



4 February 2021

FEBRUARY 2021 MD'S LETTER TO SHAREHOLDERS

On behalf of Inca Minerals Limited (**Inca** or the **Company**) I would like to wish our community a Happy New Year. Unfortunately the COVID-19 pandemic is still impacting the world in 2021 but at least vaccine roll-outs have begun. I repeat the welcome to our new shareholders from the October funding raising campaign and now also welcome new shareholders who have made more recent on-market investments. The support we are receiving is contributing to, among other positives, two year high share prices. Thank you.

The key topics of my letter are:

- Recent COVID-19 news from Peru (and Perth),
- Drill permitting at Riqueza,
- Key Frewena tenements become granted, and
- Australian portfolio work program for 2021.

Recent COVID-19 News

Peru: Authorities have recently reimposed a strict lockdown for central Peru, affecting Peru's capital city, Lima. The Company is not materially affected by this latest imposition.

Exploration in Peru is considered an "essential business" and as such is not restricted by COVID-19-related controls. Inca's personnel are able to move from home to the project and current [minor] exploration activities are continuing largely unhindered. Our drilling activities in Peru would come under the umbrella of essential business.

The central Peru lockdown has had a small impact on the Company's drill permitting processes, delaying the Ministry of Energy and Minerals's (**MINEM**) response to our Certificate to Commence Work application. I talk about this further below.

Inca has set up its own COVID-19 testing unit at its Huancayo exploration storage facility to screen all personnel prior to travelling to the Riqueza camp. Huancayo is the step-off point to the Riqueza camp, from where most personnel are rotated and food and supplies are sourced. Controlled by trained medical/safety officers, this testing unit was set up to avoid COVID-19 at the camp. The cost is little compared to the unwanted prospect of a camp deep-clean and related delays to operations.

Perth: A strict lockdown was imposed in Perth on Sunday evening (31 January 2021) and currently planned until Friday evening (5 February 2021). Although Inca is headquartered in Perth, the Company has not been adversely affected by this lockdown.

General: Despite various nations beginning their COVID-19 vaccine rollouts, including the two countries Inca operates in (Peru and Australia), COVID-19 continues to affect, what I call, "human mobility" which has tangible and intangible effects on local and global businesses. Until such time as the vaccines take effect on populations, I would expect 2021 to be such like 2020, and that is to be somewhat compromised.

Drill Permitting at Riqueza

The first phase of drilling at Riqueza will focus on the NE Area, where we are testing eleven targets for large-scale gold-silver-copper porphyry, copper-zinc skarn, and silver-lead-zinc carbonate replacement mineralisation.

Drill permitting has progressed slowly but steadily with the all-important FTA drill permit granted (ASX announcement 15 January 2021).



The application for a Certificate to Commence Work (also known as an Exploration Permit) is ready to be lodged this week after a MINEM pre-lodging vetting period coming to end. This pre-vetting phase has taken approximately 10 days compared to the projected 5 days to complete. This is due to the difficulties within the MINEM related to the tighter COVID-19 restrictions.

It is unfortunate that COVID-19 related delays persist. Nevertheless, the Certificate to Commence Work and the Water Permit, are both scheduled in be submitted this week. It remains our plan to ask the drilling contractors to mobilise the rig to Riqueza this month.

Frewena Tenements are Granted

Three key tenements that make up the greater part of the Frewena Group Project, have now been granted. These include the Frewena Fable (North) exploration licence EL32287, the Frewena East exploration licence EL32289, and Frewena Far East exploration licence EL32293.

EL32287 is part of the Frewena Fable Project which hosts the large Tamborine and Alpaca IOCG targets. Newcrest own a large tenement immediately north of Frewena Fable. Inca's recent co-funded AMAGRAD survey covers Frewena Fable and the Frewena Far East Project.

EL32289 is part of the Frewena East Project. It hosts a currently unnamed conductivity target that we believe is associated with the recently announced Middle Island Resources (ASX ticker: MDI) copper discovery on their ground immediately west of EL32289. I talk more on this below.

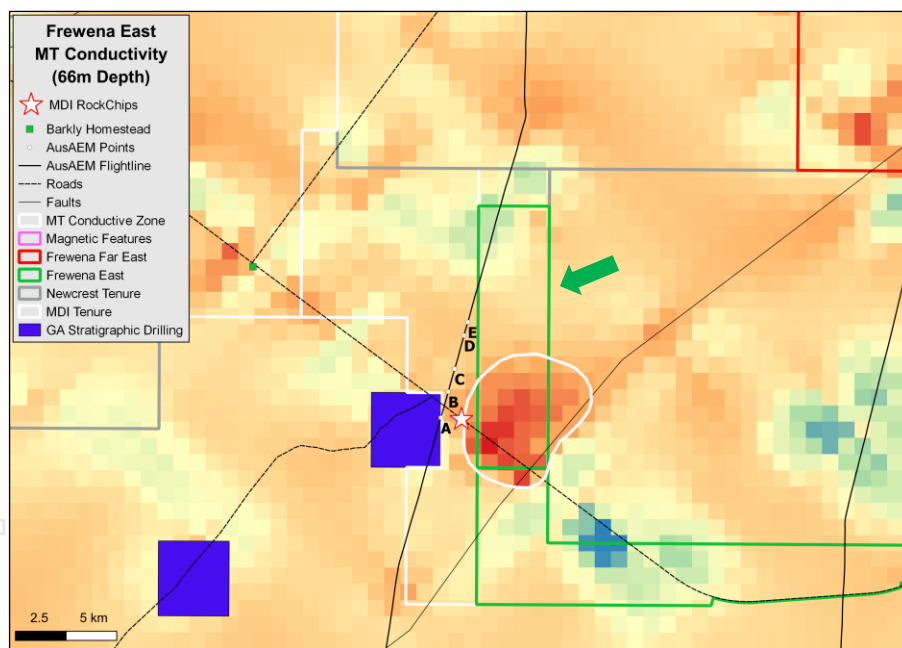


Figure 1 LEFT: A MT conductivity 66m deep slice (orange-yellow-red highlights). The Middle Island copper occurrence is located with a small white star. It sits on the western margin of a large geophysical target shown by MT magnetics (solid white line). The white straight lines show the Middle Island-held tenements west of Inca. The grey lines show Newcrest-held ground, east of Inca. This figure first appeared in Inca's ASX announcement dated 5 January 2021. The recently granted tenement EL22389 is represented by the green polygon indicated by the green arrow.

EL32293 makes up the entire Frewena Far East Project. This project hosts five known tier-1 IOCG targets. The recent co-funded AMAGRAD survey also covers Frewena Far East.

NOTE: An exploration licence in the Northern Territory has a 6-year life.

The granting of these three tenements is a tremendous development for the Company. Targeted exploration (described below) will now continue on granted title. Additionally, future negotiations concerning possible farm-in/JV transactions may now continue with more gravitas and purpose.



The 2021 Exploration Program for the Australian Projects

As outlined in my previous MD's Letter, of November 2020, the Australian portfolio of projects is now settled. Assembled on the basis of their tier-1 exploration credentials, the Australian portfolio includes the:

- **Frewena Group Project** (Frewena Fable, Frewena East, Frewena Far East):
 - Location and size: Northern Territory, 2,384.5sqkm.
 - Tenements and Status: 6 Exploration Licences (4 granted) /Early phase exploration.
 - Exploration model: IOCG deposits.
- **East Arunta Group Project** (Jean Elson, Hay River, Lorna May):
 - Location and size: Northern Territory, 2,575 sqkm.
 - Tenements and Status: 4 Exploration Licences (none granted)/Early phase exploration.
 - Exploration model: IOCG, orogenic-gold deposits.
- **MaCauley Creek Project:**
 - Location and size: Queensland, 359 sqkm.
 - Tenements and Status: Two Exploration Permits for Minerals (granted)/Middle phase exploration.
 - Exploration model: Epithermal gold, gold-copper porphyry and skarn deposits.

The applications in East Timor are currently being critically reviewed. As there are no costs in maintaining the applications, we can afford to be patient with them.

Inca has moved beyond the project incubation phase of the long-term strategy of the Company. Inca is unlikely to acquire an additional project(s) unless an existing project(s) is/are divested (farmed-out/JV'd) or dropped from the portfolio. The Company is cognisant of its “spending power” — the dynamic that plays out between funding and finding. We are determined to achieve best exploration outcomes for both Peru and Australia by focussing on our best targets.

And so, in 2021 the Company moves towards the second phase of its long-term strategy — the binary value proposition of i) strategic investment through value-adding exploration, and ii) strategic partnerships. These components are parallel, interchangeable and interconnected, which the 2021 exploration program reflects.

Value-adding exploration is planned for all of the Australian projects in 2021. At the same time, it is important to be aware that any one project or combinations of projects are available for funding partnerships. Each partnership proposition will be assessed for best outcomes and shareholder value. At any stage in the development of a project, the Company may decide to “go it alone”, farm it out, or drop the project entirely. The Company will not hold projects that have not performed well.

The Frewena Group Project is highly prospective for IOCG mineralisation. It is located in an area that is becoming increasingly sought-after by juniors and majors alike due to its IOCG potential. We are currently waiting on air magnetic and radiometric (**AMAGRAD**) interpretations from a consultancy. These interpretations will govern the location and type of work that will come next. In the meantime, the southern part of the recently granted EL32289 at Frewena East, which is in close proximity to the Middle Island Resources copper discovery (detailed in our ASX announcement dated 5 January 2021), will be subject to close examination as soon as practicable. The idea is to investigate the conductivity target that occurs there (Figure 1) that we believe is related to the copper mineralisation. The intention is to conduct mapping and sampling focussing on locating possible visible copper mineralisation.



Further to the south, the East Arunta Group Project is highly prospective for both IOCG and orogenic gold mineralisation. Whilst Lorna May and Hay River are both located on Aboriginal Freehold lands, Jean Elson is not and it is anticipated to be granted relatively quickly. You will recall our ASX announcement about significant copper being discovered at the Ningaloo Prospect of the Camel Creek Target area (ASX announcement 23 November 2020) (Figure 2) at Jean Elson. Ningaloo, as well as the Sunset Boulevard Prospect, 1.5km to the southeast, will be our highest priority.

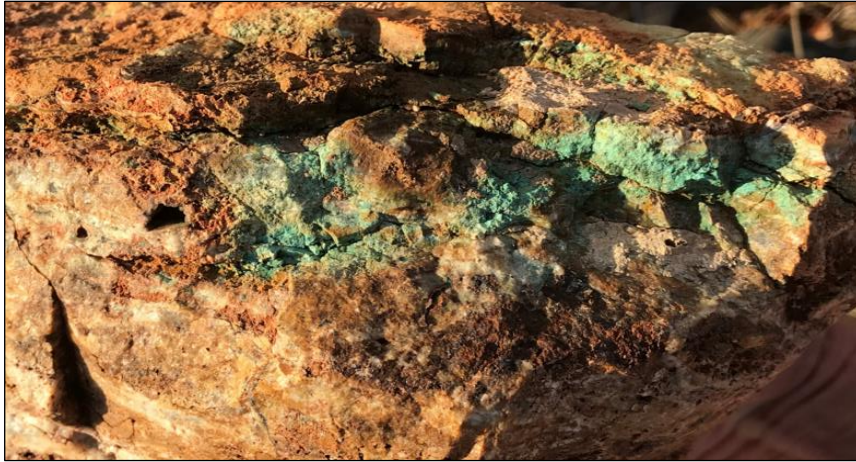


Figure 2 **LEFT:** Hand specimen of material that was subsequently found to contain 10.3% Cu (rockchip sample number JE0045). This result and photo were first reported in Inca's ASX announcement dated 23 November 2019.

Both programs will include detailed mapping and sampling designed to determine the surface extent of known copper mineralisation and to uncover possible new forms of mineralisation.

The Company's MaCauley Creek Project in Queensland is highly prospective for epithermal, porphyry and/or skarn mineralisation. Of all the Australian projects it is the most advanced when considering all past exploration (pre-Inca and Inca).

Inca's programs have already greatly value-added MaCauley Creek: i) The confirmation of bonanza grade silver, peak result 1,165g/t silver (with gold and copper) (Figure 2); ii) the multiple percentage-level copper results at several of the known mine workings and prospect areas; iii) the identification of new prospect area; iv) the inspection and confirmation of previous drilling locations (Figure 4); v) the identification of six geophysical targets, many of which host known mineralisation; and vi) the conformation of the epithermal-porphyry-skarn exploration model. With pending interpretations of past geophysical data, MaCauley Creek will be drill-ready in 2021.



Figure 3 **RIGHT:** Hand specimen of material that was subsequently found to contain 1,165g/t silver, 0.26g/t gold and 0.35% copper (rockchip sample number MC0025). This result and photo were first reported in Inca's ASX announcement dated 4 October 2019.

Perhaps the most compelling result to date at MaCauley Creek and a driver for drill testing, is the open-ended mineralisation recorded in a previous (non-Inca) drill hole (Figure 4). Mineralisation persists for most of the hole and the best grades occur at the bottom. Porphyry-like mineralisation is open-ended.

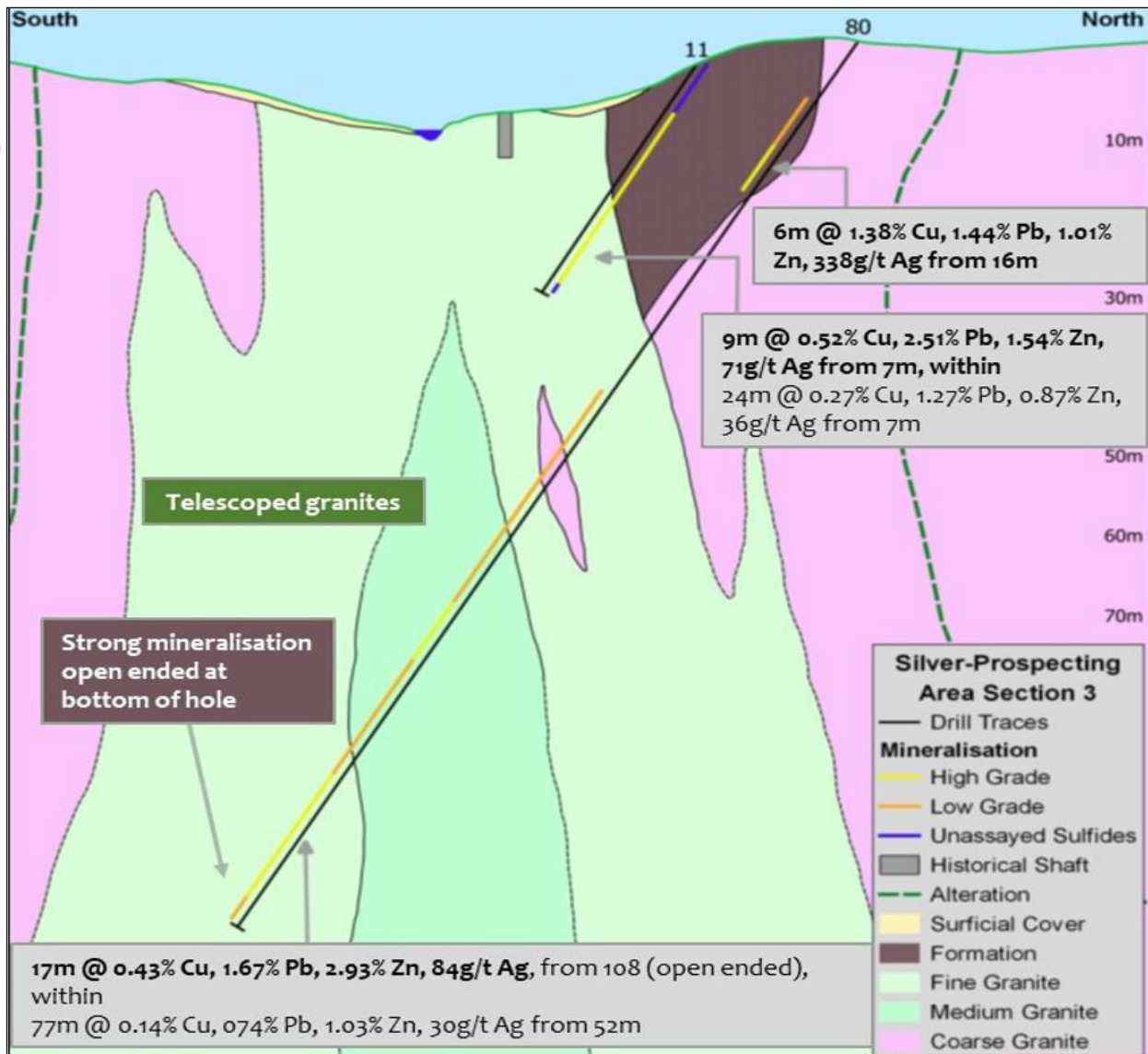


Figure 4 ABOVE: Geological cross-section of past drilling by North Queensland Minerals (previous owner) drill holes 11, & 80 at the Silver-Prospecting Area. The *Formation* (brown shaded area) is a mineralised brecciated margin of a *Fine* [grained] *Granite* (light green shaded area) and coarse country-rock granite (pink shaded area), which is also mineralised. Telescoped granitic intrusions are characteristic of porphyry systems. The area is a clear high-quality target for Inca. *This figure first appeared in Inca's ASX announcement dated 1 July 2019. THIS DRILL HOLE WAS NOT COMPLETED BY INCA MINERALS NOR WERE THE ASSAY RESULTS OF THE DRILL CHIP SAMPLES. THIS IMAGE WAS OBTAINED FROM OPEN FILE REPORTS AVAILABLE AT THE QUEENSLAND DEPARTMENT OF NATURAL RESOURCES, MINES, AND ENERGY (DNRME).*

Inca is currently assessing the drilling options at MaCauley Creek. Geophysics may be useful to de-risking future drilling, but a small-scale program may more rapidly uncover the latent potential of this particular target area.

In summary, it is the intention of the Company in early 2021 to follow-up on targets within its Australian projects which are the most advanced and the most prospective—that have both geophysical and geochemical components and that are of a size to be regarded as having teir-1 potential. In this way, we are replicating the development model we deployed to great effect at Riqueza. The new, currently un-named, target at Frewena East, east of the Middle Island copper discovery, is one such target that satisfies this criteria. The Ningaloo-Sunset Boulevard Prospects at Jean Elson and the Silver Prospecting Area Prospect at MaCauley Creek also satisfy this criteria. The full 2021 program will also include more broad-based target assessments, with Frewena Group being the primary focus, to advance all projects as rapidly as possible.

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It is noted that the 2021 program may change as a result of unfolding Company results, as well as results of activities of other companies operating in the vicinity. This flexibility is needed to correctly deploy funds to the right prospect to exact best outcomes for the Company.

The parallel component of the binary Australian strategy is the potential divestment of projects. We will consider any transaction that makes sense. “Making sense means making dollars” so that potential transactions must be attractive in terms of adding value to the project and adding value to the Company.

Key Take-aways

- The COVID-19 pandemic is still affecting the global community. Inca has set up COVID-19 strategies to manage the disease and to reduce regulatory knock-on effects.
- Drilling at the NE Area of Riqueza is anticipated to start as soon as the final stages of permitting have been concluded.
- The early-2021 exploration program in Australia will focus on targets that satisfy strong selection criteria, including possessing multiple coincident geophysical signatures and, most importantly, possessing strong geochemical signatures or known surface mineralisation. Such targets include:
 - Frewena East: The currently unnamed conductivity target, east of the Middle Island copper discovery.
 - Jean Elson: The Ningaloo and Sunset Boulevard Prospects which hosts widespread copper mineralisation.
 - MaCauley Creek: The Silver Prospecting Area target which hosting open-ended copper mineralisation in brecciated and telescoped granites.
- The full-2021 exploration program in Australia will also include target generation work recognising that all of the projects have multiple tier-one targets well-capable of rapid elevation. Central to this is the Frewena Group Project, that as discussed above, is now almost fully granted and hosts multiple tier-1 IOCG targets. We are awaiting AMAGRAD interpretations and have ground disturbance permits already in place.
- The Company is proactively pursuing divestment opportunities for its projects. Such opportunities must ensure expeditious development of the project(s) and have positive corporate outcomes.

Ross Brown
Managing Director
Inca Minerals Limited

Competent Person's Statements

The information in this report that relates to exploration activities for the Riqueza project, located in Peru, the Frewena and Arunta East Group Projects, located in the Northern Territory, and the MaCauley Creek Project, located in Queensland, is based on information compiled by Mr Ross Brown BSc (Hons), MAusIMM, SEG, MAICD Managing Director, Inca Minerals Limited, who is a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience, which is relevant to the exploration activities, style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Brown is a fulltime employee of Inca Minerals Limited and consents to the report being issued in the form and context in which it appears.