



11 July 2019

MD'S LETTER TO SHAREHOLDERS – INCA UPDATE

On behalf of Inca Minerals Limited (**Inca** or the **Company**), I'd like to provide an update on recent Company activities that have been published in the past few months and to put such activities in the context of the Company's revised exploration strategy. In this letter I'll be providing an update on Riqueza, our flagship project partnered with South32, I'll also be commenting on our other projects in Peru, East Timor and in Australia, and lastly, I'll be talking about our recent corporate initiatives. The purpose is to present these moving parts within the context of the company's overall integrated strategy.

Since the March Quarter 2019 there's been an uptick in the news flow. What has this recent news been about:

- *The progression of the Riqueza Project.* News includes: the execution of the Inca-South32 earn-in agreement (1 April 2019¹); the commencement of South32 funding (5 June 2019); the confirmation of a large epithermal mineral system (20 June 2019); and the discovery of bonanza silver and strong copper grades (4 July 2019).
- *The acquisition and progression of new projects.* News includes: the acquisition of the MaCauley Creek Cu-Au Porphyry Project and Lorna May IOCG Project (11 June 2019) and review of past work (1 July 2019); and the acquisition of the Toolebuc Vanadium Project (24 June 2019).
- *Enhancing corporate and technical capacity.* News includes: Notice of General Meeting (30 April 2019) and its results (31 May 2019); the appointment of a new Company Secretary (17 May 2019); the appointment of a Regional Exploration Manager (17 June 2019).

This news heralds a period of measured and coordinated change associated with the Company's exploration strategy of "finding, minding and combining projects". **Finding** means generating or acquiring projects that have tier-1 potential, especially in the porphyry-IOCG space. **Minding** means incubating projects and implementing low-cost value-adding exploration, to progress them to a point where they are potentially to majors. **Combining** means putting projects and partners together.

Where to place Inca in the myriad of other juniors?: Think "projects with tier-1 potential", think "porphyries and IOCG deposits", think "patient, low cost exploration"; think "partnerships".

Riqueza Project

Riqueza is now fully-solely funded by South32 and the target has shifted from our initial relatively small to medium-scale replacement Ag-Pb-Zn mineralisation to very large scale (or tier-1 scale) Cu-Au-Ag-Zn-Pb epithermal/porphyry/skarn mineralisation. We have not forgotten about the replacement Ag-Pb-Zn mineralisation potential of Riqueza that we worked on before South32's involvement. The greater prize is tier-1 epithermal, porphyry and/or skarn deposits.

¹ Dates in parentheses are dates of the publication of information as an ASX announcement.



Results to date, post South32 agreement (1 April 2019), indicates that the Ag-Pb-Zn mineralisation of Humaspunco, the Au-Ag-Pb-Zn mineralisation at Uchpanga and Colina Roja and the Cu mineralisation at Alteration Ridge and Cuncayoc may all be related to a very large epithermal mineralised system (20 June 2019), and that a number of these prospects within this area host bonanza grade mineralisation: 991g/t Ag and percentage level Cu at Cuncayoc Copper (4 July 2019) and 920g/t Ag, 3.6g/t Au, 20% Zn, 16% Pb at Uchpanga (24 October 2016).

Ongoing work includes a >1,200 sample soil geochemical survey, further 3D analysis of geophysical data targeting a number of priority-1 geophysical targets, mapping and sampling, and a satellite imagery interpretation. The purpose of this work is to generate additional targets and prioritise existing targets for drill testing.

These target-generation programs are critical in the evaluation of the project. Just as the geophysical survey covered the entire project area, so must a geochemical survey cover the project area. This is for two reasons. Firstly, geochemistry is a powerful parameter in identifying targets as it measures mineralisation (and alteration) more directly than does geophysics. Secondly, geochemistry (and satellite imagery) adds layers of information critical in the prioritisation of the existing circa 40 geophysical targets.

It is critical that the areas where there is the highest chance of drilling success are adequately defined through this careful multiphase exploration. To not do this advance work is to significantly reduce the chances of drilling success.

By using multiple tools to generate and prioritise targets, e.g. geology, geophysics, geochemistry, satellite imagery, drill targets are better defined and, to the extent they can be, de-risked. This improves our chances of success.

Australian Projects

Inca now has a Cu-Au porphyry project in Queensland (MaCauley Creek), an IOCG project in the Northern Territory and a vanadium project in Queensland (Toolebuc). These low-cost acquisitions are aligned with the strategy of acquiring projects capable of discovery, securing partnerships and stand-alone production—akin to the trajectory of Riqueza.

MaCauley Creek and Lorna May were acquired through the execution of Memoranda of Understanding (**MOU's**) and through open ground tenement applications (11 June 2019). These projects represent Inca's re-entry into Australian-based exploration opportunities with tier-1 credentials within known and developing porphyry-IOCG provinces in Australia. Toolebuc was acquired through open ground tenement application. It sits within a vanadium province that hosts the fourth largest vanadium deposit in the world (24 June 2019).

Shareholders will be aware that there has been a significant increase in exploration activity by the majors in Australia over the last year with a focus on tier-1 deposits, particularly IOCG's, and in securing joint ventures with junior exploration companies that are considered to have highly prospective ground for such deposits. Inca's new projects fall into this category and are part of the company's overall strategy of building on our success at Riqueza with South32 and in doing similar earn-in/JV deals in Australia.

Australian Projects: Think "*tier-1 porphyries and IOCG's*"; think "*vanadium district*".



East Timor and Other Peru Projects

The Company lodged three exploration licence applications in East Timor in 2018 (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. A refocus of the oil and gas industry by the government means that the granting of these tenements is now expected in late-2019, if not in early-2020.

Inca has also not forgotten about Cerro Rayas. With the remaining few concessions to be granted in August, Cerro Rayas will have a far increased project area, further enabling it to be developed along a similar trajectory as Riqueza. Notable companies operating in the area, excluding South32, include BHP, Anglo-American and Milpo-Nexa. Target generation activities will be the focus of the Company in 2019-2020.

East Timor Projects: Think *“first-mover advantage”*; think *“a broad range of exciting commodities”*.

Cerro Rayas and other projects in Peru: Think *“Inca’s 10-years exploration history”*; think *“track record of discovery”*.





Corporate Initiatives and Adjustments

Finally, but certainly not least, the Company has continued to build upon its strong management and administration foundation. We have changed and added to our management team, new Director Dr Jonathan West, new Company Secretary, Mr Mal Smartt and Regional Exploration Manager Mr Robert Heslop. We have introduced a number of cash-saving measures. The directors will participate in the salary sacrifice scheme which was approved by our shareholders at a GM in May (31 May 2019), the Company Secretary costs have been significantly reduced, and Mr Heaslop has agreed to receiving half his consulting fees in Company shares.

We have successfully secured a partnership for our flagship project in Peru. This is part of the strategy to seek alternate sources of exploration funding. In June 2019, South32 funding at Riqueza commenced (5 June 2019). Today, as a junior explorer, we seek a balance between properly funded exploration and maintaining the treasury. We think we have struck the right balance.

Sincerely,

Ross Brown
Managing Director
Inca Minerals Limited

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, the MaCauley Creek and Toolebuc projects, located in Queensland, and the Lorna May Project, located in the Northern Territory, 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.