



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

FIRST REPORT OF THE MONITOR

June 12, 2024

FIRST REPORT OF THE MONITOR

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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 provides 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, the Petitioner filed a notice of application returnable June 13, 2024, seeking an Amended and Restated Initial Order (“**ARIO**”) which provides for an extension of the Stay of Proceedings to July 19, 2024 (the “**Stay Extension**”) and an increase to the Administration Charge from \$100,000 to \$220,000.

PURPOSE

4. The purpose of this report is to provide this Honourable Court and the Petitioner’s stakeholders with information with respect to the following:
 - a. an overview of Inca One and the causes of its insolvency;
 - b. a summary of the initial activities of the Monitor subsequent to the date of the Initial Order;

- c. the proposed increase to the amount of the Administration Charge;
- d. a summary of the initial cash flow forecast (the “**Cash Flow Statement**”) appended to the First Affidavit of Edward Kelly dated June 3, 2024 (the “**First Kelly Affidavit**”) for the seven-week period ending July 19, 2024 as well as the assumptions on which the Cash Flow Statement is based;
- e. Inca One’s application for the Stay Extension; and
- f. the Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

- 5. 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**”).
- 6. 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.
- 7. 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.
- 8. 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.
- 9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

OVERVIEW OF INCA ONE AND CAUSES OF INSOLVENCY

10. Inca One is a Vancouver-based, publicly listed, industrial services, manufacturing and trading company to the Artisan Small-Scale Mining industry (“**ASM**”) in Peru with direct and indirect ownership interests in a number of subsidiaries (collectively, the “**Inca Group**”) which in turn hold in interests two Peruvian gold milling plants, the Chala One Plant and the Kori One Plant (together, the “**Plants**”). An organizational chart is attached as Appendix “**A**”.
11. The Inca Group operations include the purchasing and transportation of gold bearing ore from its ASM partners to the Plants where it is tested, milled and processed. The result is a gold dore bar that is exported to a refinery in Europe for further smelting and ultimately sold to the refinery or some other buyer.
12. The Petitioner has two primary secured creditors:
 - a. OCIM Metals and Mining SA (“**OCIM**”): provided an initial US\$9 million gold pre-payment facility under a Gold Loan Agreement and subsequent bridge loan of US\$1.5 million with both facilities being payable in ounces of gold and total indebtedness of approximately US\$9.7 million as at the Filing Date; and
 - b. Equinox Gold Corp. (“**Equinox**”): provided a \$9 million secured promissory note with total indebtedness of approximately \$7.1 million as at the Filing Date.
13. The Petitioner’s financial position has deteriorated resulting from, among other things:
 - a. insufficient working capital to fund operations; and
 - b. an increase in the price of gold of over the last four months, which among other things:
 - i. altered the value of the OCIM debt causing strain on debt covenants; and

- ii. increased the cost to purchase gold bearing ore from Inca One's ASM partners.

14. The financial and operational circumstances described above have resulted in an urgent liquidity crisis and the Petitioner is not able to:

- a. meet the obligations to creditors as they generally become due; and
- b. pay out the amounts owing to OCIM and Equinox.

15. The business and affairs of the Petitioner and the causes of its insolvency are described in further detail in the First Kelly Affidavit.

INITIAL ACTIVITIES OF THE MONITOR

16. The Monitor's activities during the CCAA Proceedings to date have included the following:

- a. retaining DLA Piper (Canada) LLP to act as independent legal counsel to the Monitor;
- b. ongoing discussions with Management and the Petitioner's legal counsel, Bridgehouse Law LLP, regarding Inca One's business and financial affairs;
- c. attending discussions with various stakeholders, including:
 - i. legal counsel to OCIM;
 - ii. legal counsel to Equinox;
 - iii. management of Pactum Capital in respect of a Confirming Line of Credit facility in Peru; and

- iv. various groups expressing an interest in participating in a proposed refinancing of Inca One.
- d. preparing and issuing notices required under the CCAA and Initial Order, including:
 - i. mailing notices of the CCAA Proceedings to all known creditors on June 10, 2024;
 - ii. publishing notice of the CCAA Proceedings in the Globe and Mail on June 7, 2024, and arranging for a notice to be published in the next available edition of the Northern Miner in July 2024;
 - iii. submitting Form 1 and Form 2 notices to the Office of the Superintendent of Bankruptcy in the prescribed form as required under section 23(1)(f) of the CCAA;
- e. reviewing and discussing various restructuring plans, cash flow scenarios and financial projections prepared by Management;
- f. assisting Management with preparation and analysis of various strategic paths for Inca One and its various assets; and
- g. preparing this first Report.

ADMINISTRATION CHARGE

17. The Initial Order currently provides for an Administration Charge in the amount \$100,000 that ranks in priority to all security interests against the Petitioner. The beneficiaries of the Administration Charge are the Monitor, counsel to the Monitor and the counsel to the Petitioner. The Administration Charge serves as security for the professional fees and disbursements of the beneficiaries incurred both before and after the

granting of the Initial Order. The Petitioner is seeking to increase the Administration Charge to \$220,000 representing approximately four weeks of professional fees.

18. The Monitor has reviewed the underlying assumptions upon which the Petitioner has based the quantum of the Administration Charge, including the potential complexities of these proceedings and the services to be provided by the beneficiaries of the Administration Charge and is of the view that the quantum of the Administration Charge is reasonable and appropriate in the circumstances, in particular based off of the cash flow projections prepared by the Petitioner in contemplation of these proceedings.

CASH FLOW STATEMENT

19. The Petitioner has prepared the Cash Flow Statement to set out the liquidity requirements of Inca One during the 7 weeks ending July 19, 2024 which was appended to the First Kelly Affidavit. A copy of the Cash Flow Statement is attached as Appendix “B”.

20. The Cash Flow Statement is summarized in the following table:

Inca One Gold Corp. Cash Flow Statement 7-Week Period Ending July 19, 2024 (CAD\$ thousands)	Weeks 1-7 Total
Operating Receipts	
GST receipts	\$ 7,500
Total Operating Receipts	7,500
Operating Disbursements	
Payroll and Benefits	(77,000)
Office and Administrative	(4,000)
Rent	(5,000)
Restructuring Professional Fees	(385,000)
Other Professional Fees	(110,000)
Other Operating Disbursements	(20,000)
Total Operating Disbursements	(601,000)
Net Change in Cash	(593,500)
Opening Cash	611,204
Ending Cash	\$ 17,704

21. The Cash Flow Statement is based on the following key assumptions:

- a. the projected receipts relate solely to the collection of GST refunds;
- b. payroll and benefits relate to the three employees and three contractors currently employed by Inca One;
- c. rent relates to an office space leased in Vancouver, BC;
- d. restructuring professional fees include the Monitor, the Monitor's counsel and the Petitioner's counsel;
- e. other professional fees relate to corporate and Peruvian legal fees as well as certain public accounting fees that are provisional and only expected to be paid if relevant to a refinancing or otherwise required in these CCAA Proceedings;
- f. other operating disbursements relate to certain public company related costs and other contingencies; and
- g. the Plants will be able to continue their transition to care and maintenance operations without requiring any funding from the Petitioner.

22. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports as follows:

- a. the Cash Flow Statement has been prepared by Management for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in notes 1 to 7 thereof;
- b. the Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by Management and employees of the Petitioner.

Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement;

- c. based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - ii. as at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Petitioner or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
 - iii. the Cash Flow Statement does not reflect the probable and hypothetical assumptions;
- d. since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Monitor in preparing this Report; and
- e. the Cash Flow Statement has been prepared solely for the purposes described in the notes to the Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

STAY EXTENSION

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

- a. the Cash Flow Statement forecasts that the Petitioner has sufficient liquidity during the period of the Stay Extension;
- b. the Petitioner requires an extension to complete its transition to care and maintenance operations at the Plants;
- c. the Petitioner requires the Stay Extension in order to pursue a restructuring strategy including continuing discussions with its primary secured lenders, sourcing interim financing and developing a plan to identify one or more restructuring transactions;
- d. the Petitioner is acting in good faith and with due diligence; and
- e. Inca One's prospects of affecting a viable restructuring will be enhanced by the Stay Extension.

CONCLUSIONS AND RECOMMENDATIONS

24. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the ARIO.

All of which is respectfully submitted this June 12, 2024.

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



Tom Powell
Senior Managing Director

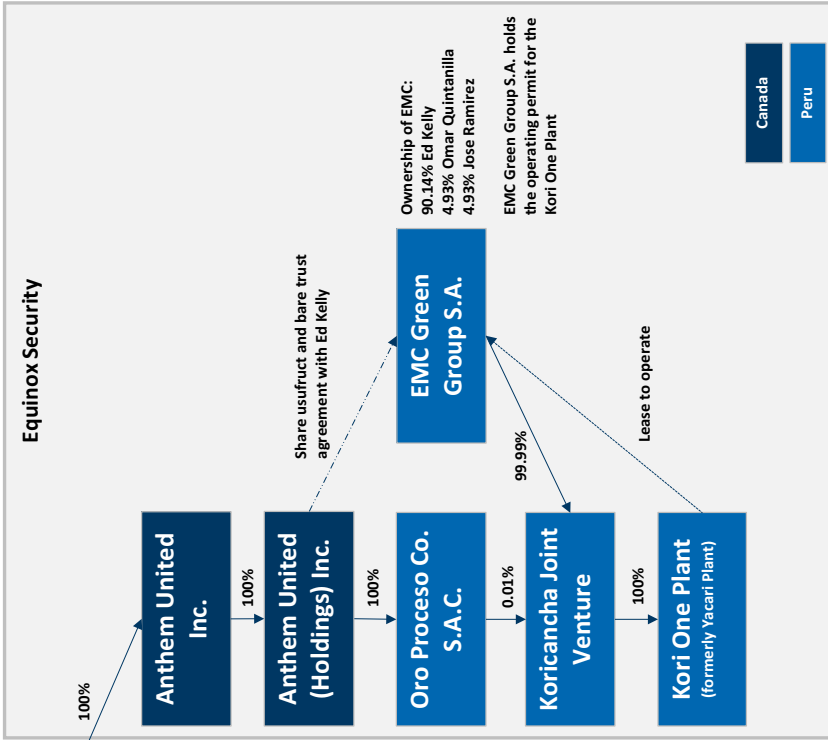
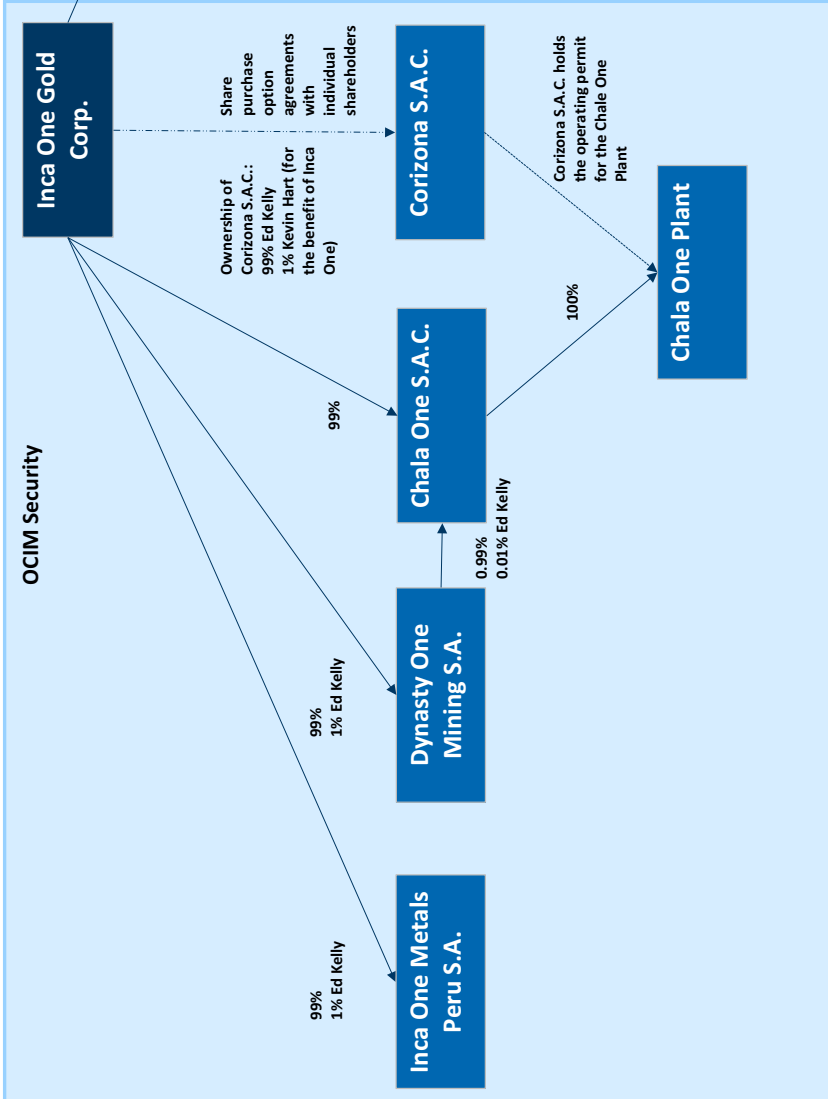


Mike Clark
Managing Director

Appendix A

Organizational Chart of the Inca One Group

**Organizational Chart
Inca One Group**



Canada

Peru

Appendix B

Cash Flow Statement for the 7-week period
ending July 19, 2024

Inca One Gold Corp.
Cash Flow Statement
For the 7-week period ending July 19, 2024

<i>Week Ending (CAD)</i>	<i>Notes</i>	<i>Week 1 7-Jun-24 Forecast</i>	<i>Week 2 14-Jun-24 Forecast</i>	<i>Week 3 21-Jun-24 Forecast</i>	<i>Week 4 28-Jun-24 Forecast</i>	<i>Week 5 5-Jul-24 Forecast</i>	<i>Week 6 12-Jul-24 Forecast</i>	<i>Week 7 19-Jul-24 Forecast</i>	<i>Total</i>
Operating Receipts									
GST receipts	[1]	\$ 7,500	-	-	-	-	-	-	\$ 7,500
Total Operating Receipts		7,500	-	-	-	-	-	-	7,500
Operating Disbursements									
Payroll and Benefits	[2]	-	(12,000)	-	(42,000)	-	(11,000)	(12,000)	(77,000)
Office and Administrative	[3]	-	-	-	(4,000)	-	-	-	(4,000)
Rent	[4]	-	-	-	(5,000)	-	-	-	(5,000)
Restructuring Professional Fees	[5]	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(385,000)
Other Professional Fees	[6]	-	(20,000)	-	(38,000)	(35,000)	(7,000)	(10,000)	(110,000)
Other Operating Disbursements	[7]	-	-	-	(20,000)	-	-	-	(20,000)
Total Operating Disbursements		(55,000)	(87,000)	(55,000)	(164,000)	(90,000)	(73,000)	(77,000)	(601,000)
Net Change in Cash		(47,500)	(87,000)	(55,000)	(164,000)	(90,000)	(73,000)	(77,000)	(593,500)
Opening Cash		611,204	563,704	476,704	421,704	257,704	167,704	94,704	611,204
Ending Cash		\$ 563,704	\$ 476,704	\$ 421,704	\$ 257,704	\$ 167,704	\$ 94,704	\$ 17,704	\$ 17,704

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of Inca One Gold Corp. during the anticipated CCAA Proceedings. The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from forecast and such variations may be material.

- [1] Receipts relate solely to GST recoveries.
- [2] Payroll and benefits relates to management, employee and director costs.
- [3] Office and administration expenses relate to email and website services, telephone, internet, cloud servers and subscriptions.
- [4] Rent relates to a Vancouver office lease.
- [5] CCAA professional fees includes the Applicant's legal counsel, the Monitor and the Monitor's legal counsel.
- [6] Other professional fees includes external accounting and legal work in respect of audit, corporate and foreign matters.
- [7] Other operating disbursements contains certain public company related costs and contingencies.