

CAESARS REPORT



MINING AND COMMODITY RESEARCH

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Inca One Resources Update



Price	C\$ 0.155
Ticker	TSX-V: IO FRA: SU9
O/S	63.8M
MarketCap	9.9M
Average Volume	108,516 (TSX-V)
Commodity	Gold
Countries Active	Peru
Working capital	C\$ 5M
52 week high	C\$ 0.180 2014-07-04
52 week low	C\$ 0.060 2013-12-04
www.incaone.com	



Introduction

We have met with **Inca One's (IO.V)** CEO **Edward Kelly** in Vancouver and as he shed some more light about the company's near-term plans at Chala, an update seems to be warranted.

The Company recently announced a C\$5.5M debenture financing of which the first tranche of C\$2.7M has already been closed and we expect Inca One receive the final C\$2.8M later this summer. The proceeds will fully fund both the expansion of the Chala processing facility to a 100 tpd capacity and additional ore-purchase agreements with documented small-scale mining operations.



Tailings construction



Chala One is getting ready to fire on all cylinders

As you already know, the current plant in Chala is a 25 tonne per day carbon in leach (CIL) plant in the region of Arequipa, the region in Peru with the largest amount of legal small scale mines to buy and process ore from. These small mines (consider them to be mom and pop operations) are unable to support stand-alone plants (due to their small output) so these miners need to find a solution to process their raw ore. We believe

Inca One's Chala plant is strategically situated accommodate these small mines as its processing facility is a state of the art facility with high recovery rates.

According to CEO Edward Kelly, two new 50 tpd ball mills will be added to the current 25 tpd plant at Chala. The first ball mill has already been sourced and purchased, and will be inserted into the processing circuit by the end of the third quarter of this year, increasing the throughput to 75 tonnes per day. The second 50 tpd ball mill should be added before the

end of the year and then the small 25 tpd ball mill will be idled. With the two new 50 tpd ball mills operating in tandem, the Company will achieve a combined capacity of 100 tpd, while maintaining the legacy ball mill as reserve at 25 tpd (for a total combined capacity of 125 TPD).

The first ball mill should be installed by the end of the third quarter and we actually expect Inca One to start commissioning the second ball mill during the second quarter so that the company can reach its planned 100tpd throughput before the end of this year.

Inca One will obviously need more ore

It's not just the plant throughput which will prove to be instrumental for the company's cash flow, but Inca One obviously will also have to secure enough mill feed. CEO Kelly reassured us that the company is currently negotiating new ore supply contracts which should be finalized soon. He reiterated the target to purchase and process ore grading approximately 0.8 ounces per tonne (25 g/t).

At a throughput rate of 100 tonnes per day and an average grade of 0.8oz/t, Inca One expects to generate an annual net cash flow of \$9.8M which isn't bad for a company with a current market capitalization of \$10M.

According to CEO Ed Kelly, the company is in the final stage of interviewing candidates for the position of Chief Ore Purchaser, a full time job that will deal with all aspects of sourcing high-grade ore and negotiating with the sellers.

Corizona

Inca One has also shipped a 28 tonne bulk sample from its Corizona project but the results are a bit disappointing as the grade ranged between 1g/t and 7.65g/t which is less than we were expecting. It's not surprising Inca One has put the Corizona project on hold and we think this isn't a bad move as this will allow the company to focus on its toll milling facility and rebrand itself as a 'pure' toll milling company.



Conclusion

We feel Inca One is on the right track as it has secured the financing to fourfold its throughput rate at the Chala One processing facility. This expansion to 100 tonnes per day should be completed by the end of this year, and if Inca One is indeed able to secure mill feed with an average grade of 0.8 oz/t, the company will generate a substantial amount of cash flow in 2015 and beyond.

All pieces of the puzzle are in place now, and when Inca One reaches the targeted throughput of 100 tpd we are looking forward to see the longer term plans for the company, as Inca One is planning to be one of the dominant players in the toll milling sector.



Contact

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