# ACTIVITY REPORT - HIGHLIGHTS THIS QUARTER

## EXPLORATION

- Subject to agreement on all other terms, key terms of Phase 1 Earn-in Agreement (**EIA**) between Inca and South32 Limited (**South32**) are agreed, including an exploration commitment of US$9 million for 60% of Greater Riqueza (**Riqueza**) over four years.
- Final interpretation of South32-funded geophysics identifies high priority Carbonate Replacement Deposit (**CRD**)-like targets.
- Three applications for exploration licences are lodged covering polymetallic mineralisation in East Timor.
- An application for an exploration tenement is lodged covering a vanadium target in Queensland.

## CORPORATE

- A rights issue is completed finishing 100% subscribed.

# PROJECT ACTIVITIES

### *Riqueza: Key Terms Agreed in EIA Negotiations with South32*

As noted in Inca's 17 January 2019 ASX announcement, key terms in the negotiations of the EIA between Inca and South32 were agreed as a post-quarter development. Subject to agreement on all other outstanding terms, including technical, commercial and legal due diligence, the key terms agreed 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.

In addition, the first-year exploration program and budget have been developed; due diligence has progressed, and other key aspects of the EIA are also well advanced. By mutual consent, the 90-day negotiation period was extended to 15 March 2019.

Year-1 exploration will include (but not limited to) project wide grid geo-chemical analysis, with close spaced sampling over the north-east high priority target areas. The coincidence of geophysical and geochemical anomalies would elevate target areas even further than they are already. Expert mapping with a focus on porphyry-skarn mineralisation and structure will also be carried out. Possible ground-geophysics is also scheduled.

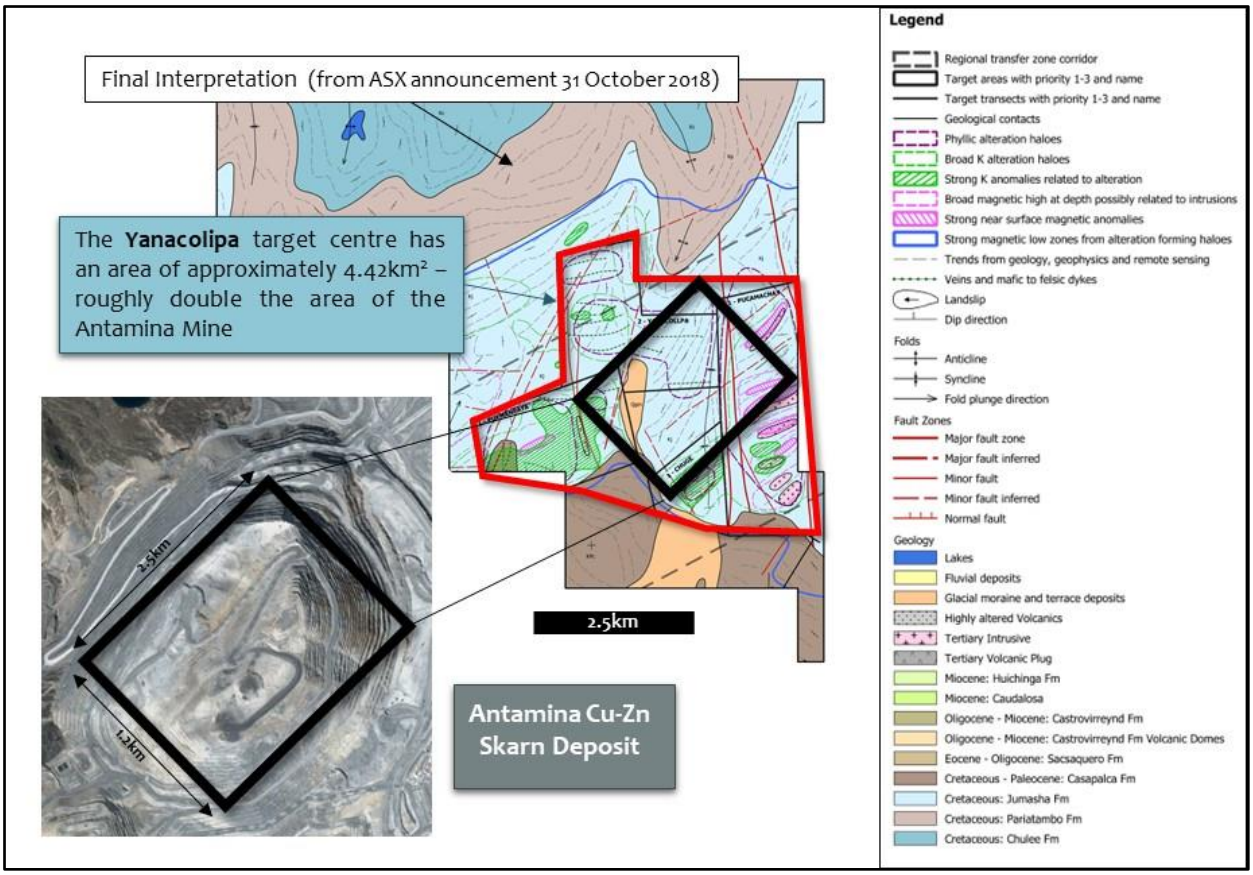
### *Final Interpretation of South32-funded Geophysics*

Further to the geophysics survey report for Riqueza received in the previous quarter, the Company obtained in the December quarter, a final 53-page geophysics summary report. Amongst the key conclusions the geophysics summary report states that the large Yanacolipa target centre could host a large carbonate replacement deposit. The Antamina copper (Cu)-zinc (Zn) skarn deposit (**Antamina**) was mentioned as an example of a CRD and was compared in size to the Yanacolipa target (Figure 1). Antamina is located on the same porphyry-skarn mineral belt as Riqueza.[1]

[1] On this basis of the comparison of Yanacolipa and Antamina, Yanacolipa is defined as an Exploration Target in accordance with JORC Chapter 17 (2012). The potential quantity and grade of Yanacolipa is conceptual in nature. There is insufficient exploration to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Yanacolipa, located in the NE part of the Project, has an area of 4.42km² and includes four high priority targets; Pucamachay (1.66km²), Yanacolipa (1.23km²), Puymanpata (1.13km²) and Chuje (0.4km²). Antamina has an area of approximately 1.8km². Yanacolipa and Antamina are compared in the Geophysics Report in terms of areal extent (Figure 1).

Figure 1 **BELOW:** Yanacolipa compared in size to Antamina




## *Three Exploration Licences Lodged in East Timor*

Benefiting from first-mover advantage and with the assistance of key stake holders, Inca generated the Manatuto Project, the Ossu Project and the Paatal Project in the Democratic Republic of Timor-Leste (**East Timor**). The Company lodged three Exploration Licence Applications (**ELA**) with proposed areas covering known polymetallic mineralisation, including precious/base metals: gold (**Au**), silver (**Ag**), nickel (**Ni**), Cu and Zn; battery metals: vanadium (**V**) and cobalt (**Co**), and food-security commodity: phosphate ($P_2O_5$).

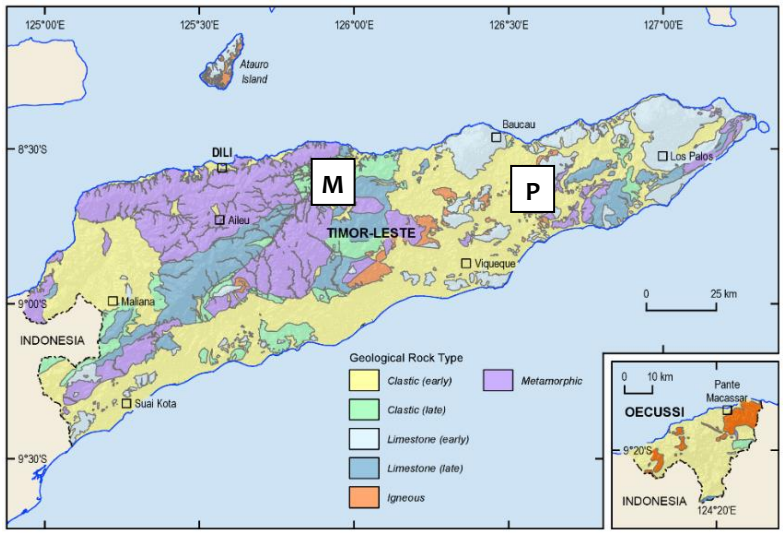



Figure 2 **RIGHT:** Simplified geology of East Timor and the approximate location of Inca's Manatuto (M), Ossu (O) and Paatal (P) project applications.

Table 1 **BELOW:** Project and exploration licence application details.

| Project Name | Tenement Type | Centre Location Latitude | Centre Location Longitude | Area | Target Commodity |
|---|---|---|---|---|---|
| **Manatuto** | Exploration Licence Application | 8° 29' 55" S | 125° 56' 30" E | 25sqkm | Ni-Co-Cr-Cu-Au |
| **Ossu** | Exploration Licence Application | 8° 45' 40" S | 126° 21' 49" E | 25sqkm | Co-Au-Ag-Cu-Zn |
| **Paatal** | Exploration Licence Application | 8° 36' 17" S | 126° 35 03" E | 25sqkm | V-$P_2O_5$ |

The *Manatuto Project* is considered prospective for battery, precious and base metal mineralisation. It comprises a sequence of ultramafic rocks (in places serpentinised) of the Banda Arc. The project area hosts known podiform chromium (**Cr**) mineralisation extending over a 2,500m strike length with grades between 35% and 51% Cr in prior sampling and several quartz vein occurrences. As well as following up on the significant Cr mineralisation, the Company plans to test the occurrence of ophiolite-sulphide Ni-Co-Cu mineralisation associated with the ophiolite sequence and gold associated with the quartz veins.

The *Ossu Project* is considered prospective for battery, precious and base metal mineralisation. Ossu comprises Banda Arc ultramafic rocks and hosts known massive sulphides. Mineralisation at grades of 3.0 to 4.0g/t Au, 70.0g/t Ag and 10% Cu have been recorded in large *in situ* boulders within the Ossu ELA. Ossu is highly prospective for several metals applying several exploration models including, but not limited to Cyprus-style and Besshi-style VMS deposits.

In terms of Au and Ag mineralisation at Ossu, the Lerokis and Kali Kuning Au-Ag deposits (2.2Mt at 5.5g/t Au + 146g/t Ag and 2.9Mt at 3.5g/t Au + 114g/t Ag respectively) on Wetar Island, Indonesia, serve as analogues for the Ossu Project. Wetar is located immediately north of Timor-Leste within Banda Arc terrain.

The *Paatal Project* is considered prospective for phosphate and vanadium mineralisation. The target area hosts phosphate rocks grading between 9% $P_2O_5$ to 22% $P_2O_5$. The phosphate mineralisation at Paatal is characteristic of sedimentary marine or upwelling-style phosphate deposits. The phosphate occurs in unconsolidated marine sediments (limestones, marls, shales) as dark brown nodules.

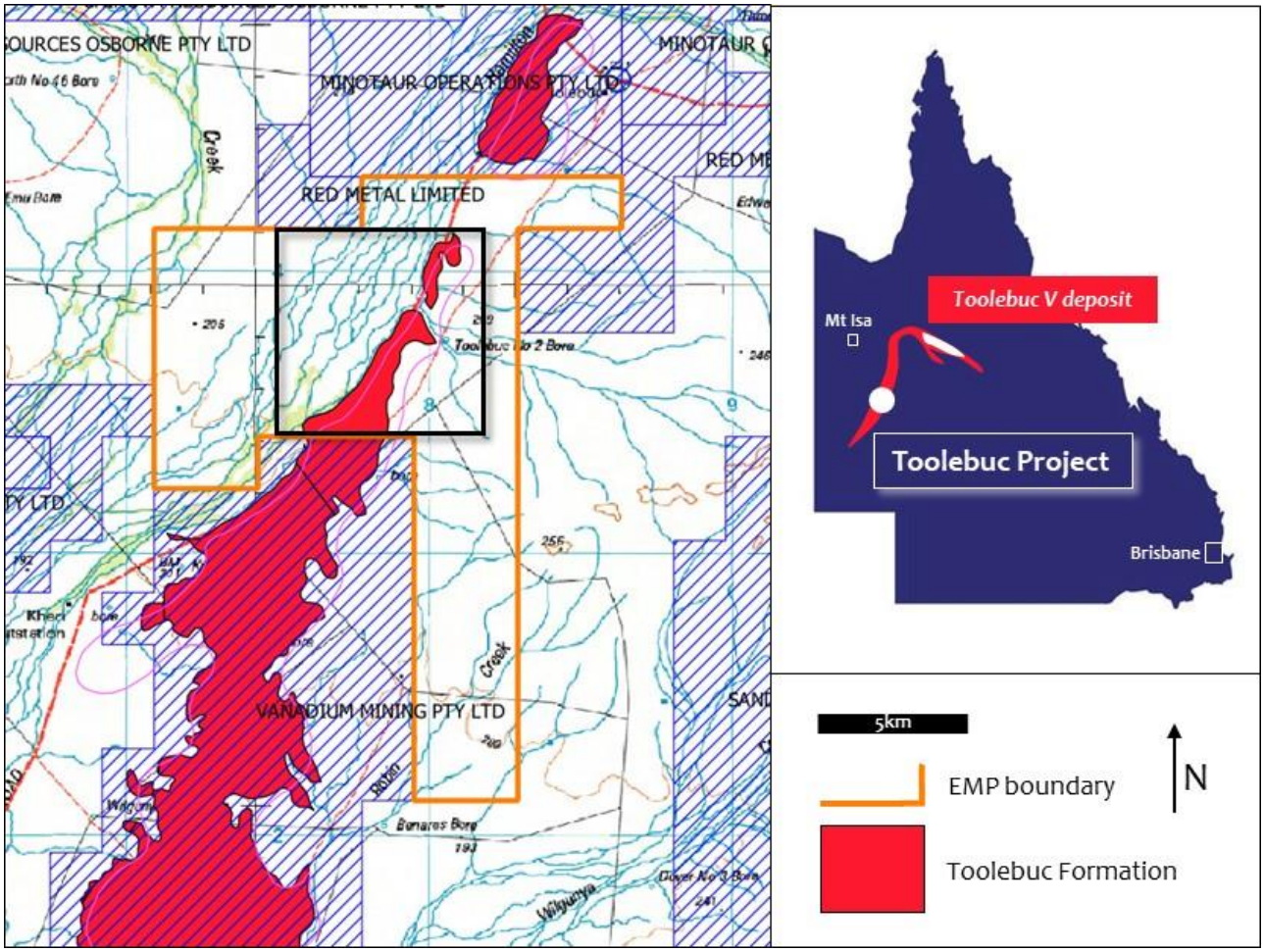
As well as following up on the significant phosphate mineralisation, the Company plans to test the occurrence related vanadium mineralisation. Vanadium and phosphate may occur together under certain depositional conditions.

### *New Project and Project Assessments*

To maintain a prospective array of projects capable of a development path like that of Riqueza, the Company continued its research and development of various project opportunities in Peru, Southeast Asia and Australia.

As a consequence of this work, the Company lodged an Exploration Permit application (**EPM27072** or **EPM**) in Queensland to cover a 7km strike length of the vanadium-bearing Toolebuc Formation (Figure 3). The Toolebuc Formation[2] hosts one of the largest vanadium deposits in the world with well over four billion tonnes at circa 0.30%-0.45% vanadium pentoxide (**$V_2O_5$**) (Table 2, Figure 3).

[2] As illustrated in Figure 3, the Toolebuc Formation extends over a large area in Queensland. Whilst it is the host of vanadium mineralisation, the vanadium deposit (described below) does not occur within the Company project area.



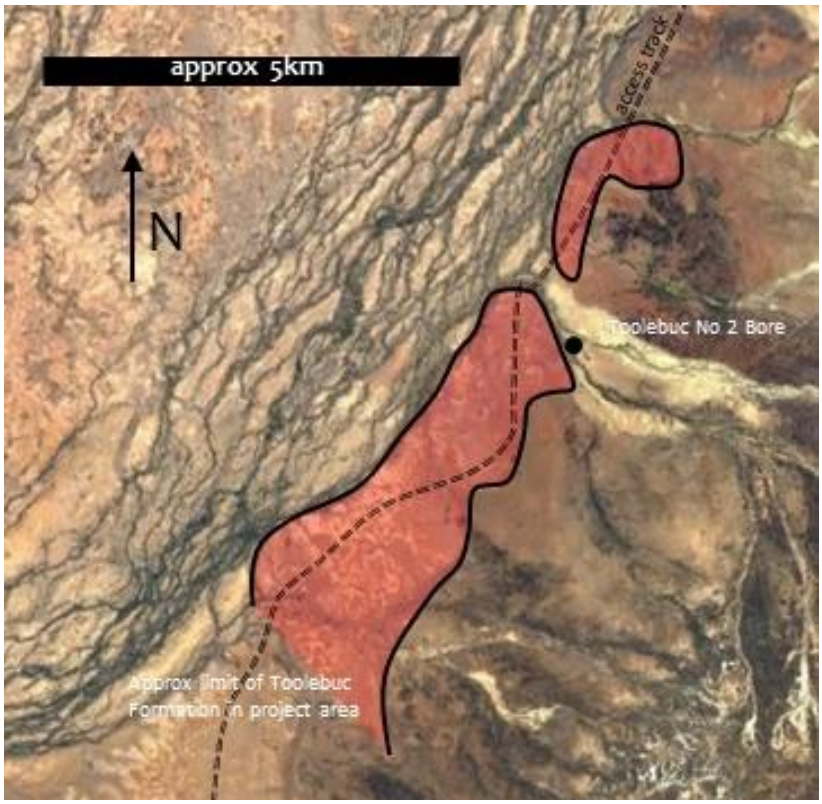




Figure 3 **ABOVE:** Toolebuc Project location plan (orange lined polygon). The Toolebuc Formation outcrops in a rough L-shaped area in central Queensland. Vanadium Mining Pty Ltd is immediately south of Inca's new EMP. Red Metal Ltd and Minotaur Operations Pty Ltd are immediately north and northeast of Inca's new EMP. The black-lined shadowed box shows the approximate limit of area of the insert. **INSERT LEFT:** The approximate extent of the Toolebuc Formation at the Toolebuc Project (pink shaded area). It is exposed over a 7km strike length and is well accessed by a gravel track.

***The Toolebuc Deposit (not an asset of Inca)***

The Toolebuc vanadium deposit is hosted in the Toolebuc Formation, an organic-rich sedimentary formation widespread in the northern and central parts of the Eromanga Basin in interior Queensland (Figures 3 & 4). The Toolebuc deposit has many parts with large sections of it owned by different companies, including Australian-listed Intermin Resources (**IRC**) and QEM (**QEM**) and unlisted Vecco Group (**Vecco**). Each of these companies have disclosed JORC-compliant vanadium reserves (Table 2).

| Company | Category | Deposit | Tonnes (Billions) | Grade (of V2O5) % |
|---|---|---|---|---|
| Intermin Resources | Global Reserves | Richmond | 2.5 | 0.32 |
| QEM | Global Reserves | Julia Creek | 1.7 | 0.34 |
| Vecco Group | Indicated | Debella | 0.045 | 0.47 |
| | Inferred | Debella | 0.13 | 0.43 |
| | | | **4.375** | |

Table 2 **LEFT:** JORC-compliant reserves of vanadium deposits that comprise part of the Toolebuc vanadium deposit.

The Company does not infer that a vanadium deposit occurs at its Toolebuc Project by referring to i) the presence of Toolebuc Formation within the project area, or ii) referring to other companies' vanadium deposits in this announcement. No comparisons to the Intermin Resources, QEM and Vecco Group deposits are made.

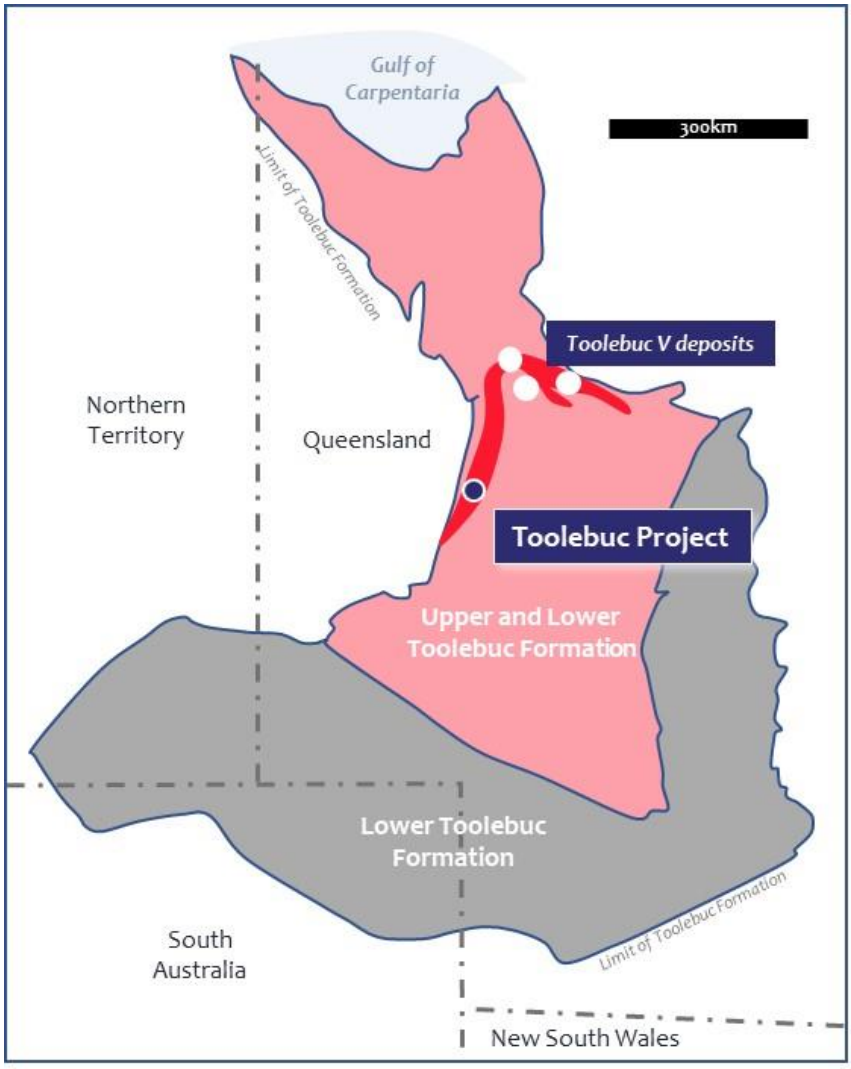



Figure 4 **LEFT:** The distribution of the Toolebuc Formation in central Australia. The Toolebuc Formation is part of the Eromanga Basin sequence and extensively outcrops along its mid-northwest and northeast margin (approximate area shaded red) where the Toolebuc deposits, Richmond (Intermin Resources), Julia Creek (QEM) and Debella (Vecco Group) occur. Inca's Toolebuc Project occurs along this northeast-southwest trending margin.

## CORPORATE ACTIVITIES

In the previous quarter, and pursuant to a Prospectus dated 2 August 2018 (Prospectus), Inca announced a non-renounceable pro-rata (1 for 10) entitlement issue of up to 262,028,816 fully paid ordinary shares at $0.005 per share and 262,028,816 free attaching options on the basis of 1 new option for each new share issued. Any entitlements not taken up formed the shortfall offer under the Prospectus. During the December 2018 quarter the Company completed the placement of all shortfall securities with the effect being a 100% take-up of all securities offered under the Prospectus.

Late in the December 2018 quarter, Inca also completed a subsequent capital raising of $59,500 (before raising costs) through the issue of 14,490,000 fully paid ordinary shares and 1,540,000 options. The capital raising was completed through:

(a) The placement of 1,540,000 fully paid ordinary shares, each with a free attaching option, at an issue price of 0.5 cents per share (**Placement 1**);

(b) The placement of 12,950,000 fully paid ordinary shares at an issue price of 0.4 cents per share (**Placement 2**).

Placement 1 was made to an existing shareholder without disclosure under Part 6D.2 of the Corporations Act, using Inca's ASX 7.1 (15%) capacity and under Section 708(1) of the Corporations Act. Placement 2 was made to Acuity Capital Investment Management Pty Ltd without disclosure under Part 6D.2 of the Corporations Act, using Inca's ASX 7.1 (15%) capacity and under Section 708(8) of the Corporations Act. Shares issued under Placement 1 and Placement 2 rank equally with all other fully paid issued ordinary shares (ASX: ICG). The options issued under Placement 1 rank equally with, and were issued under the same terms and conditions as, the options issued under the Company's Prospectus.

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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.

Table 3 **BELOW:** List of ASX Announcements During December 2018 Quarter

| ASX Announcements | Price Sensitive | Date Announced | Competent Person |
|---|---|---|---|
| Annual Financial Report for the Year Ended 30 June 2018 | NO | 1-Oct-18 | |
| Placement of Shortfall Securities and Appendix 3B | YES | 1-Oct-18 | |
| Ceasing to be a Substantial Holder | NO | 19-Oct-18 | |
| Share Placement to Service Provider | NO | 22-Oct-18 | |
| Exploration and Company Strategy Update | NO | 23-Oct-18 | |
| Inca First-Mover for Battery Metals in East Timor | YES | 24-Oct-18 | Ross Brown |
| Cerro Rayas Project Expands | YES | 24-Oct-18 | Ross Brown |
| Pause in Trading | YES | 25-Oct-18 | |
| Trading Halt | YES | 25-Oct-18 | |
| Suspension from Official Quotation | YES | 29-Oct-18 | |
| Appendix 4G | NO | 29-Oct-18 | |
| Inca Minerals Limited 2018 Annual Report | NO | 29-Oct-18 | |
| Notice of Annual General Meeting/Proxy Form | NO | 29-Oct-18 | |
| Final Geophysics Report Unveils Riqueza Massive Potential | YES | 31-Oct-18 | Ross Brown |
| Reinstatement to Official Quotation | YES | 31-Oct-18 | |
| Appendix 5B | YES | 31-Oct-18 | |
| Quarterly Activities Report | YES | 31-Oct-18 | Ross Brown |
| Placement of Shortfall Securities | NO | 8-Nov-18 | |
| Appendix 3Y - Change of Director's Interest Notice | NO | 22-Nov-18 | |
| Appendix 3Y - Change of Director's Interest Notice | NO | 22-Nov-18 | |
| Inca AGM Managing Director Presentation | NO | 28-Nov-18 | Ross Brown |
| Inca Annual General Meeting Results | NO | 30-Nov-18 | |
| Issue of Shortfall Securities & Placement | NO | 4-Dec-18 | |
| Inca Placement | YES | 7-Dec-18 | |
| Resignation of Director | NO | 13-Dec-18 | |