1.8 million) have been included as current deferred revenues.

A summary of undiscounted liabilities and future operating commitments on July 31, 2019 are as follows:

	Total	Within One Year	One to Five Years
<b>Maturity analysis of financial liabilities</b>	\$	\$	\$
Accounts payable and accrued liabilities	2,449,172	2,449,172	-
Secured debentures	1,476,079	-	1,476,079
Contractual liability as a result of the acquisition of Anthem United	7,815,824	3,044,928	4,770,896
Derivative financial liability	1,059,242	1,059,242	-
	<b>12,800,317</b>	<b>6,553,342</b>	<b>6,246,975</b>
<b>Commitments</b>			
Office lease rental	223,401	77,924	146,107
Gold sale deferred revenue	2,859,242	2,859,242	-
Asset retirement and reclamation obligations	1,098,003	-	1,098,003
	<b>4,180,646</b>	<b>2,936,536</b>	<b>1,244,110</b>
	<b>16,980,963</b>	<b>9,489,878</b>	<b>7,491,085</b>

### Contingent Debenture

In September 2016 the Company completed a comprehensive capital restructuring which involved: (i) negotiating with debt holders to reduce long and short term debt, (ii) a private placement to provide sufficient

# **INCA ONE GOLD CORP.**

## **Management Discussion & Analysis**

For the Three Months Ended July 31, 2019, and 2018

---

working capital to ramp-up operations at the Chala Plant; and (iii) consolidating the Company's shares. As result of this restructuring, the Company issued a \$0.78 million 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 reinstatement, 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 of July 31, 2019 the value of the contingent debenture was \$nil because the Company has not achieved three months of consecutive 200 tonnes per day average daily production. However, the first milestone of 300 tonnes per day mineral processing capacity in Peru was achieved as a result of the acquisition of Anthem.

### **Fair Value of Financial Instruments**

As at July 31, 2019, the Company's financial instruments consist of cash, receivables, long term receivables, accounts payable and accrued liabilities, promissory notes payable, contractual liabilities, derivative financial liabilities and secured debentures.

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

The three levels of hierarchy are:

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

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

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

As at July 31, 2019, the Company believes that the carrying values of cash, receivables, accounts payable and accrued liabilities, promissory notes payable, contractual liabilities and secured 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 gold delivery contracts, being a derivative financial liability, have been assessed on the fair value hierarchy described above and are classified as Level 2.

# INCA ONE GOLD CORP.

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

---

### **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 July 31, 2019, the Company had cash of \$2.5 million (April 30, 2019 - \$1.8 million) and current working capital of \$2.3 million (April 30, 2019 - \$3.4 million) with total liabilities of \$16.8 million (April 30, 2019 - \$15.1 million).

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, 2019, the Company had no variable rate debt.

b. Foreign currency risk

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

## INCA ONE GOLD CORP.

### Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

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

	July 31, 2019	April 30, 2019
	\$	\$
CAD dollar:		
Cash	22,628	7,140
Receivables	36,580	23,857
Accounts payable and accrued liabilities	(674,882)	(430,578)
Secured debentures	(1,176,080)	(1,148,011)
Contractual liability as result of the acquisition of Anthem United	(6,099,730)	(5,813,425)
Derivative financial liability	(1,059,242)	(951,467)
Net assets (liabilities)	(8,950,726)	(8,312,484)
Sol:		
Cash	33,891	109,747
Receivables	1,510,072	4,144,524
Accounts payable and accrued liabilities	(687,579)	(625,297)
Net assets (liabilities)	856,384	3,628,974

Assuming all other variables constant, an increase or a decrease of 10% of the Canadian dollar against the US dollar, as of July 31, 2019 would have changed the Company's net loss by approximately \$0.9 million. Assuming all other variables constant, an increase or a decrease of 10% of the Peruvian sol against the US dollar, as of July 31, 2019 would have changed the Company's net loss by approximately \$0.1 million.

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 derivative 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.

### 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

# **INCA ONE GOLD CORP.**

## Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

---

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, title to and economic recoverability and probability of future economic benefits of exploration and evaluation assets, date of commencement of commercial production, and determination of functional currency. 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, promissory notes payable, secured debentures and debentures with warrants, marketable securities, long term receivable, asset retirement and reclamation obligation, and deferred taxes.

These accounting policies and estimates are further discussed in the Company's annual audited consolidated financial statements on April 30, 2019.

### **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 operate both the Chala One and Kori One plants economically. 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 One plant nor the Kori One 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 One plant and the Kori One plant effectively (noting the diversity of mill feed received), and effectively administer the Peruvian permitting, compliance, exportation, and regulatory functions.

## **INCA ONE GOLD CORP.**

Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

---

**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 or 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 mineral properties and 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.

### *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.

### *Financial Instruments and Risk:*

For a description of the risks faced by the Company with respect to financial instruments, see the Company's unaudited condensed interim consolidated financial statements for the Three Months Ended July 31, 2019.

## **Cautionary Statement on 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,

# **INCA ONE GOLD CORP.**

Management Discussion & Analysis

For the Three Months Ended July 31, 2019, and 2018

---

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 associated 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 unaudited condensed interim consolidated financial statements for the three months ended July 31, 2019 and this accompanying MD&A (together, the "Interim 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 Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).