



6 February 2019

## **EXPLORATION AND STRATEGY UPDATE**

On behalf of Inca Minerals Limited (**Inca** or the **Company**), I'd like to welcome shareholders into the New Year and at the same time provide an update as to the Company's recent past and current activities. 2019 is shaping up to be an exciting and busy year for Inca. Recent developments with South32 (ASX announcement 17 January 2019) have certainly provided early momentum and a sense of anticipation. The appointment of Dr Jonathan West as non-executive director is also a very welcomed development (ASX announcement 17 January 2019).

The December 2018 quarter activities report and the Appendix 5B (ASX announcements 31 January 2019) are useful in understanding and providing context for Inca's current activities and plans for 2019, which I have described below. With respect to the Appendix 5B document, I would note that the projected exploration expenditure for the March 2019 quarter is premised on the assumption that the South32 earn-in agreement, discussed immediately below, has not been formally executed by that time.

### ***Greater Riqueza Project (Riqueza)***

From the initial contact with South32 in 2017 to today, much has transpired. An option agreement with South32 was formulated (ASX announcement 5 April 2018) which led to the planning, execution and interpretation of the project-wide geophysics survey. This was concluded in October 2018 (ASX announcement 31 October 2018). Interim geophysics interpretations resulted in South32 exercising their option ahead of the prescribed date (ASX announcement 22 August 2018).

From October 2018 to the date of this update, work has intensified on several fronts. Important among these and critical to establishing aspects of an earn-in agreement, was the design and costing of a first-year exploration program. Running parallel to this work was technical, commercial and legal due diligence. Subject to agreement on all other terms, several key terms of phase 1 of the earn-in agreement were achieved very recently (ASX announcement 17 January 2019). These key terms include:

- South32 will provide Phase 1 Funding of US\$9 million; and
- The Phase 1 Funding of US\$9 million is to be provided over a 4-year period, on completion of which, South32 acquires a 60% interest in Riqueza.

Whilst the negotiations are taking longer than hoped, such negotiations are being conducted in an amicable and highly professional manner. All during this process Inca has maintained the project in good standing, in "work-ready" mode so that operations may resume at short notice. This is no small matter taking into account the 40-person camp at Riqueza, keeping communities engaged, access in good order and technical teams at the ready.

Inca has already conducted a considerable amount of exploration at Riqueza. Much of this work has occurred at the Humaspunco Prospect and was focussed on the widespread zinc-silver-lead vein-manto replacement style mineralisation that occurs there. This work is not forgotten, indeed the mineralisation we've identified at Humaspunco is significant, both as an indication of the broader mineralised system at Riqueza and as a potential stand-alone deposit. Notwithstanding this, future exploration is to be conducted across the entire project and the focus will shift from vein and manto replacement mineralisation to porphyry and porphyry-skarn mineralisation. An indication of the potential style and size of the explorative objectives was described in ASX announcement of 31 October 2018.



The resumption of exploration at Riqueza is subject to the execution of the earn-in agreement. Negotiations are to be concluded before 15 March 2019 (ASX announcement 17 January 2019). Inca has managed its camp, access tracks, communities and technical team in order to be ready for the resumption of activities.

### ***Cerro Rayas Project***

Initial exploration conducted by the Company at Cerro Rayas revealed high grade zinc-silver-lead mineralisation at three small mine workings (ASX announcements 29 November 2017, 12 February 2018, 27 August 2018). Encouraged by the high grades of mineralisation, a regional mapping program was conducted across the broader Cerro Rayas area. Additional previously unrecorded mine workings and mineralised outcrops were located which lead to the Company lodging several concession applications (ASX announcements 12 February 2018, 27 August 2018). Six of the nine new applications are now granted (ASX announcement 24 October 2018).

Inca believes Cerro Rayas could be developed along a similar trajectory as Riqueza. This realisation led to adopting a farm-out strategy which is still current. Notable companies operating in the area, excluding South32, include BHP, Anglo-American and Milpo-Nexa.

Field work is scheduled to resume at Cerro Rayas in the upcoming quarter. Upon the likely granting of the three remaining concessions, the Company will consider geophysics coverage over the entire area with the intention of defining drill targets for testing later in 2019. With or without geophysics, and with or without a partner, the Company feels that there is sufficient known mineralisation to consider a drilling campaign in 2019.

### ***New Projects***

As stated in the December 2018 quarterly activities report, the Company has continued its research of various project opportunities in Peru, southeast Asia and Australia to maintain a prospective array of projects capable of discovery, stand-alone production and/or development akin to Riqueza.

The Company lodged three exploration licence applications in East Timor (ASX announcement 24 October 2018) generating three new projects; the Manatuto Project, the Ossu Project and the Paatal Project. They all cover known polymetallic mineralisation and are considered prospective for gold, silver, copper, zinc, nickel, chromium, vanadium, cobalt and phosphate. The cost of lodging the three exploration licences was very low. Granting is expected in mid-2019.

An exploration licence was lodged over an area that hosts potential vanadium mineralisation in Queensland (ASX announcement 31 January 2019). Once granted, the new Toolebuc Project will be Inca's first new project in Australia since 2012.

Other projects are currently being assessed and the market will be up-dated if and when acquisitions are made.

### ***Exploration and Corporate Strategy***

Inca is an exploration company with a current market capitalisation of circa A\$11 million. We are exploring with the intention of value-adding to our projects. Our objective is to develop projects sufficiently prospective and of a scale to attract major mining houses and/or to define a mineral resource for stand-alone mining.

This is our Company philosophy and we have adhered to this since listing. Independent commentators may vary in opinion as to the journey, but as of this moment, this philosophy is well and truly "in play". We will continue to apply best practice exploration and operate with the highest levels of governance. We operate in variable markets, during periods when capital is difficult to acquire, when good results fall on deaf-ears, when commodities waiver in favour. I believe Inca has proven to be unwavering through this.



We have recently welcomed Dr Jonathan West as a Non-Executive Director to the Inca Board. With over 40 years of strategic planning, Jonathan's appointment is well timed. Dr Justin Walawski, though no longer a Director, is staying on as a consultant and company secretary in the interim. Justin is central to the South32 due diligence process and earn-in agreement negotiations.

Late last year the Company completed a rights issue under a prospectus dated 2 August 2018 (ASX announcement 4 December 2018). The rights issue finished 100% subscribed. Over subscriptions were accommodated via a small placement (ASX announcement 7 December 2018). Among other uses, the funds raised have greatly assisted the Company in maintaining Riqueza during the South32 dealings. Indeed, more funds than anticipated were deployed for this purpose as negotiations have continued into 2019.

It is not usual for the corporate structure of a company to be reflected upon. Inca's is a function of our history and our objectives: the merge with the original listed vehicle; the markets we've operated in; and our belief that value is derived through exploration success; shared (partnered) project development; company re-rate and production. As we continue to explore with solid objectives in mind, we will continue to require capital. Having said this, we have implemented strategies that minimises the impact on our treasury.

I trust that I have adequately explained the Company's prospects, its strategies and future in the above few paragraphs. Please feel free to contact me should you have any queries. I again welcome all shareholders into the new year.

Sincerely,

Ross Brown  
Managing Director  
Inca Minerals Limited

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### **Competent Person's Statements**

The information in this report that relates to exploration activities for the Greater Riqueza and Cerro Rayas projects, located in Peru, the Manatuto, Ossu and Paatal projects, located in East Timor, and the Toolebuc Project, located in Queensland, is based on information compiled by Mr Ross Brown BSc (Hons), MAusIMM, SEG, MAICD Managing Director, Inca Minerals Limited, who is a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience, which is relevant to the exploration activities, style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brown is a fulltime employee of Inca Minerals Limited and consents to the report being issued in the form and context in which it appears.