

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

FOURTH REPORT OF THE MONITOR

October 4, 2024

FOURTH REPORT OF THE MONITOR

Table of Contents

INTRODUCTION	3
PURPOSE.....	4
TERMS OF REFERENCE	5
MONITOR’S ACTIVITIES	6
WESTMOUNT TERM SHEET	6
CASH FLOW VARIANCE ANALYSIS	11
CONCLUSIONS AND RECOMMENDATIONS	12

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. (“**FTI**”) 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 26, 2024, this Honourable Court granted two orders:

- a. extending the Stay of Proceedings to October 7, 2024; and
 - b. approving a process (the “**Claims Process**”) for determining the nature and amounts of claims against the Petitioner and their Directors and Officers (the “**Claims Process Order**”).
6. On September 24, 2024, OCIM Metals and Mining SA (“**OCIM**”) filed a notice of application returnable on October 7, 2024, seeking an order (the “**Receivership Order**”):
- a. discharging FTI as Monitor of Inca One; and
 - b. appointing FTI as receiver and manager (in such capacity, the “**Receiver**”), without security of all of the assets, undertakings and property (together, the “**Property**”) of Inca One pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 and section 39 of the *Law and Equity Act*, R.S.B.C. 1996, c. 253.
7. The Monitor understands that Inca One and OCIM remain in discussions regarding a potential consensual restructuring that may avoid the need for the appointment of a receiver. However, these discussions remain ongoing, and no application has been made by the Petitioner to extend the Stay of Proceedings.

PURPOSE

8. The purpose of this report is to provide this Honourable Court and the Petitioner’s stakeholders with information with respect to the following:
- a. the activities of the Monitor since the date of our last report;
 - b. an update on Westmount Capital’s (“**Westmount**”) 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. OCIM's application for the Receivership Order;
- d. an update on the Claims Process;
- e. the Petitioner's actual cash receipts and disbursements for the 16-week period ended September 20, 2024 as compared to the cash flow forecast described in the Second Report of the Monitor (the "**Second Cash Flow Statement**"); and
- f. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

- 9. 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**").
- 10. 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.
- 11. 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.
- 12. 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.
- 13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

MONITOR'S ACTIVITIES

14. 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 to OCIM and Equinox Gold Corp. ("**Equinox**" and together with OCIM, the "**Secured Creditors**");
- d. attending a call with Westmount to discuss the status of Westmount's efforts to raise replacement financing in the amount of US\$25.0 million based on the Westmount Term Sheet;
- e. assisting the Petitioner with evaluating the credibility of potential investor groups;
- f. administering the Claims Process;
- g. reviewing weekly cash flow reporting and variance analysis;
- h. reviewing the receivership application materials filed by OCIM; and
- i. preparing this Fourth Report.

WESTMOUNT TERM SHEET

15. The Westmount Term Sheet is described in and appended to the Second Report of the Monitor.

16. 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.

17. On September 12, 2024, the Monitor and Management attended a call with the principal of Westmount to discuss the progress made towards completing the Westmount Term Sheet. During that discussion, the Monitor was advised that Westmount had reached out

to its investor list and had exchanged correspondence with various potential investors, but no capital had been committed at that time. The Petitioner was negotiating a subscription with one party representing their interest in funding the entire Westmount Term Sheet but ultimately the discussions with that party did not result in any funds being advanced.

18. On October 1, 2024, Management advised the Monitor that no subscription agreements or committed funding had been received by Westmount as of September 30, 2024.

OCIM APPLICATION

19. OCIM has raised concerns over the progress of Inca One's fundraising efforts to date including the lack of evidence of committed and available funds and timing to close as well as the status of the Peruvian operations and relationships with key suppliers and creditors.

20. As described in Affidavit #3 of Luis Saenz dated September 20, 2024 (the "**Third Saenz Affidavit**"), OCIM has lost confidence in Management and opposes Inca One borrowing additional funds in priority to the debt owing to OCIM, including pursuant to interim financing approved in these CCAA Proceedings. OCIM is prepared to advance funds to Inca One to implement a sale process, but only if a receiver is appointed.

21. Accordingly, OCIM has filed an application seeking the appointment of the Receiver in respect of its security for amounts owing by the Petitioner, totaling approximately US\$9.7 million as at the Filing Date.

22. Highlights of the Receivership Order are as follows:

- a. FTI is to be discharged as Monitor and appointed as Receiver of the assets, undertakings and property of Inca One;

- b. the Charges (as defined in the Second ARIO) would secure all amounts owing as of the date of the Receivership Order but would not secure amounts incurred after the date the Receivership Order;
- c. the Receiver will be authorized to borrow up to \$2.0 million to fund the receivership proceedings;
- d. the fees and disbursements of the Receiver and its legal counsel will be secured by a charge which will rank subordinate in priority to the Charges; and
- e. the Receiver's borrowings will be secured by a charge which will rank subordinate in priority to the Receiver's Charge.

CLAIMS PROCESS

23. The activities undertaken by the Monitor in respect of the Claims Process since the granting of the Claims Process Order are summarized below (all capitalized terms are as defined in the Claims Process Order):

- a. the Monitor posted copies of each of the following to its website:
 - i. the Claims Process Order;
 - ii. the Claims Instruction Letter
 - iii. a blank Proof of Claim Form;
 - iv. a blank Director/Officer Claim Form; and
 - v. a blank Notice of Dispute of Revision or Disallowance.

- b. the Monitor assisted the Petitioner with publication of the Press Release in the Northern Miner’s daily newsletter and website during the week of September 2, 2024;
 - c. on August 29, 2024, the Monitor mailed 31 Known Claim Value Claims Packages and five Other Creditor Claims Packages via ordinary mail to each of the Claimant’s last known address as evidenced in the Petitioner’s books and records; and
 - d. the Monitor developed a claims register setting out the details of the Proofs of Claim Received on or before the Claims Bar Date of September 16, 2024.
24. Pursuant to the Claims Process Order, the Monitor, in consultation with Inca One, reviewed the Claims received on or before the Claims Bar Date and adjudicated or responded as follows:
- a. accepting three Claims that contained sufficient evidence to substantiate the amounts claimed and aligned with the Applicants’ books and records;
 - b. extending the Claims Process Order timeline for one Claim where it was determined by the Monitor, in consultation with Inca One, that further evaluation of the Claim was warranted; and
 - c. in consultation with Management, issuing one Notice of Revision or Disallowance (“**NORD**”) on October 1, 2024, where supporting materials indicated a reduction in the amounts claimed. A Notice of Dispute of Revision or Disallowance is due within five Business Days of delivery of a NORD. As at the date of this report, the Monitor has not received a Notice of Dispute of Revision or Disallowance from the affected creditor.

CASH FLOW VARIANCE ANALYSIS

25. Inca One's actual cash receipts and disbursements as compared to the Second Cash Flow Statement for the period of June 3, 2024 to September 20, 2024, are summarized below:

Cash Flow Variance Analysis				
Sixteen Week Period Ended September 20, 2024				
(CAD)	Actual	Forecast	Variance	
Operating Receipts				
GST receipts	17,463	42,463	(25,000)	(58.9)%
Total Operating Receipts	17,463	42,463	(25,000)	(58.9)%
Operating Disbursements				
Payroll and Benefits	(233,815)	(205,622)	(28,193)	(13.7)%
Office and Administrative	(30,829)	(18,983)	(11,846)	(62.4)%
Rent	(13,491)	(14,497)	1,006	6.9%
Restructuring Professional Fees	(487,164)	(755,009)	267,845	35.5%
Other Professional Fees	(266,895)	(248,372)	(18,523)	(7.5)%
Other Operating Disbursements	(72,381)	(98,138)	25,757	26.2%
Transfers to Peruvian Subsidiaries	-	(340,000)	340,000	100.0%
Total Operating Disbursements	(1,104,574)	(1,680,620)	576,045	(34.3)%
Net Change in Cash from Operations	(1,087,112)	(1,638,157)	551,045	33.6%
Financing				
Interim Financing	1,297,803	1,292,000	5,803	0.4%
Interest and Bank Charges	1,916	904	1,012	111.9%
Net Change in Cash from Financing	1,299,719	1,292,904	6,815	0.5%
Effect of Foreign Exchange Translation	1,346	524	822	156.8%
Net Change in Cash	213,953	(344,729)	558,682	162.1%
Opening Cash	622,146	622,146	-	0.0%
Ending Cash	\$ 836,099	\$ 277,417	\$ 558,682	201.4%

26. Overall, Inca One realized a favourable net cash flow variance of approximately \$559,000. The key components of the variance include:

- a. a negative variance with respect to payroll and benefits as certain 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;
- c. a positive variance with respect to Transfers to Peruvian Subsidiaries of \$340,000. Subsequent to September 20, 2024, the Petitioner has transferred approximately \$210,000 to the Peruvian Subsidiaries;
- d. a positive variance with respect to restructuring professional fees of approximately \$267,000 that is a result of timing of receipt of invoices and lower than expected professional costs. 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						
Sixteen Week Period Ended September 20, 2024						
(CAD)						
Firm	Role	Fees	Disbursements	Taxes	Total	
Bridgehouse Law LLP	Company's Counsel	\$ 125,283	\$ 3,054	\$ 15,155	\$ 143,491	
FTI Consulting Canada Inc.	Monitor	248,624	1,897	12,526	263,047	
DLA Piper (Canada) LLP	Monitor's Counsel	71,975	14	8,637	80,626	
Total		\$ 445,882	\$ 4,965	\$ 36,318	\$ 487,164	

CONCLUSIONS AND RECOMMENDATIONS

27. The Monitor is encouraging Inca One and OCIM to advance discussions regarding a potential consensual restructuring that may avoid the need for the appointment of a receiver. However, absent an application to extend the Stay of Proceedings with support of the Secured Lenders and the availability of additional interim financing for such an extension, the Monitor respectfully recommends that this Honourable Court grant the Receivership Order.

28. The Monitor may engage in discussions with affected stakeholders regarding the appropriate relative priority of the various Court-ordered charges granted in the CCAA Proceedings and under the proposed Receivership Order.

All of which is respectfully submitted this October 4, 2024.

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



Tom Powell
Senior Managing Director



Mike Clark
Managing Director