

Inca One Gold Acquires the Koricancha Processing Facility in Peru

17.07.2018 | [CNW](#)

VANCOUVER, July 17, 2018 /CNW/ - [Inca One Gold Corp.](#) (TSXV: IO) (Frankfurt: SU9.F) (SSEV: IOCL) ("Inca One" or "Company") is pleased to announce that on July 13, 2018, it entered into a definitive purchase agreement (the "Purchase Agreement") to acquire 100% ownership of [Anthem United Inc.](#) ("Anthem"), which owns a 90.14% interest in the 350 tonnes per day ("TPD") Koricancha ore processing facility in Peru ("Koricancha"), from [Equinox Gold Corp.](#) (TSXV: EQX) ("Equinox"). The facility is located approximately 50km from Inca One's ore processing facility and should give rise to cost synergies and provide a platform for growth. All dollar amounts in this press release are presented in Canadian dollars and all dollar amounts and production numbers are in millions of Canadian dollars unless otherwise stated. 100% of the Koricancha operations unless otherwise stated. The Purchase Agreement is an arms-length transaction and there are no finder's fees payable in relation to the Purchase Agreement.

Highlights of the Koricancha acquisition:

- Accretive acquisition before synergies: anticipated increases in Inca One's revenues based on the three months ending April 30, 2018 of 186% and throughput by 150%, while increasing shares outstanding by only 75%.
- Increases revenues: historical revenues for the three months ending April 30, 2018 for Inca One and Koricancha were approximately US\$3.5 million and US\$6.5 million respectively.
- Increases production: immediately more than doubles Inca One's current throughput from 100 tonnes per day ("TPD") to approximately 250 TPD.
- Cost synergies: reduction in Canadian corporate overhead unit costs, reduction in duplicate regional offices, centralization of purchasing and operating efficiencies.
- Platform for growth: Koricancha is permitted to 350 TPD with current throughput of 150 TPD, providing excess capacity to increase consolidated throughput by 80% to 450 TPD.
- Diversifies production: the acquisition of Koricancha adds a second Peruvian processing facility.
- Significant working capital addition: additional working capital to fund ore purchases de-risks operations at both projects.
- Enhances scale and capital markets profile: Equinox, a new significant and supportive long-term shareholder that is well established in the mining space, will hold 19.99% of the common shares of the Company post completion.

Under the terms of the Purchase Agreement, Inca One will acquire a 90.14% ownership of Koricancha (the "Transaction"). Equinox and certain minority shareholders will terminate the 3.5% gold stream currently payable by Koricancha for total consideration as follows:

- \$6 million payable by the issuance of 110,050,225 common shares of Inca One ("Inca One Shares") on completion of the Purchase Agreement at a deemed price of \$0.055 per common share, of which 51,269,708 Inca One Shares shall be issued to Equinox, 51,269,708 Inca One Shares shall be issued to SA Targeted Investing Corp. ("SATIC") in consideration for the termination of the gold stream and the remaining Inca One Shares shall be issued to certain minority shareholders in proportion to their interest in Koricancha.
- \$2.5 million payment to Equinox on the first anniversary of the completion of the Purchase Agreement to be paid in Inca One Shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One Shares, subject to Equinox's ownership of Inca One Shares not exceeding 19.99% of the outstanding Inca One Shares ("Equinox Ownership Limit").
- \$2.5 million payment to Equinox on the second anniversary of the completion of the Purchase Agreement to be paid in Inca One Shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One Shares, subject to the Equinox Ownership Limit.
- \$1.5 million payment to Equinox in cash on the second anniversary of the completion of the Purchase Agreement.
- \$2.5 million payment to Equinox on the third anniversary of the completion of the Purchase Agreement to be paid in Inca One Shares at the discretion of Inca One, based on the preceding 20-day volume weighted average price of Inca One Shares, subject to the Equinox Ownership Limit.
- Payment in cash to Equinox on or before the third anniversary of the completion of the Purchase Agreement for the difference between the amount of working capital at closing and US\$3 million and certain payments related to outstanding value added taxes receivable by Koricancha, subject to receipt. The Company estimates the amount of working capital on closing to be at least US\$4 million and therefore US\$1 million (\$1.3 million) estimated payable on the third anniversary.

- As part of the Transaction, the Company is acquiring approximately US\$4.2 million in historical IGV related to the operations of Koricancha and has agreed to pay Equinox for 50% of amounts collected less costs to collect, the remainder to the benefit of the Company.

In connection with the Transaction, the 3.5% gold stream currently payable by Koricancha will be terminated and, as a result, production from Koricancha will not be subject to any precious metal streams or royalties thereby maximizing revenues for the Company's shareholders. Additionally, Equinox will be entitled to one seat on the Company's Board of Directors and an equity participation right equal to their ownership so long as they hold in excess of 9.9% of Inca One's outstanding shares. Inca One will also maintain Equinox security over the non-interest bearing deferred payments by way of a pledge of the shares of Anthem.

Koricancha is a custom built, fully operational, industrial gold ore processing facility strategically situated in the Arequipa region of Peru. It is located at sea level, fully serviced by excellent infrastructure just 10 minutes from the Pan American Highway. The Nazca-Ocona gold belt in Southern Peru. It is permitted for 350 TPD and currently operating at 150 TPD. In the past six months, the Koricancha plant has produced 10,767 ounces of gold and revenue of US\$14.4 million. Koricancha was first commissioned in July 2015 under the ownership of Anthem United Ltd. and achieved commercial production on October 1, 2015. It has been servicing the small-scale mining sector of Peru for three years and has a stockpile of material currently being processed. The integrated plant features a carbon-in-leach (CIL) gold circuit, and it is a condition of the Transaction that there will be at least a million of existing working capital in place that Inca One will deploy toward ore purchases as required.

Highlights upon completion of Transaction for Inca One shareholders include:

- Establishes Inca One as the leader for publicly listed gold processing companies in Peru, with 450 TPD permitted capacity.
- Immediately more than doubles throughput to approximately 250 TPD, which diversifies Inca One's operating platform.
- Additional 200 TPD of available capacity for future growth.
- Establishes Inca One as a consolidator in the industry with its second plant in operation.
- Economies-of-scale opportunities and several strategic benefits of having two plants within a 50km radius, including the potential for centralized purchasing, crushing, desorption and smelting services.
- Combined working capital of over US\$5 million.
- Equinox becomes a new significant shareholder.

Inca One President and CEO, Edward Kelly, stated, "The acquisition of the producing Koricancha Mill is a strategic and transformative acquisition for Inca One. It instantly elevates the Company from a small producer to a major player among the publicly traded gold processing companies. Inca One significantly increases its permitted capacity and more than doubles our current throughput. The transaction is aligned with our long-term growth objectives and is an important milestone in the consolidation of the gold processing space. We look forward to working with the operating team at Koricancha. We also welcome Equinox as a business partner and significant shareholder in Inca One going forward."

Christian Milau, CEO of Equinox, commented, "We are pleased to partner with Inca One on this transaction. While Koricancha is no longer a core asset for Equinox, it is highly complementary to Inca One's existing operations in Peru and will deliver both scale and operating efficiencies. We intend on being a long-term and supportive shareholder of Inca One as their expertise focuses on establishing the Company as an industry leader in the Peruvian gold milling space."

The closing of the Transaction is subject to approval by the TSX Venture Exchange and satisfaction or waiver of other conditions.

Early Warning

In connection with the Transaction, Equinox will acquire 51,269,708 Inca One Shares and SATIC will acquire 51,269,708 Inca One Shares, each representing 19.99% of the Inca One Shares that will be issued and outstanding upon completion of the Transaction at a deemed price of \$0.055 per share. Prior to completion of the Transaction, neither Equinox nor SATIC owned any Inca One Shares or other securities of Inca One. Equinox and SATIC are acquiring the Inca One shares for investment purposes. Depending upon market and other conditions, or as future circumstances may dictate, either or both of Equinox and SATIC may, respectively, from time to time, increase or decrease their holdings of Inca One Shares or other securities of Inca One.

In connection with the closing of the Transaction, Equinox and Inca One will enter into a nomination rights agreement pursuant to which, among other things, so long as Equinox beneficially owns at least 10% of the outstanding Inca One Shares it will have the right to nominate one director to Inca One's board and to participate in certain offerings of securities by Inca One to maintain its 10% ownership interest.

This portion of this news release is issued pursuant to National Instrument 62-103 – The Early Warning System and Related Take-over Bid and Insider Reporting Issues of the Canadian Securities Administrators, which also requires an early warning report to be filed with the applicable securities regulators containing additional information with respect to the foregoing matters. A copy of the early warning reports of Equinox and SATIC will be available on Inca One's issuer profile on SEDAR at www.sedar.com. Equinox's head office is located at Suite 730, 800 West Pender Street, Vancouver, BC V6C 2V6 and Equinox can be contacted at 604-558-0560, attention Pam Kinsman, to obtain a copy of its early warning report.

About Inca One

Inca One is a Canadian-based mineral processing company. The Company's activities consist of the production of gold and silver from the processing of purchased minerals located in Peru. Peru is the 6th largest producer of gold in the world and the Peruvian government estimates the small-scale mining sector accounts for a significant portion of all Peruvian gold production, estimated to be valued approximately US\$3 billion annually. The Company purchases its minerals from government registered small-scale mining producers from various regions and processes it at its Chala One milling facility located in Chala, Southern Peru.

On behalf of the Board,

Edward Kelly,
President and CEO
INCA ONE GOLD CORP.

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Statements regarding the Company which are not historical facts are "forward-looking statements" that involve risks and uncertainties. Such information can generally be identified by the use of forwarding-looking wording such as "may", "expect", "estimate", "anticipate", "intend", "believe" and "continue" or the negative thereof or similar variations and involve statements about future anticipated revenue, increases in production, cost synergies and completion of the Purchase Agreement. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements due to factors such as: (i) fluctuation of mineral prices; (ii) a change in market conditions; (iii) reduction of supply (iv) plant shutdowns, (iv) the fact that future operational results may not be accurately predicted based on this limited information to date and (v) delays in closing due to regulatory matters. Except as required by law, the Company does not intend to update any changes to such statements. Inca One believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included herein should not be unduly relied upon.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

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