



No. S-243645
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C. 57, AS
AMENDED**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
INCA ONE GOLD CORP.**

PETITIONER

THIRD REPORT OF THE MONITOR

August 23, 2024

THIRD REPORT OF THE MONITOR

Table of Contents

INTRODUCTION	3
PURPOSE.....	4
TERMS OF REFERENCE	5
ACTIVITIES OF THE MONITOR	5
WESTMOUNT TERM SHEET	6
CASH FLOW VARIANCE ANALYSIS	15
STAY EXTENSION.....	16
CONCLUSIONS AND RECOMMENDATIONS	17

Appendix A – Peruvian Publications

INTRODUCTION

1. On June 3, 2024 (the “**Filing Date**”), Inca One Gold Corp. (“**Inca One**” or the “**Petitioner**”) commenced proceedings (the “**CCAA Proceedings**”) under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order provided for, among other things:
 - a. a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Petitioner until June 13, 2024;
 - b. the appointment of FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”); and
 - c. the granting of a Court-ordered administration charge of \$100,000 (the “**Administration Charge**”).
3. On June 11, 2024, this Honourable Court granted an Amended and Restated Initial Order (“**ARIO**”) which provided for an extension of the Stay of Proceedings to July 19, 2024 and an increase to the Administration Charge from \$100,000 to \$220,000.
4. On July 25, 2024, this Honourable Court granted an order (the “**Second ARIO**”) amending the ARIO as follows:
 - a. extending the Stay of Proceedings to August 26, 2024;
 - b. approving an interim financing facility (the “**401 DIP**”) to be advanced by 401601 B.C. Ltd. (the “**401**”); and
 - c. granting a priority charge securing the 401 DIP (the “**401 DIP Charge**”).

5. On August 21, 2024, the Petitioner filed a notice of application returnable August 26, 2024 for the following orders:
 - a. an order extending the Stay of Proceedings to October 5, 2024 (the “**Stay Extension Order**”); and
 - b. an order approving a process for determining the nature and amounts of claims against the Petitioner and their Directors and Officers (the “**Claims Process Order**”).

PURPOSE

6. The purpose of this report is to provide this Honourable Court and the Petitioner’s stakeholders with information with respect to the following:
 - a. a summary of the activities of the Monitor since the date of our last report;
 - b. an update on Westmount Capital’s efforts to raise US\$25.0 (the “**Replacement Financing**”) to complete the refinancing transaction contemplated by a term sheet (the “**Westmount Term Sheet**”) which is described in the Second Report of the Monitor;
 - c. an update on the status of Inca One’s operations;
 - d. the Petitioner’s Application for the Claims Process Order;
 - e. the Petitioner’s actual cash receipts and disbursements for the 6-week period ended August 16, 2024 as compared to the cash flow forecast described in the Second Report of the Monitor (the “**Second Cash Flow Statement**”);
 - f. the proposed Stay Extension; and
 - g. the Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

7. In preparing this report, the Monitor has relied upon certain information (the “**Information**”) including the Petitioner’s unaudited financial information, books and records and discussions with senior management of Inca One (collectively, “**Management**”).
8. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
9. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
10. Future-oriented financial information reported to be relied on in preparing this report is based on Management’s assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

ACTIVITIES OF THE MONITOR

12. The Monitor’s activities during the CCAA Proceedings since the date of our last report have included the following:
 - a. ongoing discussions with Management and the Petitioner’s legal counsel, Bridgehouse Law LLP, regarding Inca One’s business and financial affairs;
 - b. reviewing updates from Management on the status of Peruvian operations;

- c. attending discussions with various stakeholders, including legal counsel, management and the financial advisor to OCIM and legal counsel to Equinox (together with OCIM, the “**Secured Creditors**”);
- d. attending a call with Westmount Capital to discuss the status of Westmount Capital’s efforts to raise replacement financing in the amount of US\$25.0 million based on the Westmount Term Sheet;
- e. reviewing a revised restructuring transaction term sheet provided by OCIM to Inca One;
- f. reviewing weekly cash flow reporting and variance analysis; and
- g. preparing this Third Report.

WESTMOUNT TERM SHEET

13. The Westmount Term Sheet is described in and appended two the Second Report of the Monitor.

14. For ease of reference, the key commercial terms of the Westmount Term Sheet are as follows:

- a. the proceeds are to be used to purchase gold inventory and refinance existing loans;
- b. the maturity date is 5 years from the issuance of the secured debentures (the “**Debentures**”);
- c. the Debentures are secured by gold inventory and the Petitioner’s two gold processing plants;

- d. the Debentures will bear interest at the rate of 8% per annum and shall be payable in cash;
 - e. the Petitioner shall repay 1/16 of US\$20 million original principal amount of each Debenture quarterly with the first repayment occurring on the date which is twelve months following the issue date and each subsequent repayment on a date which is three months after the date of the previous repayment. A bullet payment of US\$5.0 million will be due and payable at the end of the term. At the option of the holder of a Debenture any repayment may be satisfied by the tender of: (i) cash; or (ii) gold dore/refined gold produced from the Petitioner's plants in Peru at a 15% discount to the price set at the date of closing of the note;
 - f. closing should be on or about September 30, 2024, or such other date as may be established; and
 - g. an 8% success fee is due and payable in connection with the offering.
15. As described in the Second Report, on July 17, 2024, the Monitor, Management and their respective legal counsel attended a call with the principal of Westmount Capital to discuss the Westmount Term Sheet and clarify certain terms. During that discussion, the Monitor was advised that Westmount Capital did not currently have the US\$25.0 million to be funded under the Westmount Term Sheet but rather was planning to try to raise the required capital over the coming weeks from its network of potential investors.
16. Since that time, as described in the Fourth Affidavit of Edward Kelly dated August 22, 2024 (the "**4th Kelly Affidavit**"), the Company has been working with Westmount to advance the Replacement Facility and taken steps to complete the following:
- a. a marketing plan and timeline;
 - b. Westmount's due diligence;

- c. subscription and loan agreements;
 - d. a hedging program to address the risk of the Replacement Financing being a gold loan;
 - e. a list of potential investors; and
 - f. a management presentation.
17. As described in the First Affidavit of Kim Wales dated August 22, 2024, during the week of August 12, 2024, Westmount reached out to approximately 131 potential investors, receiving 21 replies and 8 indications of interest. In addition to Westmount's marketing efforts, Kim Wales personally reached out to 11 potential investors and received 5 indications of interest. Each investor who expressed an interest in participating in the Replacement Financing required additional time to conduct due diligence and solidify their commitment. To date, Westmount has not received any executed subscription agreements.

PERUVIAN OPERATIONS

18. The Monitor has had periodic discussions with Management with respect to the Peruvian operations, specifically in relation to the Chala One and Kori One plants.
19. As described in the 4th Kelly Affidavit, the Company has taken the following steps to wind-down and preserve the assets:
- a. reducing staff to 17 employees to undertake care and maintenance activities;
 - b. hiring a third party security contractor to provide security for both plants;
 - c. maintaining and servicing the equipment and plants; and
 - d. negotiating with creditors.

20. On July 17, 2024, the Monitor was advised by Pactum Capital, a lender to Inca One's Chala One SAC Peruvian operating subsidiary, that it had obtained a Court injunction in Peru that had the effect of freezing that entity's bank accounts. The Monitor was advised by Management that while this enforcement step impacted their ability to access certain funds and cash management processes, it did not materially impact the Petitioner's ability to carry on care and maintenance operations.
21. On August 11, 2024, an article was published in Peru in respect of the Inca One which included various allegations about mismanagement of operations at the Chala One and Kori One plants. A second article was published on August 21, 2024 with information and quotes from certain unpaid supplier groups.
22. On August 23, 2024, two additional articles were posted in the same Peruvian publication. The English translations of the four articles are attached as Appendix "A" to this report.
23. The specific concerns raised in the newspaper articles are not repeated herein. However, the allegations from the first article are described in the 4th Kelly Affidavit, as well as comments and clarifications from Mr. Kelly addressing the various concerns.
24. Due to budgetary and timing constraints, the Monitor has not yet had an opportunity to visit the plants.

CLAIMS PROCESS ORDER

25. The Petitioner is seeking approval of the Claims Process Order to establish a process for determining the nature and amounts of claims against the Petitioner for potential voting and/or distribution within the CCAA Proceedings. Any capitalized terms not defined herein are used as defined in the Claims Process Order.
26. The Claims Process Order describes the following types of claims that may be asserted against the Petitioner:

- a. Pre-Filing Claims: generally, claims that existed (in whole or in part) prior to the Filing Date;
- b. Director/Officer Claims: claims for which any of the Petitioner’s directors or officers are by statute or otherwise by law liable in their capacity as directors or officers or in any other capacity;
- c. Employee Claims: claims of an employee, including where applicable, for termination and severance pay;
- d. Restructuring Claims: claims arising out of the disclaimer, rescission or termination on or after the Filing Date of any contract, lease or other agreement or arrangement;
- e. Intercompany Claims: rights or claims of a direct or indirect wholly owned subsidiary against the Petitioner;
- f. Secured Claims: any claim of a creditor who is a “secured creditor” within the meaning of the CCAA;
- g. Tax Claims: any claim against the Petitioner for any taxes in respect of any taxation year or period ending on or prior to the Filing Date;
- h. Post-Filing Claims: any indebtedness, liability, or obligation of the Petitioner of any kind that arises after the Filing Date, provided that Post-Filing Claims shall not include any Restructuring Claim, Pre-Filing Claim or accrual of interest on any unsecured indebtedness, liability, or obligation of the Petitioner; and
- i. Unaffected Claims: claims that are unaffected by the Claims Process, including:
 - i. any claims secured by way of a CCAA Charge;

- ii. any claims that cannot be compromised due to the provisions of sections 5.1(2) and 19(2) of the CCAA;
- iii. any claim in respect of any payments referred to in sections 6(3), 6(5) and 6(6) of the CCAA; and
- iv. any Post-Filing Claims.

27. The Claims Process Order contemplates a negative assurance claims process for creditors for which the Petitioner, or the Monitor, has sufficient information to make a reasonable assessment of the claim (the “**Known Claim Value Creditors**”). Known Claim Value Creditors will not be required to file proofs of claim but will instead be sent a claims notice which shall set forth the claim that such Known Claim Value Creditor has against any or all of the Petitioner, according to the applicable Petitioner’ books and records. Should a Known Claim Value Creditor disagree with the assessment of its claim, it will be required to complete and return to the Monitor a proof of claim form (“**Proof of Claim**”) setting forth the amount, status and documentation of the alleged claim.

28. The completed Proof of Claim must be received by the Monitor before the Claims Bar Date or the creditor will be deemed to have accepted the claim set forth in in the claims notice and any such further claim will be forever barred and extinguished.

29. A Creditor that is not a Known Claim Value Creditor, but is known to the Applicant of the Monitor, will be sent an Other Creditor Claims Package. Any Creditor who receives an Other Creditors Claims Package that wishes to assert a Claim, or any other Creditor who does not receive a Claims Package but wishes to assert a Claim must file a Proof of Claim to prove their claims with the Monitor before the Claims Bar Date or Restructuring Claims Bar Date, as applicable, or will otherwise be barred from making or enforcing a claim against either or both of the Petitioner.

30. Where a Proof of Claim is disputed in whole or in part, the Monitor will issue a Notice of Revision or Disallowance advising the creditor of the reasons for that decision within 5

business days after the Claims Bar Date. If a creditor objects to the Notice of Revision or Disallowance, the creditor must submit a Dispute of Revision or Disallowance to the Monitor within 5 business days of the delivery date and serve on Petitioner and the Monitor a Notice of Application seeking to appeal the Notice of Revision or Disallowance within 10 business days of the delivery date, along with all supporting affidavit material.

31. The existence, validity and amount of any Intercompany Claims shall be determined by the Court at a subsequent date, if necessary, and no Proof of Claim form shall be required to be submitted by either Applicant with respect to any Intercompany Claims.
32. Any creditor that wishes to assert a Director/Officer Claim must submit a Director/Officer Claim Form to the Monitor before the Claims Bar Date. Failure to submit a Director/Officer Claim to the Monitor prior to the Claims Bar Date will result in such creditor's Director/Officer Claim being forever barred and extinguished.
33. The key aspects and timelines of the Claims Process are set out in the below table:

Event	Applicable Dates/Timing
Delivery of Claims Packages to Known Claim Value Creditors and Other Creditors	August 30, 2024
Claims Bar Date	4:00 p.m. (Vancouver time) on September 16, 2024
Restructuring Claims Bar Date	Later of the Claims Bar Date and 4:00 p.m. on the day that is 7 calendar days after the date that an applicable Notice of Disclaimer or Resiliation is sent to a creditor, or such other day that may be ordered by the Court.

Adjudication of claims by the Monitor	Following receipt of proofs of claim
Issuance of Notice of Revision or Disallowance by the Monitor	No later than 5 business days after the Claims Bar Date or the Restructuring Claims Bar Date
Objection to the Notice of Revision or Disallowance by a Creditor	Within 5 business days after the date of the delivery of the Notice of Revision or Disallowance
File and serve on the applicable Applicant and the Monitor, and if the disputed claim includes a Director/Officer Claim, the applicable Director or Officer, a Notice of Application seeking to appeal the Notice of Revision or Disallowance	Within 10 business days after the date of the delivery of the Notice of Revision or Disallowance

34. The Monitor is to supervise the delivery and receipt of the various forms and notices and, in conjunction with the Petitioner, review the claims submitted by creditors and may at any time:

- a. refer a claim for resolution to this Honourable Court for any purpose where in the Monitor's discretion, in consultation with Trevali Corp., such a referral is preferable or necessary for the resolution or the valuation of the claim;
- b. in writing, accept the amount of claim for voting purposes;
- c. settle and resolve any disputed claims in writing, other than a Director/Officer Claim; and
- d. extend the time period within which the Monitor, a creditor, or any other party is required to take any steps related to adjudication of claims pursuant to the Claims

Process Order provided that no extension of time by the Monitor shall impact a creditor's obligation to deliver a Proof of Claim to the Monitor by the Claims Bar Date or Restructuring Bar Date, as applicable, allowing the Monitor to "pause" the adjudication of Claims should the Monitor determine it is in the Petitioner and their stakeholders' best interest to do so.

35. The Monitor's comments on the proposed Claims Process Order are as follows:

- a. the Claims Process allows for the determination of claims against the Petitioner in a fair, transparent, comprehensive and expeditious manner;
- b. the Petitioner maintains robust books and records to support the Known Claim Value Creditor amounts and all other creditors will be required to file a Proof of Claim in the prescribed manner;
- c. while the Claims Process Order is complex and captures many of the features provided for in a standard claims process, it is anticipated to be relatively efficient to administer due to the relatively small number of claims, most of which are expected to be from Known Claim Value Creditors;
- d. while the timeline is condensed, the Claims Bar Date and Restructuring Claims bar date provide sufficient time for potential Claimants to evaluate and submit any Proof of Claim;
- e. the Claim Process provides a prescribed structure for adjudicating disputed claims;
- f. determining the amount and nature of claims against the Petitioner on the proposed timeline will expedite the Company's ability to pursue creditor approval of a Plan of Arrangement, should their refinancing efforts be successful; and

- g. overall, the Monitor is of the view that the Claims Process Order and applicable timelines are fair and reasonable in the circumstances.

CASH FLOW VARIANCE ANALYSIS

36. Inca One's actual cash receipts and disbursements as compared to the Second Cash Flow Statement for the period of June 3, 2024 to August 16, 2024, are summarized below:

Cash Flow Variance Analysis				
Eleven Week Period Ended August 16, 2024				
(CAD)	Actual	Forecast	Variance	
Operating Receipts				
GST receipts	17,463	17,463	-	0.0%
Total Operating Receipts	17,463	17,463	-	0.0%
Operating Disbursements				
Payroll and Benefits	(171,453)	(140,622)	(30,831)	(21.9)%
Office and Administrative	(21,099)	(14,983)	(6,116)	(40.8)%
Rent	(8,994)	(9,497)	503	5.3%
Restructuring Professional Fees	(424,910)	(555,009)	130,098	23.4%
Other Professional Fees	(155,255)	(127,372)	(27,883)	(21.9)%
Other Operating Disbursements	(19,648)	(30,138)	10,490	34.8%
Total Operating Disbursements	(801,359)	(877,620)	76,260	8.7%
Net Change in Cash from Operations	(783,896)	(860,157)	76,260	8.9%
Financing				
Interim Financing	978,069	969,000	9,069	0.9%
Interest and Bank Charges	1,627	904	723	80.0%
Net Change in Cash from Financing	979,696	969,904	9,792	1.0%
Effect of Foreign Exchange Translation	1,346	524	822	156.8%
Net Change in Cash	197,146	110,271	86,874	78.8%
Opening Cash	622,146	622,146	-	0.0%
Ending Cash	\$ 819,291	\$ 732,417	\$ 86,874	11.9%

37. Overall, Inca One realized a favourable net cash flow variance of approximately \$87,000. The key components of the variance include:

- a. a negative variance with respect to payroll and benefits as payments for accrued vacation were made that were not included in the forecast;
- b. a negative variance with respect to other professional fees relating to amounts paid to Westmount to reimburse their legal costs which were not included in the forecast; and
- c. a positive variance with respect to restructuring professional fees of approximately \$130,000 that is expected to reverse in the coming weeks. A summary of the professional fee disbursements incurred since the commencement of the CCAA Proceedings is set out in the below table:

Professional Fee Summary					
Eleven Week Period Ended August 16, 2024					
(CAD)					
Firm	Role	Fees	Disbursements	Taxes	Total
Bridgehouse Law LLP	Company's Counsel	\$ 115,728	\$ 2,644	\$ 132,367	\$ 132,367
FTI Consulting Canada Inc.	Monitor	200,177	1,649	10,091	211,917
DLA Piper (Canada) LLP	Monitor's Counsel	71,975	14	80,626	80,626
Total		\$ 387,880	\$ 4,307	\$ 223,085	\$ 424,910

STAY EXTENSION

38. The Monitor has considered Inca One's application for the Stay Extension and has the following comments:

- a. the Second Cash Flow Statement forecasts that the Petitioner has sufficient liquidity during the period of the Stay Extension;
- b. the Petitioner requires an extension to pursue the transaction contemplated by the Westmount Term Sheet;
- c. the Petitioner requires the Stay Extension to undertake the Claims Process;

- d. the Petitioner requires the extension to seek to present a Plan of Arrangement to its creditors, in which they intend to provide for the repayment of including OCIM, among other provisions;
- e. the Petitioner requires the extension to continue to oversee the care and maintenance of its operating subsidiaries and preserve the value of its businesses and assets; and
- f. overall, Inca One's prospects of affecting a viable restructuring will be improved by the Stay Extension.

CONCLUSIONS AND RECOMMENDATIONS

39. While the prospects of Westmount raising the capital set out in the Westmount Term Sheet remain uncertain, in the absence of any funded alternatives, pursuing the transaction with Westmount is the only path available in to the Petitioner.
40. As noted in our previous report, the Monitor is of the view that there is sufficient uncertainty in the Westmount Term Sheet that the prospects of identifying a restructuring transaction could be enhanced by pursuing a broader refinancing or sales process. However, none are being sought or funded at this time.
41. Determining the nature and amount of claims against Inca One is necessary in order for it to pursue a Plan of Arrangement and emerge from the CCAA Proceedings, should the Westmount Term Sheet be successful.
42. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the following orders:
- a. the Stay Extension Order; and
 - b. the Claims Process Order.

All of which is respectfully submitted this August 23, 2024.

FTI Consulting Canada Inc.
in its capacity as Monitor of Inca One



Tom Powell
Senior Managing Director



Mike Clark
Managing Director

Appendix A

Peruvian Publications

Inca One Mining Case: Canadian "Yuppies" Made "Dead Dog" in Chala

Two executives at Inca One Gold in Vancouver have defaulted on gold surges, raising fears of bankruptcy in Caravelí.

As happened with the previous gold rush ([California](#)), the recent "New Gold Rush", is not alien to greed, insanity, daring and why not say it, to events that border on crime, such as in the period 1848-55 known as the "California Gold Rush" following the discovery of gold nuggets in the South Fork American River. Coloma, San Francisco.

Our history of the nineteenth century, in pages that are not widely disseminated, records the "War of the Skulls" that reveals the violence exercised by the "gringo" settlers (mostly Irish) against "Chilean" miners as [Peruvians](#) and Chileans were known (because they ate chili pepper or chili) who had embarked on the ship "Susana" from Callao to San Francisco (11/30/1848) to participate in the boom ("The Gold Rush for the South Americans" by Nicolás Camino. 2015: PUCP).

The tragic toll of the brawl for the Latins was: three condemned to death, three to the whipping with the mutilation of the ears and another four only to the whipping. Faced with this, President Ramón Castilla had to send the brig General Gamarra to protect the interests of the countrymen (and replace the sailors who had deserted the [Peruvian ships](#)), as reported at the time by El Comercio (10/4/1849).

Almost two centuries later, in the 21st century, although the stages of Sutter's Mill to Caravelí (Arequipa) are changed, and so are the actors, a couple of "Yuppies" from Vancouver have been exercising brutal coercion against Peruvian financiers, suppliers and small miners _ to whom they owe millions of dollars without a deadline in sight and without any explanation. That is, a "[Dead Dog](#)".

Cane in Canada

The story begins more than a decade ago, with the founding of Inca One Gold Corp (Inca One) in Vancouver (2010), when business administrator Edward "Ed" Kelly, former director of Aurora Cannabis, Inc. (Alberta marijuana sale 2011-2014), took over the management of the Inca One mining company in Arequipa, to which he later added accountant Kevin Hart (2017). former auditor of Galiano Gold 2011-2016 (Asanko deposit, Ghana, Africa), in Arequipa, in the midst of a gold price bonanza that now borders US\$ 2,400 per troy ounce.

However, although it may seem like a fictional series, they have subjected their suppliers to a cessation of payments in Peru, which has placed small businesses in the districts of Chala and Yauca in Arequipa on the verge of bankruptcy.

This financial setback has caused Inca One to enter a debt restructuring process in [Canada](#), due to the fact that OCIM Precious Metals (France), one of its financiers, declared default on its obligations and began the process of foreclosing guarantees.

Inca One obtained from the Supreme Court of British Columbia (3/6/2) the protection under the Canadian Law on Arrangements with Creditors of Companies (CCAA), which applies to insolvent companies (or in the process of bankruptcy) and the company FTI Consulting (firm of Washington DC) has been appointed "monitor" to restructure the company in order to comply with its creditors. The key date is next Monday, August 26, when the monitor must decide whether to opt for the restructuring process or liquidation.

Bread for Vancouver, Crumbs for Peru

As revealed by Inca One's financial statements, the lion's share of the company's revenues has been used for the weekly payment of daily subsistence allowances and disproportionate administrative expenses of the office in Vancouver (Canada), to the detriment of creditors and labor debts in its operations in Peru.

According to an Australian portal, Ed Kelly would be one of the highest-paid executives of junior mining companies Canada (whose stock market value is less than US\$ 200 million-MM) with US\$ 277 thousand per year (36% in bonuses and 64% in salary). "We believe that Inca One's CEO compensation is out of sync with the company's performance" (Simply Wall St 12/8/23).

After having diverted the cash to its headquarters in Vancouver and leaving the Peruvian accounts at zero, the company presented a budget greater than US\$ 500 thousand until 7/19/24 to pay salaries, administrative and legal expenses in Canada, to face the bankruptcy process during the hearing (6/12/24).

And what about employees and expenses in Peru? Fine thank you. Having consumed all the income from the sales of May and June, in the following hearing (7/22/24) he presented a budget of US\$ 1 MM requesting an extension until 10/5/24, during which he promised to obtain financing for US\$ 25 MM at an interest of 20% per year, without providing further support, offering the assets as guarantees "that would allow the company to be refloated".

Of this US\$ 1 million, the company has only allocated US\$ 280 thousand to Peru to cover payroll and preventive maintenance costs of its operations; the rest, the majority, stays in the matrix. To date, Inca One has not even complied with paying the rights of validity of the concessions that expired on 6/28/24, which in the recent past, were always up to date and whose amount of obligation barely exceeds S/ 3,500.

Inca One has also not renewed the lease of its Lima office, which ended on 6/30/24, and has not informed staff about any move to another office in the capital. On the other hand, Inca One hired Estudio Rubio in May, with instructions to initiate a bankruptcy protection process before Indecopi.

At this point in the sudden moratorium, it is inexplicable that despite the fact that the exports of Chala One (Inca One's Peruvian subsidiary) during the first half of 2024 amount to US\$ 18.5 million, mainly to the Turkish refinery IGR Metals, and that even sales in the May-June two-month period totaled US\$ 3.7 million, in that period they have focused on processing

stocks in "cancha", ceasing to acquire minerals. It is also known, from sources close to the company, that in the first weeks of July the company would have received an IGV refund from Sunat for around S/.1.5 MM from Sunat.

This being the case, the questions immediately arise: What was the money from the exports of this two months of May used if local suppliers were not paid? And how was the Sunat income used? What are Kelly and Hart after? Are you looking for bankruptcy to venture into a new company? Sell the gold plants to some hidden interest? Do they have any other options up their sleeves?

X-ray of the Inca One

Inca One is a mining company based in Vancouver and Lima (San Isidro), trading its shares in the "risk" segment (venture) of the Toronto Stock Exchange – where junior mining companies are listed – whose main business is to buy gold ores from artisanal miners and small producers to process them

To this end, it has two production units: the Chala plant, located in the district of Chala (100 tons (ton)/day) since 2015, and the Kori One plant, located in the district of Yauca (350 tons/day capacity), which it acquired from Anthem United Inc (Canada) for US\$ 12.5 MM (8/21/18).

The subsidiary Chala One SAC (Chala One) operates the Chala plant as a commercial and operational vehicle, because it is the company Corizona One SAC (Corizona One) that has the "concession of benefit" of the Chala plant. In Corizona One, the shareholders are Edward "Ed" Kelly (99.9%) and Kevin Hart (0.1%), CEO and CFO (financial manager) respectively, of Inca One.

The "concession of benefit" of the Kori One plant is held by EMC Green Group SAC, where the shareholders are Ed Kelly (90.14%), Omar Quintanilla Morales (4.93%) and J. Ramírez (4.93%).

According to mining information, both plants, until before the cessation of payments, would have processed no less than 130 thousand ounces of gold, registering sales of around US\$ 200 million. In 2022, Inca One reached a sales record of US\$ 51.6 million.

The cannibalization of Chala

Chala One has suffered several plant stoppages in recent weeks, which has resulted in a significant reduction in production, which had been operating with a production capacity of 100 tons/day continuously, through a crushing, grinding and refining circuit, as well as an extremely large "field" for tailings storage.

During the last 12 months, Chala One has lost the grinding circuit and has almost exhausted the capacity of its tailings facility – due to logistical immobility – which represents an aggravation of operational conditions. In addition, investments have been diverted to operations other than Chala One, to indirectly replace and subtract its operational capabilities.

Chala One has earned international certifications such as Swiss Better Gold, which are a key component of its ESG (Environmental, Social and Governance) sustainability program.

The proper compliance with its mineral purchase procedures is the responsibility of the Chala One sales team, which has been forced to take vacations and/or is in the process of dismissal.

This could significantly undermine Chala One's ability to maintain the standard to meet these certification requests. After the dismissal of its general manager on 5/2/24 (Iván Salas García), to date it has not appointed a new general manager. All decisions have been made remotely from Vancouver by executives Edward Kelly and Kevin Hart. How and why can a company that obtained international certifications leave or go bankrupt less than six months later?

There are reports that there would be cross-loans between group companies, raising concerns about Chala One's commitment to continue operations.

Likewise, a former executive of the company declares under confidentiality, that there is a clear intention to move assets from the Chala One facilities to other subsidiaries in other locations. It is mentioned that at least five vehicle units have been removed from the Chala One facilities, which limits the operational capacity of the operation.

The reserve of special coal, essential for the operation, has been removed from the facilities and transported to the facilities of another subsidiary that is not under the control of Chala One, as well as a variety of essential equipment, spare parts and supplies, which have been removed from the facilities and transported to the facilities of other subsidiaries that are also not under the orbit of Chala One.

Finally, the workers have warned that the security contractor company does not allow visits without express authorization from the Vancouver office (Inca One).

The Dead Dog to the workers

What increases the tension in the area is that Chala One has unilaterally imposed the departure of more than 40 employees from vacation, including key employees such as those in the commercial area who are responsible for the purchase of 100% of the mineral, without which the operation will stop. As a result of these actions, the company has not acquired new ore since May.

In addition, 85 employees of the group's companies have been dismissed, representing approximately 40% of the workforce (several of them, after having gone on forced vacation). To top it off, according to a source, Chala One paid its workers late in their salary for the month of May. Although all the workers have already been paid, many of them (the majority) have been forced to accept only 70% of the settlement.

Similarly, it cannot be ignored that the labor debt includes compensation, which must be paid immediately after the dismissal as required by Peruvian legislation. Failure to comply with these severance payments could cause employees to file claims with Sunafil, which would result in fines and possible suspension of activities at Chala One. It is rumored, in the vicinity of Chala, that there are at least five employees who are considering this alternative.

The above actions severely undermine Chala One's ability to continue as a going concern, given the nature of its business and the importance of key personnel, such as the commercial team.

Vancouver Court: Peruvian creditors raise their voices | Those affected by the Inca One case speak out

The mining area of Chala and Yauca (Arequipa) and the staff and suppliers of the Canadian mining company Inca One, have their sights set on the Supreme Court of British Columbia (Vancouver), which next Monday 26 will decide if they can collect labor debts, commercial debts, to reestablish business relations under a fairer and more responsible administration.

A few days before the fate of Inca One Gold (Inca One) is decided in the Supreme Court of British Columbia in Vancouver, next Monday, August 26, the small businessmen who supply the gold activity in the districts of Chala and Yauca in the province of Caraveli in the Arequipa region (600 kilometers south of Lima) are living with anguish and hopelessness, because in the appointment before the Canada justice system, two fates are at stake for this company: restructuring or liquidation.

Incredibly, this junior mining company that generated expectations in Peru has led to this extreme situation in the middle of the gold boom (Gold Rush) when the troy ounce exceeds US\$ 2,500 in a peak that has been trending upwards since the beginning of 2024, because without further explanation, CEO Edward "Ed" Kelly, a bachelor of Business and Finance from Western Trinity University, decreed the cessation of payments and other commitments to its suppliers in the area of operations ("Perro Muerto" in Chala EXPRESO (11/8/24).

As recalled, suddenly the Canadian executives of Inca One requested the protection of the Companies' Creditors Arrangement Act (CCAA) for insolvent companies (or in the process of bankruptcy) and entered a period of suspension of payments "monitored" by the North American FTI Consulting (3/6/24), which safeguards debts registered in Canada, however, traders, workers and other economic agents related to Inca One in Peru want similar guarantees.

As is known, this company had been acquiring minerals from small producers and artisanal miners to process them in its Peruvian subsidiaries Chala One and EMC Green Group (Kori One), which operate their gold mineral processing plants in the districts of Chala and Yauca in Arequipa, suppliers who are crossing their fingers waiting for the company to continue its march in a restructuring process in order to collect debts and reestablish the commercial relationship.

Until the mid-twentieth century, companies could turn their backs and abandon their obligations in third world mining areas such as: the Kolmannskuppe diamond mine in the former German colony of Namibia (1956), the Wesselton coal mine in South Africa (1995), the Kambele gold mine in Cameroon (1990), and Doe Run (Renco Group) in Peru (1997-2012). with a lawsuit in the Court of St. Louis (Missouri) for 107 children contaminated with lead in their blood; but, in the twenty-first century, the judicial climate has changed: the phenomenon of globalization, the universalization of the struggle for human rights, care for the environment, awareness of good commercial practices and the communications revolution contribute to the fact that abuses against economic agents in emerging countries do not materialize. since the courts of justice of developed countries have been sentencing with an eye on the areas of operations.

CHEMICALS' SUPPLIER: HANGING FROM THE BRUSH

EXPRESO tried to communicate with the affected suppliers, without much success, however we were able to contact two of them: one is Cristhiam Granda (47), owner of Labminsur SAC, a company that distributes chemical products to food, paper, mining, paint, fishing, hardware and textile companies that maintained a commercial relationship with Inca One's subsidiaries: Chala One and EMC Green Group (Kori One) uninterruptedly for six years and he could not have foreseen this misfortune by any means. Granda points out: "They owe us US\$ 140.000. The last sale was three months ago (4/5/24)."

Labminsur supplies caustic soda (flakes), rectified ethyl alcohol, steel balls for grinding and sodium cyanide: "We also provided storage and transportation services, my place (Lima) being its free collection center. And storage for all their suppliers, so that they can accumulate the merchandise that we then transported to Chala in our units."

In addition, he adds that they retained part of their products: "The communication was basically by phone and to a lesser extent, by WhatsApp messages. I sent them the message to pick up the unpaid merchandise and extend them a credit note so that their debt would go down, overnight and clean up the rough edges little by little, in favor of restoring good commercial practices". However, he adds, "I did not get any answer from them and the little I have learned is that the products are disappearing, selling it, I don't know how... They do not have the right to sell this merchandise, because they are not sellers

but buyers, that is, they can buy and consume, but they cannot engage in buying and selling, because they are controlled products, which cannot be marketed without the permission of controlled inputs, unless they are selling it on the black market. Cyanide is a controlled product, it is totally controlled by Sunat, according to national laws".

Granda says that the current situation at the Chala One and Kori One plants is quite bad: "The people who have been able to go there, some acquaintances of mine, have told me that it is a "cemetery", that there is nothing", adding: "For the sale of supplies we had as a contact the head of logistics Gregory Vásquez (or his assistant Brandon Palacios). Vásquez still continues, but he does not answer, he does not answer emails, the man is absent. He doesn't want to show his face."

THE COMPANY THAT PROVIDED FOOD IN THE PLANTS SPEAKS OUT

Another supplier that we were finally able to interview was the company Heysen Production, Design and Consulting for Events EIRL, which had a relationship to provide food to Inca One personnel in the plants for more than three years, from April 2021 to June 20, 2024. Vladimir San Martín, the head of production, tells us that Inca One's non-payments have dragged the company into an unmanageable crisis: "It was our main customer. We supplied food services to the two plants, both for Chala One and for EMC Green Group."

"Everything was going normally during the time we have provided food services, sometimes they were delayed, but they always complied. Last year they started with some delays, and we decided to start financing with the invoices (factoring) with the Banco de Crédito del Peru (BCP), but they did not meet the date of the payments and since it was a credit payment, for us it was an uncertain future, but we did not discontinue the provision of the service," he added.

He then pointed out: "The problem worsened in May, when the BCP notified us that more than seven days had passed and the payment had not been complied with. I contacted the company to ask: what was going on? Will I be paid? And they promised to pay the overdue bills and told me not to worry. That he continues to provide the service, that everything was normal, and we continued. What's more, at that time they asked me to finance other invoices to be able to pay and we financed ourselves with Klimb (a factoring company). However, they did not comply with paying and given the risk, we had to suspend the service, because overnight they began to reduce the staff in the area towards the end of May and the first weeks of June."

San Martín says that he was a privileged witness: "We had 60 or 70 rations for the Chala One plant and 80 daily rations for the EMC Green Group plant. Suddenly, at the end of May, those who were hired began to leave, they began to schedule vacations for the staff, but in our communication, they always told us not to worry, that it was a vacation issue. Then, the payroll began to shrink. By the first days of June, with the non-payment and the departure of personnel, they promised to comply with the banks, but I still provided the service, until I had to stop, because they did not respond."

"The scenario was complicated because we have not been paid the latest bills. From May to date, they owe us S/ 500,000. Some of it has been under the modality of selling invoices in the accounts we had in the BCP. They have transferred the debt to us. It complicated the outlook for us, because they blocked us in the financial system. The other company, Klimb, also did not receive payment." Adding: "Somehow, they always had some kind of delay, it was like a modus operandi. This situation was derailed in May."

San Martín narrates that he lost communication with Inca One: "Everything was coordinated with Manuel Villalobos... The staff commented that the general manager had resigned. I had renewed the contract in April, but now that the general manager is no longer there, Villalobos does not answer phones or WhatsApp, he assumed responsibility for the company, because I spoke with him, he was the one who promised that the payments were going to be made, with him we have lived through this whole debacle."

He added: "I frequently went to the plants to supervise that the service was in line with their requirements and norms. Inca One was our main customer. I did not meet the Canadians Ed Kelly or Kevin Hart but on one of my visits, one of them stayed more than a month in the plants in 2023. Now we are blocked in the financial system, with overdraft, being an EIRL the responsibility reaches beyond the corporate name. We are also complicated with SUNAT."

1. No 'Dead Dog' in Chala: Inca One Mining Doesn't Give Up

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At Expreso we are behind the truth. After two special articles on the case of Inca One, a mining operation that operates in Caravelí in the Arequipa region; We have had access to key information about the events that occurred in the last semester, a reality that breaks the myth of "dead dog". Clearly, Inca One is a story of redemption and clear accounts.



Round 1: The Initial Assault

Since his arrival in the Peruvian mining ring, Inca One presented himself as a boxer willing to fight for local communities, not only seeking the extraction of minerals, but also the development of the surrounding areas. Its entry was forceful, with operations at the Chala Plant and the Kori Plant, and it quickly positioned itself in the Arequipa region. The company generated employment and established relationships with local small-scale miners, creating an environment of cooperation and growth.

However, in this first round, the rumors began to hit hard. There was murmur in the corners of Chala and Yauca about pending payments to mining concessions, generating uncertainty and concern in the region. The reality is that everything related to the concessions of the Chala Plant, Kori Plant and Minera Yacarí continues its course normally.

Round 2: Cleaning the House

The second round was no less intense. Last April, Inca One faced an internal challenge that threatened to knock it out. From the Canadian corner, the management team alerted to an unapproved transaction: the sale of a large amount of gold to a refinery in Eastern Europe, an entity with which Inca One had never done business. CEO Edward Kelly, like a good coach, stopped the export and prepared the strategy. However, just when it seemed that the fight

was tilting in his favor, Iván Salas, Country Manager of the [Peru](#) operation, left the company without explanation. This unexpected blow was a revelation for the Board of Directors. Not all that "glitters is gold."

Round 3: Dealing with creditors

While Inca One was still feeling the impact of the previous round, he had to face another difficult round in May 2024. With creditors threatening a knockout, the company decided to seek protection under the Law on Agreements with Corporate Creditors (CCAA), a defensive strategy to reorganize its finances. Although it was a risky decision, Inca One managed to dodge the blows and protect its assets, avoiding a sell-off that could have been fatal.

In June 2024, Inca One obtained legal protection, a vital action to reorganize its financial strategies, after the timely flight of Iván Salas from the general management. In Peru, however, uncertainty spread through the communities of Chala and Yauca, who watched suspiciously from their corners, worried about their future.

Round 4: The Financial Counterattack

On July 25, 2024, Inca One achieved a crucial extension of creditor protection, underscoring its ability to handle complex financial crises. This extension allowed Inca One to enter into negotiations with a group of investors, resulting in a preliminary agreement for a financing of 25 million dollars. This financing was a direct blow to the crisis, providing the capital needed to continue operations and deliver for suppliers.

While Inca One celebrated this achievement, a new opponent entered the ring: OCIM, with an acquisition offer that valued the company at just 4 million dollars, at a "forced" auction price.

Round 5: The Battle for Lima

In Lima, Inca One's head office faced its own challenges. The lease had ended on June 30, threatening to create logistical and operational chaos. However, Inca One decided not to leave its corner, opting to continue trading on a month-to-month basis while it evaluated its options. This prudent decision demonstrated Inca One's ability to adapt to changing situations and maintain its stability at critical times.

Round 6: Resource Management

With US\$ 3.7 million at stake, the result of sales and a refund of IGV, many observers wondered how Inca One had used those funds. The response was resounding: the funds were used to settle debts with the local miners of Chala and Yauca in [Arequipa](#), ensuring that the plants will continue to operate at full capacity.

The legal backing of the Supreme Court of British Columbia was another certain hook for Inca One. The court recognized that the company had acted diligently, managing its resources to prioritize operational continuity. This backing strengthened Inca One's position and sent a clear message to investors and stakeholders: the company was handling the crisis with the precision of Muhammad Ali.

Round 7: The Chala One Plant Challenge

Despite legal support, uncertainty persisted. However, at no time has Inca One mobilized assets from its plants. For example, both the Chala One plant and the Kori plant have leased trucks that remain leased. Inca One maintains its conviction to move forward.

Round 8: The workers' needs were met

Those who felt the main weight of the paralysis generated by OCIM were the workers. At all times, Inca One implemented concrete measures to ensure that its workers remained safe and motivated, even in the most uncertain of times. Managing to comply with all payment commitments, in order to ensure that the workers receive the maximum benefits, despite the fact that the operation was under siege by the French financier.

The fight continues

While the future of Inca One is decided in the courts and in negotiations with investors, one thing is clear: this story is a reflection of the struggle to move forward with the mining operation in our country. In the coming months, the decisions Inca One makes will not only define its fate, but also that of the Peruvian communities that depend on its success. The resilience it has shown so far will be put to the test, and only time will tell if the Company can transform this crisis into an opportunity to be reborn stronger, in the meantime there is no "dead dog" in [Chala](#).

2. Inca One Mining: The French Connection | Iván Salas does not live of baguettes

Who is OCIM?



OCIM is a French financial company specialising in the mining sector, founded in Paris in 1961. Currently, it is led by Laurent Mathiot, a third-generation member of the founding family, known for allegedly spending the family inheritance on "alternative" investments.

The relationship with Inca One and recent challenges

In November 2020, Inca One had its first meeting with OCIM to discuss a necessary financing of between 20 and 25 million dollars. After a successful financing test in April 2021, a second phase of US\$ 9 million was carried out in August of the same year. However, the third phase, which was to take place in the first quarter of 2022, never materialized. Despite this, the relationship between Inca One and OCIM continued through constant communications, until, in May 2023, the OCIM team in Canada was fired and communication began to be handled mainly through lawyers.

What is especially worrying and suspicious is the behavior of [Iván Salas](#), country manager of Inca One, in relation to OCIM. In September 2023, Salas traveled to Paris and met with the CEO of OCIM in his offices, without the knowledge or authorization of Inca One's management. According to Salas, this meeting was coordinated by an NGO, which raises serious doubts about its true intentions.

Most puzzlingly, Salas reported this meeting to the management of Inca One only after returning to Lima. Such actions, carried out without transparency or due diligence, raise serious concerns about a potential conflict of interest.

The consequences for Inca One

In March of this year, Inca One faced serious challenges when one of its credit lines was cancelled, leading to a default on interest payments and a significant drop in the value of its shares. Despite efforts to secure financing, the situation became even more complicated

when [OCIM](#) issued a notice of default, resulting in the loss of half of Inca One's market value in a single day. This context, added to Salas' suspicious actions, underscores a possible alignment of interests that could be harming Inca One.

In May, OCIM's lawyers in Canada sought solutions through the CCAA process, while its team in Peru focused on taking control of Chala One and Corizona. This behavior, unusual in debt restructuring processes, combined with the suspicious actions of Iván Salas, highlights a complex plot that deserves to be thoroughly investigated, apparently they do not live on baguettes, but lives for gold and Prada.