

Jungle Warfare: Peru Destroys Illegal Mining

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VANCOUVER, British Columbia, Aug. 5, 2014 (GLOBE NEWSWIRE) -- Peru's new high commissioner for mining formalization, former army general Augusto Soto Castañola has ordered an all-out assault on the 40,000 illegal miners operating in the jungles of Peru.

A multi-force police operation has been burning down mining camps along the Inter-Oceanic Highway linking Peru and Brazil - destroying boat engines, vehicles, mining equipment and chemicals including large stockpiles of mercury that was destined to end up in jungle rivers.

"We have struck a major blow against illegal mining," Soto said on local Peruvian Television, "We're going to continue the fight. We'll give no quarter."

The muscle behind the new mining legislation creates a perfect storm of opportunity for Inca One (IO-TSX.V) – a Canadian-based resource company with a gold milling facility and an exploration project (Corizona) in Peru.

"The rules in Peru create something of a captive market for Inca One," confirms influential Gold Newsletter Publisher Brien Lundin in the July 2014 issue, "The company is currently trading at bargain basement prices and looks primed for significant appreciation once its business model gets a head of steam. It's another buy."

Mr. Lundin is CEO of Jefferson Financial, publisher of Gold Newsletter, and hosts the New Orleans Investment Conference, the oldest and most respected investment event of its kind.

Inca One's goal is to become the small-scale miner's company of choice for legal, environmental and technical guidance, emulating North American Standards.

The new mining legislation in Peru requires formal miners to use fully permitted mills to process ore, mills accepting ore from non-formalized miners will be jailed, formal miners must acquire permits for all operations and there will be jail time for gold miners who haven't formalized.

"There are over 200,000 small scale miners in Peru," stated Edward Kelly, President and CEO of Inca One, in an exclusive interview with Financial Press, "There has been explosive growth in revenues in this sector while the junior mining area has languished. Our recent financing will allow us to quickly ramp our Chala Plant to process 50, then 100 tonnes per day."

At just 50 tonnes a day, Inca would generate \$4 million in gross operating profit.

Flying under the radar screens of most investors, at \$0.15 cents and a modest market cap, Inca One warrants consideration as a precious metals play and an innovative strategy to achieve significant gold production with low capital expense.

For context, Dynacor, which currently mills 250 tonnes per day at its plant in Acari, southern Peru has a market cap of \$65 million at a \$1.80 share price. The Company also has 5 exploration properties.

DNG's market cap is currently 6 times Inca One's. As Inca One ramps up to 100 tonnes per day, that market cap gap should narrow to roughly 3 times, resulting in a compelling return for current shareholders.

On July 15, 2014 Inca One provided an update on the Company's Phase I Chala One Plant expansion in Arequipa, Peru. The company has engaged an engineering firm experienced in building milling facilities up to 300 TPD.

Two new 50 tonne per day ball mills have been purchased to augment the current 25 tonne per day circuits at Chala One. The first ball mill is scheduled to go on line by end of Q3 while the second ball mill will be added by end of Q4.

With the two new 50 tonner per day ball mills operating in tandem, the Company will achieve a combined capacity of 100-tonnes per day. The mill already has sufficient tailings capacity to support the additional throughput.

Inca One is stockpiling initial shipments of ore for continuous mill processing by end of Q3. The company is

pursuing additional ore-purchase agreements with several small-scale miners who can meet or exceed the Company's gold grade target of 0.8 ounce of per tonne gold (24.9 grams per tonne gold).

The Chala One plant is currently a 25 tonne per day carbon in leech (CIL) plant located on 17 hectares of property in the region of Arequipa. Arequipa hosts the largest amount of small-scale mines, which are legal to buy and process ore from. These are mines that are unable to support stand-alone plants and the potential demand for ore processing is considerable.

"The recent \$5.5 million debt financing will be utilized in two ways," stated Kelly, "First, we will take \$3.5 million to build out our Chala facility to ramp up to milling 100 tpd. The remaining \$2 million will be used to buy ore. And we know there is gold available. Lots of it."

In the first quarter of 2014, Inca's Chala facility milled 365 tonnes of ore, which yielded 172.4 ounces of gold with an average grade of 18.17 grams per tonne.

The reason the grades and recovery are so good is that the local miners know where the gold is and that means better prices for their ore and ultimately better returns—and cashflow—for Inca One.

Inca One is joining Rio Tinto, Newmont Mining, Anglo American and Goldfields in Peru.

"Comparable operations by Dynacor Gold Mines managed to generate US\$9.1 million in net earnings in 2013," stated Lundin in the July 2014 Gold Newsletter, "Dynacor has averaged US\$265/ounce in gross profit during the three years prior. Using a slightly more conservative number of \$250/ounce, Inca One's management figures it can make around C\$8 million in annual cash flow by quickly expanding Chala One to a 100 tpd operation and consistently processing at least 0.8 ounces/ton ore.

Inca One is currently trading at .15 with a market cap of \$9.5 million.

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