



27 APRIL 2016

## HIGHLIGHTS THIS QUARTER

- Inca Minerals Limited (“Inca” or “Company”) acquires the Riqueza zinc-silver-lead (Zn-Ag-Pb) project. Riqueza hosts extensive high grade Zn-Ag-Pb mineralisation at surface that includes:
  - At least six mineralised Zn-Ag-Pb vein deposits and at least one mineralised Zn-Ag-Pb manto<sup>1</sup>.
  - Peak grades of **43.5% Zn** (from 386 samples), **2,668g/t Ag** (from 386 samples) and **48.7% Pb** (from 386 samples) in prior sampling programs.
  - Average grades of **7.18% Zn**, **205.36g/t Ag** and **10.71% Pb** (262 samples).
  - Numerous mine workings to depths of up to 50m (Santa Rita & Rita Maria / Uchpanga workings).
  - Extensive gossans adding to walk-up drill targets.



Figure 1: **LEFT** Brecciated dolomitised limestone with iron oxides and sulphides from a mineralised vein at Riqueza grading 12.45% Zn, 195g/t Ag and 17.41% Pb.

- Chanape project activities reports during March 2016 quarter include:
  - Assays from deep drill hole CH-DDH033 produce 261m down hole at **0.19% copper** (Cu) and 368m down hole at **0.16g/t gold** (Au).
  - Independent expert reports from Mr Richard Sillitoe and ExploAndes Geological Consulting and Exploration see Inca conclude porphyry hosted Cu mineralisation is absent at depths <1,000m and majority of mineralisation occurs in hydrothermal breccias.
  - Company seeks to renegotiate the Chanape mining assignment agreement and, post-quarter, advises vendor of termination of exploration on the Chanape project.

## Riqueza Zinc-Silver-Lead (Zn-Ag-Pb) Project Activities

On 5 April 2016 (immediately post the March 2016 quarter (“**Report Period**”)) the Company announced it had secured an option to acquire the Riqueza Project (formerly named the Santa Rita project) through a 5-year Mining Option and Assignment Agreement. Riqueza is located in the rich mineral belt of Central Peru and is highly prospective for Zn, Ag and Pb mineralisation. Extensive rock chip sampling at Riqueza (pre-2009) identified six high grade Zn-Ag-Pb veins and one high grade Zn-Ag-Pb manto. In 2011 additional veins and mantos were discovered and an extensive grid-soil sampling programme (900 samples) identified a large +1% Zn soil anomaly, extending well beyond the known veins and mantos.

<sup>1</sup> Manto: A flat or bedded “strata-bound” mineral deposit.



Riqueza is located approximately 200km ESE of Lima (Figure 2) and is accessible from two directions via well-established road networks. The project comprises a single concession covering 1,000 hectares. Previous work includes mapping, rock chip and soil sampling. The project area has undergone several phases of mining with two mining centres occurring within the concession: Santa Rita (the most extensive) and Rita Maria/Uchpanga (Figure 3) which were sporadically mined from the 1960's.



Figure 2: **RIGHT** Location plan of Riqueza. This plan is taken from NI43-101 Technical Report on the Riqueza (formerly Santa Rita) Zn, Ag, Pb Property, Huancavelica, Peru (11 November 2009).

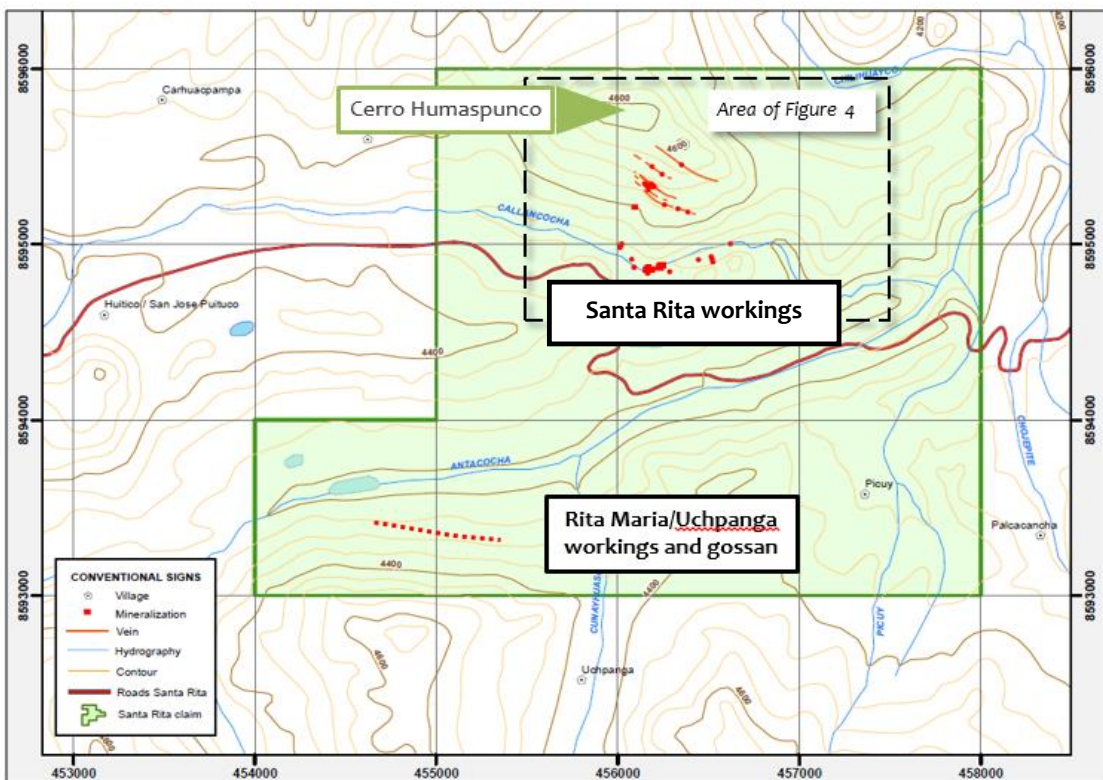


Figure 3: **ABOVE** Plan showing the area of the concession (green), topographic information and the approximate representation of known mineralisation (red lines and dots). Each grid square is 1,000m x 1,000m. A good quality all-weather gravel road traverses the project area. The most extensive mine workings are concentrated on the crest and the southern flank of a small topographic high, known as Cerro [Mount] Humaspunco.





Riqueza has well over a dozen adits (drives up to 140m in length and shafts to depths of 40m) and shallow surface workings (trenches) that follow the mineralised veins and manto. All mining activities have ceased and mining production is currently unknown.

Several phases of rock chip sampling have occurred at Riqueza. Assays from prior sampling programs produced peak grades of **43.5% Zn** (from 386 samples), **2,668g/t Ag** (from 386 samples) and **48.7% Pb** (from 386 samples). The single largest rock-chip sampling program included 262 samples with average grade of **7.18% Zn**, **205.36g/t Ag** and **10.71% Pb**. These are very strong grades, derived from a large sample population, defining a contiguous zone of mineralisation over 2,500m in combined total length (Figure 4).

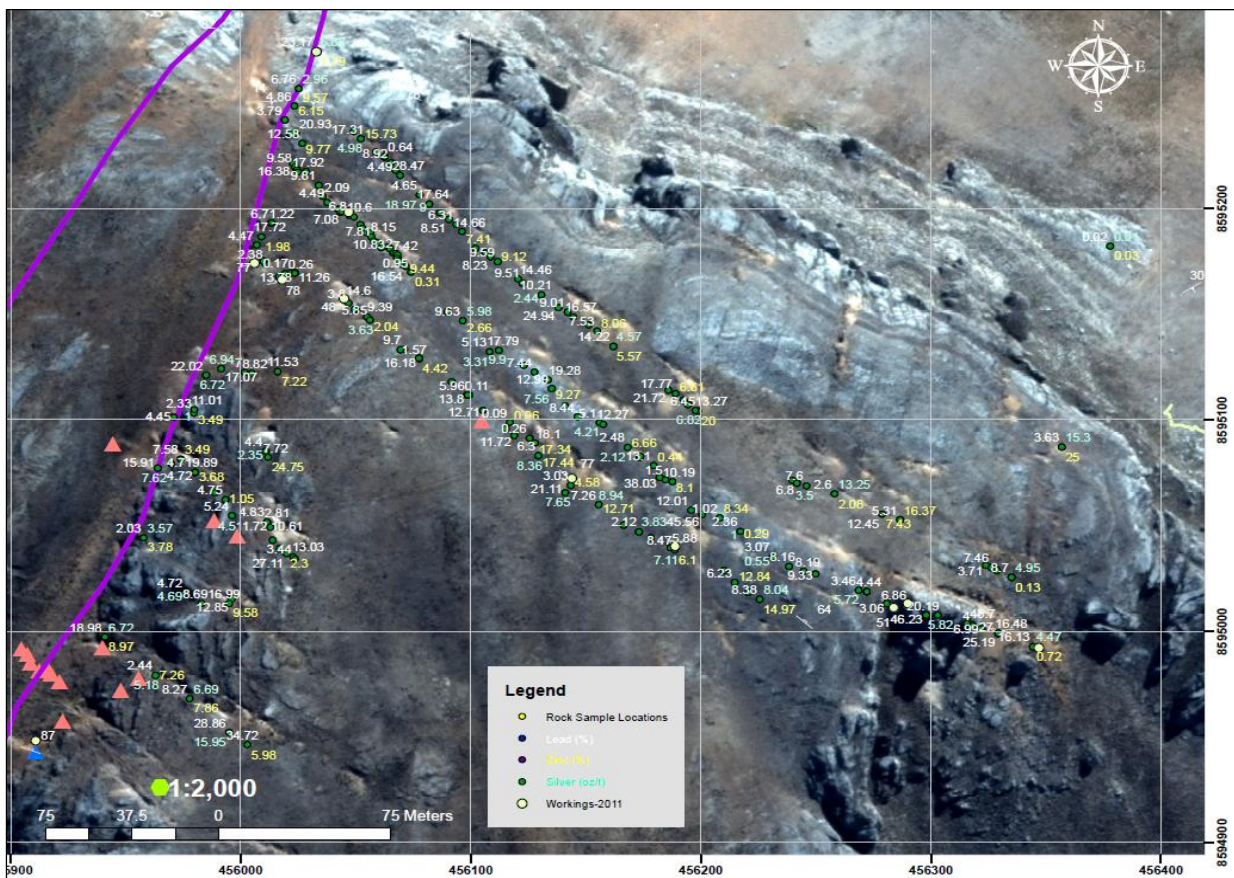


Figure 4: ABOVE 2009 rock chip sample results of the Zn-Ag-Pb veins. The numbers are % levels of Zn (yellow) and Pb (white), and g/t levels of Ag (green). Plan taken from NI43-101 Technical Report on the Riqueza (formerly Santa Rita) Zn, Ag, Pb Property, Huancavelica, Peru (11 November 2009).

A detailed grid soil sample programme of 904 samples was also conducted in 2011 extending across the main workings area which includes little to no outcrop. Strong soil anomalies of Zn, Ag and Pb were generated. A soil anomaly of +1% Zn was recognised covering an irregular area of 700m x 500m, and notably, it extends well beyond the known extent of the mineralised veins and manto (Figure 5).

Five additional veins and two additional mantos were recognised in mapping subsequent to the majority of sampling programmes. Mapping was also conducted at the Rita Maria and Uchpanga old working sites, which occur in the southern part of the concession area. The Rita Maria/Uchpanga workings occur to depths of 40m and, and together with surface gossans, extend for 800m. Additionally, distinctive “red” alteration zones have





been mapped on the same stratigraphic position as the Rita Maria/Uchpanga workings and gossans. These are believed to be evidence of further mineralisation at this southern location.

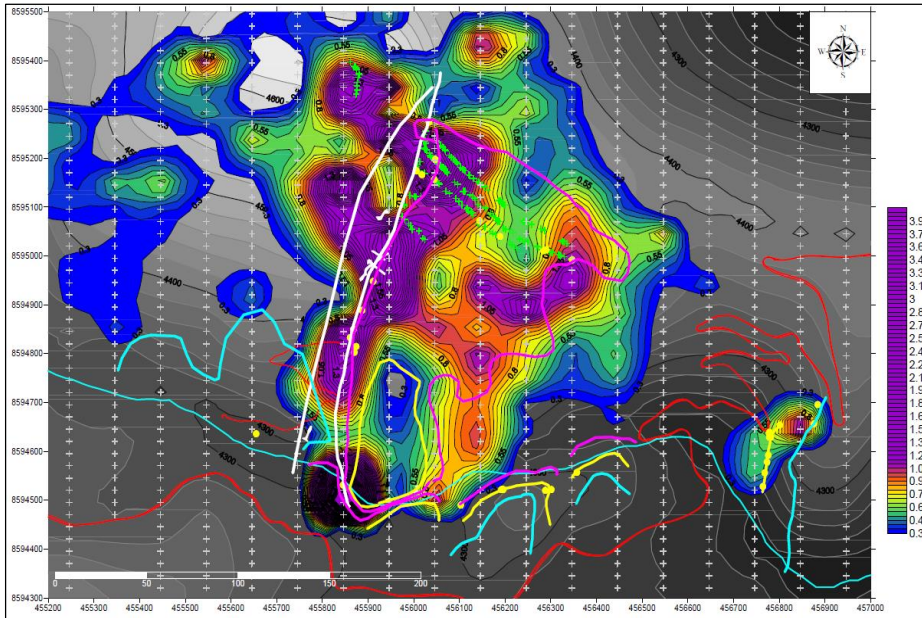


Figure 5: LEFT Grid soil sample contoured Zn (%) results, where purple represents > 1% Zn. The vein positions are shown as a series of yellow lines.

### Summary of Riqueza Mining Option & Assignment Agreement (“Riqueza MOAA”)

As announced (5 April 2016) the Company commenced negotiations with the vendor on the Riqueza MOAA some 12 months earlier. The resulting 5 year mining option and assignment agreement sees Inca’s total consideration for 100% of the project (less 2% NSR) being US\$1,773,000. More than 70% of this consideration is payable in the 4<sup>th</sup> and 5<sup>th</sup> years of the Riqueza MOAA. An amount of US\$30,000 is payable on the Execution Date (“ED”) and the payment schedule thereafter is:

- US\$20,000 @ 6 months from ED
- US\$50,000 @ 12 months from ED
- US\$60,000 @ 18 months from ED
- US\$50,000 @ 24 months from ED
- US\$63,000 @ 30 months from ED
- US\$100,000 @ 36 months from ED
- US\$100,000 @ 42 months from ED
- US\$150,000 @ 48 months from ED
- US\$150,000 @ 54 months from ED
- US\$1,000,000 on execution of Public Transfer Deed

The Company has a 20 year option to buy back 50% of the 2% NSR for US\$1,000,000, leaving a 1% NSR. The Company can acquire 100% of the project at any time and can withdraw without penalty at any time.

### Post-Report Period Riqueza Project Activity

The surface rights to most of the Riqueza project and also the most prospective areas are controlled by the Acobambilla Community. Post the Report Period the Company’s Managing Director, Mr Ross Brown, confirmed (from Peru) that meetings with the Acobambilla Community had been extremely successful and that a cost-effective and long term access agreement had been reached with the Acobambilla Community. This will be integral to the Company’s up-coming application for a drilling permit (known as a *Declaración de Impacto Ambiental*) (see ASX announcement 22 April 2016). Mr Brown is currently in Lima conducting, among other activities, an examination of newly acquired and highly encouraging past geological reports on Riqueza.



## Chanape Project Activities

On 2 February 2016 Inca reported assay results for CH-DDH033, the Company's most recent drill hole at Chanape, which indicated broad levels of Au and Cu over a combined and overlapping down hole interval of 527m. This zone of mineralisation, hosted in a breccia-porphyry sequence comprises 261m down hole at 0.19% Cu from 605m and 368m down hole at 0.16g/t Au from 341m. The Cu and Au mineralisation, the metal zoning pattern of this hole, and the alteration pattern, which broadly grades from phyllic alteration to chlorite-sericite alteration to minor potassic alteration, indicated an upper-middle position of a mineralised porphyry system had been intersected.

Based on established porphyry exploration models, the Company considered that CH-DDH033, which had drilled to a depth of 908.6m (down hole), had tracked toward but not intersected a porphyry "centre". Having now completed over 11,500 metres of drilling at Chanape, the Company commissioned independent geological reports for the principal purpose of assessing the Chanape Project. These included reports from Mr Richard Sillitoe ("**Sillitoe Report**") and Peru-based ExploAndes Geological Consulting and Exploration Services ("**ExploAndes Report**"). In its 23 March 2016 announcement the Company summarised these two reports.

The Sillitoe Report documents findings from over 6,000m of diamond drill core logging completed by Mr Sillitoe and these included the following.

### The Nature and Style of Mineralisation at Chanape

1. The broad zones of low-grade Cu mineralisation at Chanape (**220m @ 0.13% Cu** in CH-DDH001; **284m @ 0.32% Cu** in CH-DDH011 and **261m @ 0.19% Cu** in CH-DDH033) are hosted in either distinctive tourmaline breccias or more subtly *brecciated* diorite/monzodiorite porphyry, and not in *un-brecciated* diorite/monzodiorite porphyry as previously believed (cross-sections of CH-DDH001 and CH-DDH011 and CH-DDH027 and CH-DDH033 are presented in Figure 6).
2. The high grades of breccia-hosted mineralisation at Chanape, including CH-DDH012 (**55m @ 2.3% Cu, 0.6g/t Au, 42.9g/t Ag**) and CH-DDH013 (**68m @ 1.9% Cu, 0.9g/t Au, 42.9g/t Ag**), are associated with the contacts between the breccia and the country rock (where open spaces are created as the country rock breaks). Mineralisation quickly decreases away from the contact in most cases.
3. The high grades of Cu mineralisation (described in Point 2) develop where chalcopyrite (a Cu mineral) occurs in significant quantities within the open spaces (matrix) of the breccia margins (CH-DDH012 & 13).
4. The lower grades of Cu mineralisation (described in Point 1) develop where chalcopyrite occurs as disseminations (CH-DDH001, 011 & 033).
5. In all cases where Cu mineralisation occurs, classic porphyry Cu veinlets (A-, B-, D-, or EDM-type veinlets) are absent in drilling to date. Cu mineralisation is directly related to brecciation events.

### The Nature and Style of Alteration Patterns at Chanape:

1. Propylitic alteration is dominant in the volcanic and intrusive rocks at Chanape.
2. Phyllic alteration is dominant in hydrothermal breccias at Chanape and is not particularly well developed within *in situ* intrusive rock, including the porphyry rocks that occur at Chanape.
3. Based on the above and known alteration patterns of Cu porphyry systems, the hotter parts of the porphyry system, where Cu mineralisation usually occurs within potassic altered rocks, are deeper than all current levels of drilling.



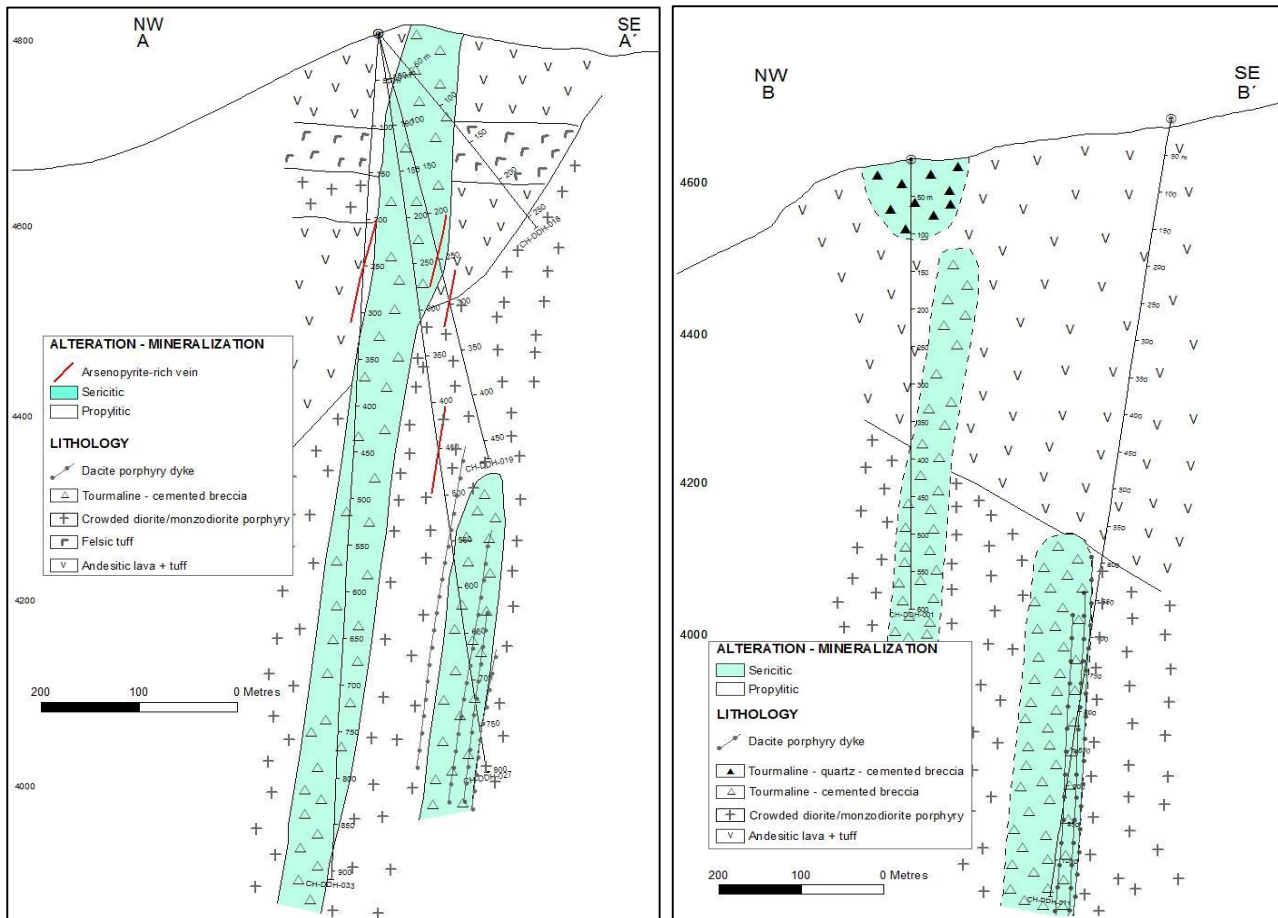


Figure 6: **ABOVE LEFT** From Figure 2 of the Sillitoe Report NW-SE geological section of Cerro Ver breccia area, Chanape. The cross section shows the sericitic Cerro Ver Breccia (sericite is a mineral associated with phyllic alteration) extending from surface to open at depth (a vertical range of approximately 900m). Much of the monzodiorite porphyry is now recognised as being “broken” and therefore part of the breccia pipe. The surrounding volcanics and (un-brecciated) porphyry is propylitic. Also evident in this cross-section is the recognition of a new breccia pipe in drill hole CH-DDH027. The numerous arsenopyrite veins marked on the cross-section correspond mostly to the high-grade Chujcula gold veins. The chargeability anomaly (not shown) broadens at depth which reflects the width and body of the sulphides in both breccias at depth. **ABOVE RIGHT:** From Figure 4 of the Sillitoe Report NW-SE geological section of Pipe 8 breccia area, Chanape. This cross-section shows Pipe 8 extending to shallow depths and terminating. The Clint Breccia extends downwards beyond the limit of drilling into the monzodiorite porphyry. A new breccia sequence is recognised in CH-DDH011. It occurs entirely within the monzodiorite porphyry. The likely source of mineralisation in these breccias appears to be from sulphide filled miarolitic cavities within the porphyry.

The Nature and Style of Metal Zoning at Chanape:

1. Zn - Pb metal zoning in the volcanics in several holes at the summit and in holes in the vicinity of the Clint/Pipe 8 Breccia Complex are also related to the breccias.
2. The pervasive vertical range of arsenopyrite (an arsenic [As] mineral) in the breccias reflects a slightly reduced mineralising environment throughout the Chanape porphyry system. Such a condition prohibits normal As zoning where As occurs in upper levels of a porphyry system. Arsenic levels in high grade zones of mineralisation are a consideration in future exploration.



3. Cu mineralisation associated with the hotter “porphyry centres” (where classic porphyry Cu veining and potassic alteration may be expected to occur) are beyond the depths of current drilling at Chanape.



Figure 7: **ABOVE** Richard Sillitoe at the Company’s drill core facility in Lima, Peru.

The ExploAndes Report contains detailed logging results of CH-DDH033 and uses results from this and other observations to interpret the main geological events that led to the development of the Chanape porphyry system. In doing so, ExploAndes provided the Company with an explanation as to the possible timing of mineralisation at Chanape. In summary, the main “mineralising event” at Chanape is believed to correspond with the emplacement of hydrothermal (largely tourmaline-bearing) breccias, themselves, derived from earlier metal-bearing porphyry intrusions.

As a result of the Sillitoe and ExploAndes Reports, it was important the Company: 1) review whether the classic copper porphyry hosted part of the Chanape porphyry system was too deep to commercially justify further exploration (with drill holes  $\geq 1,500\text{m}$  depth) and 2), just as importantly, renegotiate the terms and conditions of the Chanape Mining Option and Assignment Agreement (**Chanape MOAA**) which was in its final year of the 5 year option.

Key terms within the Chanape MOAA required a minimum of circa A\$5.33 million to be invested in exploration and acquiring Chanape by no later than 31 December 2016. Unfortunately, the Chanape vendor would not agree to extend the timeframe of the Chanape MOAA or to far more commercially reasonable expenditure and final acquisition payments.

Consequently, in the absence of justifiable commercial terms, the Chanape MOAA was terminated by Inca. Despite significant exploration efforts, and in excess of 11,500 metres of diamond core drilling, the results to date were insufficient to warrant minimum expenditure of circa A\$5.33million on the Chanape project in 2016 alone. Commenting from Lima, Mr Brown, said “The Riqueza project deal is significantly less costly than the residual commitment at Chanape. When you also compare the occurrence of high grade Zn-Ag-Pb mineralisation that occurs at surface at Riqueza to possible low grade Cu porphyry mineralisation deeper than 500m from the valley floor at Chanape, the projects’ true exploration potential and investor appeal come sharply into focus. Without the Chanape deal improved, Chanape is demonstrably less attractive than Riqueza ...The high grade mineralisation at Riqueza is manifestly less costly to explore and proportionately more prospective”.

The Company remains open to further discussions with the Chanape vendor. In the event, at some point in the future, agreement can be reached on extending the term of the Chanape MOAA and to expenditure/acquisition obligations that better reflect Chanape’s potential, the Company may be willing to consider further exploration of Chanape but will do so within the current climate for resource projects world-wide and the availability and return on investment in competing projects available to the Company.

**Competent Person's Statements**

The information in this report that relates to gold, copper, silver, zinc epithermal and porphyry style mineralisation for the Chanape Project (located in Peru) and the information in this report that relates to mineralisation for the Riqueza Project (located in Peru), 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 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 full time employee of Inca Minerals Limited and consents to the report being issued in the form and context in which it appears.

Some of the information in this report may relate to previously released reports/data regarding gold, copper, silver, zinc epithermal and porphyry style mineralisation for the Chanape Project (located in Peru) and some of the information in this report may relate to previously released reports/data concerning mineralisation for the Riqueza Project (located in Peru) and first disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information in this report and such information is based on the 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 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brown is a full time employee of Inca Minerals Limited and consents to the report being issued in the form and context in which it appears.

**Table 1: List of ASX Announcements During and Post March 2016 Quarter**

<b>ASX Announcements</b>	<b>Price Sensitive</b>	<b>Date Announced</b>	<b>Competent Person</b>
Inca December 2015 Quarterly Activities Report	Yes	28 January 2016	Ross Brown
Inca December 2015 Appendix 5B	Yes	28 January 2016	
527m Down Hole Interval of Mineralisation in CH-DDH033	Yes	2 February 2016	Ross Brown
Financial Report for Half-Year Ended 31 December 2015	No	14 March 2016	
Response to ASX Price Query	Yes	18 March 2016	
Breccias and Veins Key to Chanape's Potential	Yes	22 March 2016	Ross Brown
<b>Post-Quarter ASX Announcements</b>	<b>Price Sensitive</b>	<b>Date Announced</b>	<b>Competent Person</b>
Inca Secures New High-Grade Ag-Pb-Zn Santa Rita Project	Yes	5 April 2016	Ross Brown
Peru Projects Update	Yes	22 April 2016	Ross Brown

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