



**Inca One (IO.TSXV)** has just announced that they have reached their target Mill throughput level of 100TPD (tonnes per day):

[http://www.incaone.com/news/news\\_releases/index.php?&content\\_id=148](http://www.incaone.com/news/news_releases/index.php?&content_id=148)

Highlights include:

Inca One Announces Recovery Of An Additional 2,144 Ounces Of Gold And 2,392 Ounces Of Silver At Chala One Since April 8, 2015

June 7, 2015 the Company initiated production throughput at the plant's maximum capacity of 100 TPD with the intent to operate within the 80 TPD to 100 TPD range through the third calendar quarter of 2015. Over the last few weeks the Company made select adjustments to the milling and leaching circuits with the intent to maximize gold recovery at these production levels.

However, the share price has slipped back in recent weeks to 20c, which is reflective of negative sentiment towards mining in general and a lower gold price.

We think this is a great opportunity to buy Inca One as it doesn't reflect the company's fundamentals and future potential.

#### **So how do we value Inca One?**

At 20c the company is worth CAD\$17.2 million (based on the current fully diluted shares of 86 million).

You'll note from page 3 of their latest presentation here:

<http://www.incaone.com/investors/presentation/>

, that at a production rate of 100 TPD the company projects Net Operating Cash Flow of \$7.4 million per year.

This means that Net Cash Flow per share = 8.6c (being \$7.4 million / 86 million shares).

The Price to cash flow per share is therefore just 2.32x ( Share price 20c / Net cash flow per share).

**We think a fair Price to cash flow ratio is more like 5x, which implies the shares should be more than double the current 20c.** This concurs with the companies projection of 44c (page 15 of the presentation).

Further share price upside will come as the throughput of the mill increases. The company aims to increase to 1,000 TPD within the next 4 years at which point they project a \$275 million market capitalisation should be possible – **that's 16 times the current valuation.**

A good opportunity.

**Disclosure: I, Daniel Metcalfe own shares in Inca One.**

**Daniel Metcalfe** Senior Client Advisor – Equities and Derivatives | **OM Financial Limited**

**P:** +64 9 523 1166 | **F:** +64 9 520 9311 | **E:** [Daniel.Metcalfe@omf.co.nz](mailto:Daniel.Metcalfe@omf.co.nz) | **W:** [www.omf.co.nz](http://www.omf.co.nz)



OM Financial Limited, trading as OMF

This report is solely for general information purposes and does not purport to make any representation upon which you may reasonably rely without taking further or more specific advice. While the information herein has been obtained from sources believed by OM Financial Limited to be reliable, OM Financial Limited gives no warranty or representation as to its accuracy, completeness or fairness. Persons who rely on it do so entirely at their own risk. The information herein may be changed or withdrawn at any time without notice. This e-mail is intended to be read or used by the addressee only. It may contain confidential information. If you are not the intended recipient any use, distribution, disclosure or copying of this e-mail is strictly prohibited. Confidentiality attached to this communication is not waived or lost by reason of the mistaken delivery to you. If you have received this e-mail in error, please notify us immediately and delete it.