INCA MINERALS LTD
ACN 128 512 907

Annual Financial Report

For the year ended 30 June 2014

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CORPORATE PARTICULARS

Directors	Mr Ross Brown	*Managing Director*
	Mr Justin Walawski	*Director*
	Mr Gareth Lloyd	*Director*
Company Secretary	Mr Justin Walawski	
Registered Office	1030 Wellington Street West Perth, WA, 6005	
Corporate Office	1030 Wellington Street West Perth, WA, 6005	
Mailing Address	PO Box 38 West Perth WA 6872	
Share Registry	Advanced Share Registry Services 110 Stirling Highway Perth WA 6009	
Auditor	Stantons International Level 2, 1 Walker Avenue West Perth, WA, 6005	

DIRECTORS' REPORT

The Directors of Inca Minerals Limited ('the Company') present their financial report on the Company and its controlled entities for the year ended 30 June 2014.

Directors

The names of directors in office at any time during or since the end of the financial year are listed hereunder. Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

- Ross Brown, Managing Director
- Justin Walawski, Director and Company Secretary
- Gareth Lloyd, Director

Information on Directors

ROSS BROWN B.Sc (Hons), M.Aus.IMM.
Managing Director

A geologist by profession, Mr Brown has had over 28 years' experience in mineral exploration in Australia, Asia, Africa and South America and he has worked in a broad range of commodities, including gold, base metals, uranium, phosphate and diamonds. Mr Brown has a rare ability in recognising the commercial potential of exploration projects and geological process, and has a proven track record of bringing technical-based exploration concepts and projects to market.

In 2009 Mr Brown co-founded the gold/copper exploration company, Mystic Sands Pty Ltd, which was established for the purposes of conducting exploration in Chile, South America. With the assistance of other technical management Mr Brown was responsible for the composition of the initial project portfolio. Mystic Sands was purchased by Australian-listed explorer White Star Minerals Ltd. As part of the transaction, Sandfire Resources NL became a shareholder of White Star Minerals Ltd.

Mr Brown turned his attention to Peru in 2009 and through his network of Peruvian-based businessmen and geologists assessed the potential of more than a hundred projects. Mr Brown recognised the great potential of mineral discovery in that country and recognised the potential of Inca's lead project, Chanape, from being a known polymetallic deposit to being that of a potentially large copper-molybdenum-silver-gold porphyry deposit.

Mr Brown was the co-founder and Managing Director of Urcaguary Pty Ltd, the Company's fully owned subsidiary (formerly called Inca Minerals Limited) and he became the Company's Managing Director after its takeover of Urcaguary. As at 30 June 2014, and in addition to his position with the Company, Mr Brown remains a Director of Urcaguary and the Company's other subsidiary companies. In the previous 3 years, Mr Brown has not been a director of any other ASX listed companies.

Mr Brown has been a member of AusIMM since 1988, and is also a member of GSA, SEG and AICD.

DIRECTORS' REPORT (continued)

JUSTIN WALAWSKI BBus.,P.Grad.Dip., PhD, FCPA, MAICD
Director and Company Secretary

As at 30 June 2014, in addition to his position with Inca, Mr Walawski was also a Director and Company Secretary of Inca's subsidiary companies, Chairman of FAB Industries Pty Ltd (a private equity investment company) and Facilitator for the AICD's Company Directors course in areas of financial literacy and financial strategy.

Mr Walawski has previously held positions as Chairman, Deputy Chairman and Chief Executive of the North West Iron Ore Alliance, Chief Executive of the Association of Mining & Exploration Companies, Chairman of Special Olympics Australia (WA) and Director of CPA Australia (WA). He is a former member of the ASX's Supervisory Liaison Committee, the Federal Australian Government's Mineral Exploration Action Implementation Committee and the West Australian Government's State Tax Reference Committee. In the previous 3 years Mr Walawski has been a director of one other ASX listed company being IFS Construction Services Limited (appointed 31 August 2012 to present).

Mr Walawski is a Fellow of CPA Australia, a Member of the AICD and holds undergraduate, post-graduate and doctoral degrees in accounting/auditing.

GARETH LLOYD B.Sc (Hons)
Director

As at 30 June 2014, in addition to his position with Inca, Mr Lloyd was also a Director of Inca's subsidiary companies. Mr Lloyd has over 30 years' experience with mining and exploration companies and brings considerable technical, commercial and capital raising expertise to the Company. A mining engineer by training, he has operating experience in gold, base metals and coal operations in Australia, South Africa and the United Kingdom.

Mr Lloyd is a part owner of the Element group, a Perth-based boutique advisory and funds management group focused on the resources sector through which Mr Lloyd provides strategic advice and fund raising services to both listed and unlisted companies (predominantly mining and exploration companies) using both equity and mezzanine instruments.

Prior to establishing Element (in 2008), Mr Lloyd was an Associate Director at the Rothschild Group where he helped establish the Golden Arrow Funds I and II, the latter fund becoming the ASX-listed LinQ Resources Fund. At the time of his departure from LinQ, the fund was one of Australia's largest listed resource funds with funds under management of over $475m. He has held a number of senior positions at Australian resource-focused stockbroking firms including Research Director at Hartleys and Resources Analyst at Eyres Reed. In the previous 3 years, Mr Lloyd has not been a director of any other ASX listed companies.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW

Principal Activities

The Company's principal activities during the year were conducting exploration and evaluation work on existing tenements. Inca Minerals Limited is a Western Australian and Peruvian focused exploration company whose aims are to find, develop and/or demonstrate the potential of projects to others. Inca will continue to seek opportunities for acquiring or farming in to new tenements, and to divest or joint venture where there is benefit to shareholders.

Operating Results

The operating loss after income tax of the Company for the year ended 30 June 2014 was $2,952,310 (2013: loss of $3,526,901).

Review of Operations

The Company's current exploration position and other activities appear in announcements released to the Australian Securities Exchange throughout the year ended 30 June 2014 (report period) and should be read in conjunction with this report.

During the report period the Company continued to focus on the exploration and evaluation of its Peruvian projects and in particular, the Company's flagship Chanape Project. This followed the discovery of a mineralised porphyry at Chanape in the Company's maiden drill hole (as announced in the previous report period). Independent expert opinion, continued exploration conducted throughout the report period, and unsolicited interest from major diversified mining companies confirmed the importance of the initial discovery, delivered a number of standout exploration results (few better than a 55 metre down hole interval @ 2.3% copper,0.60g/t gold and 42.90g/t silver from 155 metres) and reaffirmed that Chanape possesses strong potential as a dual-resource project hosting a near-surface copper, gold and silver resource as well as deeper porphyry and porphyry-related copper-molybdenum-silver±gold mineralisation.

The Company's exploration success underpinned its ability to raise capital throughout the report period with the completion of a Share Purchase Plan (refer ASX announcement 18 December 2013) raising $513,000 and a $1.25 million placement (refer ASX announcement 22 April 2014).

Financial Position

The net assets of the Group were $10,603,260 as at 30 June 2014 ($12,324,640 as at 30 June 2013).

Significant Changes in the State of Affairs

The Company raised $1,768,903 (before broker commissions) capital during the financial year and there were no other significant changes in the state of affairs of the Group during the financial year.

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no dividends have been paid or declared since the start of the financial year.

Significant Events after Reporting Date

The Company completed a capital raising on 6 August 2014 raising $3,200,000 (before broker commissions) through the issue of 139,130,432 fully paid ordinary shares. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or the state of affairs of the Company in future financial years.

DIRECTORS' REPORT (continued)

Likely Developments and Expected Results

The Company expects to maintain the present status and level of operation and hence there are no likely unwarranted developments in the entity's operations.

Environmental Issues

The Company is subject to significant environmental regulation in respect of its exploration activities in Australia and Peru. The Company ensures the appropriate standard of environmental care is achieved and, in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year.

Proceedings on Behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Indemnification of Officers and Insurance Premiums

The consolidated entity has paid premiums to insure the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity.

The premiums paid in respect of Directors' and Officers' insurance during the year amounted to $17,116 (2013: $17,261).

Options

At the date of this report, there were no unissued ordinary shares of Inca Minerals Limited under option.

Risk Management

The Board is responsible for ensuring that risks and opportunities are identified in a timely manner and that activities are aligned with the risks and opportunities identified by the Board.

Meetings of Directors

During the financial year, 19 meetings of directors were held. Attendances by each director during the year were as follows:-

	Board Meetings	
	No. of meetings eligible to attend	Number attended
Dr Justin Walawski	19	19
Mr Ross Brown	18	18
Mr Gareth Lloyd	18	18

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration Policy

The remuneration policy of Inca Minerals Limited aligns director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and, where the Board believes it appropriate, may also include specific long-term incentives based on key performance areas affecting the Company's ability to attract and retain the best executives and directors to run and manage the Company.

The remuneration policy setting out the terms and conditions for the executive directors and other senior executives was developed by the Board. All executives receive a base salary (which is based on factors such as ability and experience). The Board reviews executive packages annually by reference to the economic entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries. The performance of the executive directors is measured against the objective of promoting growth in shareholder value.

The Board may exercise discretion in relation to approving incentives, bonuses, and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives may, where the Board believes it appropriate, participate in employee share and option arrangements.

The Board policy is to remunerate directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders in a general meeting (currently $240,000 per annum).

Performance Based Remuneration

Ross Brown earned a performance related cash bonus of $20,000 plus superannuation and a shares based bonus of $16,425 for the year ended 30 June 2014. The amounts remain unpaid and accrued as at balance date. A share based payments expense relating to the share based bonus of $16,425 has been booked in the accounts. The total number of shares to be issued is to be based upon the volume weighted average price of Inca's shares for the 5 trading days immediately prior to the date or issue and is subject to shareholder approval at Inca's next Annual General Meeting.

This performance based remuneration is included in the Key Management Personnel Remuneration table outlined below.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key management personnel service agreements

Details of the key conditions of service agreements for key management personnel are as follows:

	Commencement Date	Notice Period Base Salary	Base Salary	Termination Payments Provided**
Ross Brown	1 March 2012	6 months	$220,000 per annum	None
Gareth Lloyd	14 September 2012	Nil	$50,000 per annum director fees.	None
Justin Walawski	21 May 2012	3 months	$5,400* per month for company secretary / consultancy fees plus $50,000 per annum director fees.	None
David Bent	16 September 2013	3 months	$US170,000 per annum	None

*Mr Walawski has an agreement with the Company whereby he receives a minimum retainer of $5,400 per month (excluding GST) for consulting services provided up to, and including, 32 hours per month. Mr Walawski is then paid an additional hourly rate of $200 (excluding GST) in the event the Company requires his consulting services over and above 32 hours per month.
**Other than statutory entitlements.
There are no other agreements with key management personnel.

Key Management Personnel Remuneration

(a) Key management personnel compensation

2014	Short-term benefits			Post-employment benefits				
Name	Cash salary and fees	Perfor-mance Bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Other	Total	Performance related compensation as % of total remuneration
	$	$	$	$	$	$	$	%
Directors								
Ross Brown	216,812	38,325	-	20,388	-	3,600	279,125	13.7
Gareth Lloyd	50,000	-	-	4,625	-	-	54,625	-
Justin Walawski	249,741	-	-	-	-	-	249,741	-
Executives								
David Bent	144,669	-	-	-	-	-	144,669	-
Totals	**661,222**	**38,325**	**-**	**25,013**	**-**	**3,600**	**728,160**	**5.2%**

2013	Short-term benefits			Post-employment benefits				
Name	Cash salary and fees	Perfor-mance Bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Other	Total	Performance Related compensation as % of total remuneration
	$	$	$	$	$	$	$	%
Directors								
Ross Brown	200,000	-	-	18,324	-	3,600	221,924	-
Gareth Lloyd	28,000	-	-	2,520	-	-	30,520	-
Susan Thomas*	-	-	-	-	-	-	-	-
Justin Walawski	220,900	-	-	-	-	-	220,900	-
Laurence Ziatas*	45,533	-	1,168	10,470	-	-	57,171	-
Executives								
David Bent	-	-	-	-	-	-	-	-
Totals	**494,433**	**-**	**1,168**	**31,314**	**-**	**3,600**	**530,515**	**-**

*Ceased to be key management personnel during the year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel Remuneration (continued)

b) Options and rights granted as remuneration

No options or rights were granted as remuneration during the year (2013: $nil).

c) Share Based Payments

Ross Brown earned a performance related share based bonus of $16,425 for the year ended 30 June 2014. A share based payments expense of $16,425 has been booked in the accounts. The total number of shares to be issued is to be based upon the volume weighted average price of Inca's shares for the 5 trading days immediately prior to the date of issue and is subject to shareholder approval at Inca's next Annual General Meeting.

Directors' Relevant Interests

The relevant interest of each director in the capital of the company at the date of this report is as follows:

Director	*No of Ordinary Shares*	*No of Options over Ordinary Shares*
Ross Brown	23,285,715	-
Gareth Lloyd	-	-
Justin Walawski	1,002,000	-

END OF REMUNERATION REPORT

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No non-audit services were provided by the entity's auditor, Stantons International, as shown at Note 15.

Auditor's Independence Declaration

We have obtained an Auditor's Independence Declaration. Please refer to "Auditor's Independence Declaration" included on page 46 of the financial statements. The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Justin Walawski
Director

Dated at Perth this 26th day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	2	54,482	49,388
Management and directors' fees		(125,967)	(102,195)
Wages and salaries		(70,946)	(94,027)
Administrative expenses		(1,307,174)	(936,522)
Advertising and promotional costs		(30,287)	(15,860)
Professional fees		(367,379)	(533,581)
Listing and share registry expenses		(64,878)	(58,234)
Depreciation		(12,733)	(24,363)
Impairment of employee share loans	5	(1,400)	(208,680)
Share based payments expense	10	(16,425)	(104,000)
Foreign exchange gain / (loss)		8,029	(129,729)
Carrying value of assets sold		(8,278)	-
Exploration and evaluation expenditure written off	7	(131,098)	(1,956,454)
Impairment of exploration and evaluation expenditure	7	(893,583)	-
(Loss) before income tax		(2,967,637)	(4,114,257)
Income tax benefit	3	15,327	587,356
(Loss) after income tax		(2,952,310)	(3,526,901)
Other comprehensive income		-	-
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of tax		(415,263)	72,527
Total comprehensive (loss)		(3,367,573)	(3,454,374)
(Loss) for the year attributable to members of Inca Minerals Limited		(2,952,310)	(3,526,901)
Total comprehensive (loss) attributable to members of Inca Minerals Limited		(3,367,573)	(3,454,374)
Basic and diluted (loss) per share (cents)	12	(0.67)	(1.20)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	13(b)	580,880	3,468,841
Trade and other receivables	5	349,916	152,356
Total Current Assets		930,796	3,621,197
Non-Current Assets			
Trade and other receivables	5	-	9,553
Plant and equipment	6	51,362	24,494
Exploration and evaluation expenditure	7	9,973,665	8,829,955
Total Non-Current Assets		10,025,027	8,864,002
TOTAL ASSETS		10,955,823	12,485,199
LIABILITIES			
Current Liabilities			
Trade and other payables	8	352,563	160,559
Total Current Liabilities		352,563	160,559
TOTAL LIABILITIES		352,563	160,559
NET ASSETS		10,603,260	12,324,640
EQUITY			
Contributed equity	9	22,093,289	20,447,096
Accumulated losses		(11,128,901)	(8,176,591)
Foreign currency translation reserve		(361,128)	54,135
TOTAL EQUITY		10,603,260	12,324,640

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Total
	$	$	$	$
2013				
Balance at 1 July 2012	14,241,787	(4,649,690)	(18,392)	9,573,705
Total comprehensive loss for the year	-	(3,526,901)	72,527	(3,454,374)
Shares issued during the year	6,596,589	-	-	6,596,589
Cost of equity issue	(391,280)	-	-	(391,280)
Balance at 30 June 2013	20,447,096	(8,176,591)	54,135	12,324,640
2014				
Balance at 1 July 2013	20,447,096	(8,176,591)	54,135	12,324,640
Total comprehensive loss for the year	-	(2,952,310)	(415,263)	(3,367,573)
Shares issued during the year	1,768,903	-	-	1,768,903
Cost of equity issue	(122,710)	-	-	(122,710)
Balance at 30 June 2014	22,093,289	(11,128,901)	(361,128)	10,603,260

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(890,156)	(1,006,503)
ATO R&D income tax rebate received		15,327	587,356
Interest received		24,482	49,388
Net cash (used) in operating activities	13 (a)	(850,347)	(369,759)
Cash flows from investing activities			
Payments for exploration expenditures		(3,636,064)	(2,345,439)
Payments for plant and equipment		(68,031)	(5,243)
Proceeds from sale of plant and equipment		20,000	-
Payments for security deposits		(7,531)	(9,350)
Proceeds from sale of tenements		10,000	-
Net cash (used) in investing activities		(3,681,626)	(2,360,032)
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue costs)		1,646,193	5,559,870
Net cash provided by financing activities		1,646,193	5,559,870
Net (decrease) / increase in cash held		(2,885,780)	2,830,079
Cash and cash equivalents at the beginning of the financial year		3,468,841	637,842
Effect of exchange rate changes on cash and cash equivalents		(2,181)	920
Cash and cash equivalents at the end of the financial year	13 (b)	580,880	3,468,841

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies

The financial report covers the Company of Inca Minerals Limited, a listed public company incorporated and domiciled in Australia, and its controlled entities.

The financial report was authorised for issue on 26 September 2014 by the Board of Directors.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

In the year ended 30 June 2014, the company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the year ended 30 June 2014, the consolidated entity incurred after tax losses of $2,952,310 (2013: loss of $3,526,901) and the consolidated entity had net cash outflows of $2,885,780 (2013: net cash inflows of $2,830,079).

The Directors believe that it is reasonably foreseeable that the Company and consolidated entity will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The consolidated entity has cash at bank at the reporting date of $580,880, net working capital of $578,234 and net assets of $10,603,260;
- The Company completed a capital raising on 6 August 2014 raising $3,200,000 (before broker commissions) through the issue of 139,130,432 fully paid ordinary shares;
- The ability of the Group to raise capital by the issue of additional shares under the Corporation Act 2001; and
- The ability to curtail administration and operational cash out flows as required.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

Accounting Policies

a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Inca Minerals Limited ("Inca" or "the Company") and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

b) Revenue Recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

c) Income Tax

The income tax expense / (revenue) for the year comprises current income tax expense (income) and deferred tax expense / (income). Current income tax expense charged to the profit of loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax related to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a largely enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d) Mining Tenements and Exploration and Development Expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development and/or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

e) Financial Instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and their fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designed as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

Fair value

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use. The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

e) Financial Instruments (continued)

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

f) Impairment of Assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

f) Impairment of Assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

g) Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Plant and equipment	20–33%
Motor vehicles	20–33%
IT equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

k) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

l) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

m) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

n) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors.

o) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

p) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q) Foreign Currency Transactions Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

r) Critical Accounting Estimates and Other Accounting Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is of the view that there are no critical accounting estimates and judgements in this financial report, other than accounting estimates and judgements in relation to the carrying value of mineral exploration expenditure.

Key judgements

Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, or alternatively, are expected to be sold. Refer to the accounting policy stated in Note 1(d).

s) New standards and interpretations adopted in 2013/14 financial year

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB 119: Employee Benefits; and
- AASB 127: Separate Financial Statements

Accounting Standard and Interpretation
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

a) it has power over an investee;
b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

s) New standards and interpretations adopted in 2013/14 financial year (continued)

AASB 11 replaces AASB 131 'Interests in Joint Ventures'.

AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. Application of this standard has not impacted on the financial statements of the Group.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'. AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

s) New standards and interpretations adopted in 2013/14 financial year (continued)

Principles of Consolidation
The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Inca Minerals Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Interests in Joint Arrangements
Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.
Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

Fair Value of Assets and Liabilities
The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

s) New standards and interpretations adopted in 2013/14 financial year (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques
In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

s) New standards and interpretations adopted in 2013/14 financial year (continued)

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group’s financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies (continued)

t) New standards and interpretations not yet adopted (continued)

Other standards not yet applicable

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

u) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	Consolidated	
	2014	2013
	$	$
Note 2 Revenue		
Interest received	24,482	49,388
Sale of assets	20,000	-
Sundry income	10,000	-
	54,482	49,388

Note 3 Income tax

(a) Income tax recognised in profit

No income tax is payable by the Company as it recorded losses for income tax purposes for the year.

b) Numerical reconciliation between income tax expense and the loss before income tax.

	Consolidated	
	2014	2013
	$	$
Loss before income tax	(2,952,310)	(4,114,257)
Income tax at 30%	885,693	1,234,277
Tax effect of:		
Deferred tax asset not recognised	(885,693)	(1,234,277)
ATO R&D income tax rebate received	15,327	587,356
Income tax benefit	15,327	587,356

(c) Unrecognised deferred tax balances

Tax losses available to the Company	11,436,550	9,137,745
Potential tax benefit at 30%	3,430,965	2,741,323

A deferred tax asset attributable to income tax losses has not been recognised at reporting date as the probability criteria disclosed in Note 1(c) is not satisfied and such benefit will only be available if the conditions of deductibility, also disclosed in Note 1(c), are satisfied.

Note 4 Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 5 Trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Current		
Other receivables	97,636	66,433
GST and VAT	222,880	64,676
Employee share loans (ii)	239,480	165,202
Less: provision for impairment	(210,080)	(143,955)
	349,916	152,356
Non-current		
Employee share loans (ii)	-	74,278
Less: provision for impairment	-	(64,725)
	-	9,553
Total trade and other receivables	349,916	161,909

(i) None of the trade and other receivables are past due date.
(ii) Employee share loans consist of interest-free loans given to former senior executives in order to purchase shares in the Company. The loans have been measured at their discounted value based on market lending rates to fair value according to the loan term, and impaired for any decline in the company share price that is expected to impact the amount of the loan recoverable. For more information on the terms and conditions of the employee share loans refer to Note 11.

Note 6 Plant and equipment

	Plant and equipment $	Motor vehicles $	IT equipment $	Total $
Balance at 1 July 2012	11,633	24,668	8,481	44,782
Additions / (disposals)	(1,168)	-	5,243	4,075
Depreciation	(6,997)	(13,343)	(4,023)	(24,363)
Balance at 30 June 2013	3,468	11,325	9,701	24,494
At cost	17,734	40,026	15,402	73,162
Accumulated depreciation	(14,266)	(28,701)	(5,701)	(48,668)
Balance at 30 June 2013	3,468	11,325	9,701	24,494
Balance at 1 July 2013	3,468	11,325	9,701	24,494
Additions / (disposals)	45,888	(29,270)	6,358	22,976
Depreciation / writeback on disposals	(7,832)	17,945	(6,221)	3,892
Balance at 30 June 2014	41,524	-	9,838	51,362
At cost	57,673	10,756	21,760	90,189
Accumulated depreciation	(16,149)	(10,756)	(11,922)	(38,827)
Balance at 30 June 2014	41,524	-	9,838	51,362

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 7 Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the following phases:

	Consolidated 2014 $	2013 $
Exploration and evaluation phase – at cost		
Balance at 1 July	8,829,955	8,670,646
Expenditure incurred (including exchange rate movements)	2,168,391	2,115,763
Impairment of exploration and evaluation expenditure	(893,583)	-
Expenditure written off	(131,098)	(1,956,454)
Balance at 30 June	9,973,665	8,829,955

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Note 8 Payables (current)

Trade and other creditors	352,563	160,559

None of the payables are past due date.

Note 9 Contributed equity

	Consolidated 2014 $	2013 $
a) Paid up capital		
504,917,138 ordinary shares (30 June 2013: 420,487,615 ordinary shares)	22,093,289	20,447,096

b) Movements in shares on issue	No of shares	Paid up capital $
Balance at 30 June 2012	190,651,500	14,241,787
Issued 23 August 2012	28,597,720	486,161
Issued 5 October 2012	36,108,168	613,839
Issued 17 October 2012	300,000	60,000
Issued 24 December 2012	40,250,000	805,000
Issued 31 December 2012	6,420,000	128,400
Issued 12 March 2013	2,445,945	489,189
Issued 3 April 2013	108,661,856	3,803,165
Issued 4 April 2013	3,052,426	106,835
Issued 10 May 2013	4,000,000	104,000
Transaction costs from issue of shares	-	(391,280)
Balance at 30 June 2013	420,487,615	20,447,096
Issued 19 December 2013	14,657,190	513,001
Issued 2 May 2014	69,772,333	1,255,902
Transaction costs from issue of shares	-	(122,710)
	504,917,138	22,093,289

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 9 Contributed equity (continued)

c) Movements in options on issue
There were nil options issued and nil outstanding options over unissued ordinary shares during the year.

d) Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Note 10 Interests of key management personnel

a) Key management personnel compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Company's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Short-term employee benefits (i)	661,222	495,601
Performance bonus (ii)	38,325	-
Other payments (iii)	3,600	3,600
Post-employment benefits (iv)	25,013	31,314
	728,160	530,515

(i) Includes payments for salaries, director fees and consulting fees.
(ii)Ross Brown earned a performance related cash bonus of $20,000 plus superannuation and a performance related share based bonus of $16,425 for the year ended 30 June 2014. The amounts remain unpaid and accrued as at balance date. A share based payments expense relating to the share based bonus of $16,425 has been booked in the accounts. The total number of shares to be issued is to be based upon the volume weighted average price of Inca's shares for the 5 trading days immediately prior to the date of issue and is subject to shareholder approval at Inca's next Annual General Meeting.
(iii) Includes allowances.
(iv) Includes superannuation contributions.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 10 Interests of key management personnel (continued)

b) Key management personnel shareholdings

The number of ordinary shares in Inca Minerals Limited held by each key management personnel of the Company during the financial year is as follows:

2014

	Balance 1 July 2013	At Appointment (if after 1 July 2013)	Acquired/ Disposed	At Resignation	Balance 30 June 2014
Directors					
Ross Brown	23,000,000	-	285,715	-	23,285,715
Gareth Lloyd	6,900,000	-	(6,900,000)*	-	-
Justin Walawski	752,000	-	250,000	-	1,002,000
Executives					
David Bent	-	-	-	-	-
Totals	**30,652,000**	**-**	**(6,364,285)**	**-**	**24,287,715**

* Mr Lloyd ceased to hold a relevant interest in the entity that held these shares. Mr Lloyd did not directly dispose of these shares.

2013

	Balance 1 July 2012	At Appointment (if after 1 July 2013)	Acquired/ Disposed	At Resignation	Balance 30 June 2013
Directors					
Ross Brown	23,000,000	-	-	-	23,000,000
Gareth Lloyd		6,900,000	-	-	6,900,000
Susan Thomas*		40,347,720	(13,584,422)	(26,763,298)	-
Justin Walawski	227,000	-	525,000	-	752,000
Laurence Ziatas*	23,000,000	-	-	(23,000,000)	-
Executives	-	-	-	-	-
Totals	**46,227,000**	**47,247,720**	**(13,059,422)**	**(49,763,298)**	**30,652,000**

* Ceased to be key management personnel during the year. Shareholding is as at date of resignation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 11 Related party transactions (continued)

Other transactions and balances with directors and other key management personnel

Corporate Advisory

During the financial year, $44,000 was paid to Element Capital Pty Ltd, a company related to Mr Gareth Lloyd, for the provision of corporate advisory services.

During the financial year, $58,560 was paid to Element Capital Pty Ltd, a company related to Mr Gareth Lloyd, for the provision of management and placement fees in relation to capital raising services.

Employee Share Loans

During the 2011 financial year the Company issued two unsecured interest-free non-recourse loans to two former executives in order to fund a purchase of the Company's shares on behalf of these executives (Employee Shares). These executives are no longer employees of the Company. The Company has obtained the Powers of Attorney over these shares held by the former executives. The Company may place the Employee Shares in escrow at any time and, subject to the Company's agreement, 50% of the Employee Shares may be sold two years after the loan start date and the other 50% of the Employee Shares may be sold three years after the loan start date. The loan agreements (Agreement) for Employee Shares contain the following repayment provisions:

Repayment of the Principal Sum (or any part of the Principal Sum that remains outstanding) (Outstanding Balance) must occur on the earlier of:

(a) The sale or transfer of any or all of the Employee Shares in accordance with the Agreement;

(b) 30 days after the Employee ceasing to employed by Carrick Gold Limited (now KalNorth Gold Mines Limited) or any of its subsidiaries; and

(c) The date which is three (3) years and one (1) month after the date of the Agreement, (each being a Repayment Event).

In respect of the Repayment Event specified in (a) above, the Employee must repay the Outstanding Balance to Inca Minerals Limited (or its nominee) to the extent of the proceeds from the sale of the Employee Shares.

Upon the occurrence of a Repayment Event specified in (b) or (c) above, the Employee must repay Inca Minerals Limited (or its nominee) the Outstanding Balance or Inca Minerals Limited may sell the Employee Shares to recover proceeds up to an amount equal to the Outstanding Balance.

On 2 August 2013 Mr McKinstry ceased to be employed by Carrick Gold Limited (now KalNorth Gold Mines Limited) and a Repayment Event subsequently occurred on 1 September 2013. The Company intends to sell the 1,000,000 (one million) Employee Shares at the prevailing share price and recover proceeds up to an amount equal to or less than the Outstanding Balance.

On 8 May 2014, a Repayment Event occurred with Mr Johnson. Per the Agreement, a period of three years and one month had passed since the Agreement had been entered into. The Company intends to sell the 400,000 (four hundred thousand) Employee Shares at the prevailing share price and recover proceeds up to an amount equal to or less than the Outstanding Balance.

As at 30 June 2014, a provision for impairment of the employee loans amounting to $210,080 in total was made relating to the Employee Share Loans.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	Consolidated	
	2014	2013
	$	$
Note 12 Loss per share		
(a) Basic Earnings Per Share		
Loss used in calculating basic earnings per share	(2,952,310)	(3,526,901)
Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share	439,516,123	293,877,687
Basic loss per share (cents)	(0.67)	(1.20)

(b) Diluted loss per share (cents)

Diluted loss per share is the same as basic loss per share as there are no potential ordinary shares that are dilutive.

Note 13 Cash flow information

(a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

	Consolidated	
	2014	2013
	$	$
Net loss for the year	(2,952,310)	(3,526,901)
Depreciation	12,733	24,363
Impairment of employee share loans receivable	1,400	208,680
Share based payments expense	16,425	104,000
Foreign exchange (gains) / losses	(8,029)	129,729
Exploration and evaluation expenditure written off	131,098	1,956,454
Exploration and evaluation expenditure impaired	893,583	-
Inca Minerales S.A.C. capitalised exploration expenditure	1,042,478	514,831
Carrying value of fixed assets sold	8,278	-
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	(188,007)	225,493
Increase / (decrease) in trade and other creditors	192,004	(6,408)
Net cash outflow from operating activities	(850,347)	(369,759)

	2014	2013
	$	$
(b) Reconciliation of cash and cash equivalents		
Cash balance comprises:		
- cash assets	580,880	3,468,841

(c) Non-cash financing activities

There were no non cash financing activities during the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 14 Expenditure commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest. Outstanding exploration commitments for not later than one year and for between one and five years are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Not later than one year	1,800,818	1,758,049
Between one and five years*	7,311,149	11,216,683
	9,111,967	12,974,732

* Commitments between one and five years totalling $7,311,149 include commitments of $5,969,189 pertaining to the Chanape project which are payable solely at the Company's discretion and dependent upon the Company acquiring exclusive rights to the Chanape project mining concessions. Further information on the Chanape project and the Company's Moquegua project is provided as follows:

The Group has entered into two separate agreements for the acquisition of interests in mining concessions with two separate parties. As of 30 June 2014, the Group has met all of its obligations in respect of the two agreements. The details of the two agreements are as follows:

1. Mining option and assignment agreements dated 24 June 2011 granting the Group the exclusive option to acquire Minera Altas Cumbres SAC's (MAC) interest in 20 mining concessions over land totalling 805.346 hectares referred to as the Chanape Project. The key terms of the agreements are set out below:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 14 Expenditure commitments (continued)

Option consideration	US$1,500,000 consisting of 60 payments of $25,000 plus the applicable VAT commencing one month after signing date, i.e. 24 July 2011. (Term: 5 years) *
Purchase price	US$3,000,000.
Additional purchase consideration	Shares in the Company to the Vendor's major shareholder (Mr Gino Venturi) to the value of USD$500,000 at an issue price of no less than AUD$0.20 cents per share twelve months after the Company lists. *
Exclusive option & assignment fees	US$100,000
Mining assignment period	5 years from the date of signing of the agreement, i.e. 5 years from 24 June 2011.
Exploration expenditure committed	A minimum of US$3,600,000 plus applicable VAT on drilling as follows: • 1 March 2012 to 31 December 2012 – US$350,000*; • 1 January 2013 to 31 December 2013 – US$500,000*; • 1 January 2014 to 31 December 2014 – US$750,000; • 1 January 2015 to 31 December 2015 – US$1,000,000; • 1 January 2016 to 31 December 2016 – US$1,000,000
NSR Royalty	Upon the beginning of commercial production a US$20 per ounce of gold equivalent net smelter royalty to be calculated in accordance with the terms and conditions.
Cancellability	The Group has the right to terminate at any time during the option period. Any unpaid amounts are not payable to the vendor.

* The Company has met all of its applicable commitments under the agreements with MAC.

2. Mining option, mining assignment and option of a future asset agreement dated 23 June 2011 granting the Group the exclusive right to acquire Daniel Oscar Chavez Ticona's (Chavez) interest in 10 mining concessions over land totalling 7,000 hectares referred to as the Moquegua Regional Project. This agreement is comprised of three parts.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 14 Expenditure commitments (continued)

Part 1

This part relates to two concessions comprising the Virgen De Chapi project and two western concessions comprising part of the Oscar Alberto project. The Group has the exclusive right at any stage to withdraw from the agreement and not proceed. The key terms of Part 1 are:

1. The Group spends US$3 million on exploration in the first 3 years to obtain 50% interest.
2. The Group and Chavez then incorporate a joint venture company (JVCO) and contribute their respective 50% interest in the Virgen De Chapi project and the two western concessions comprising part of the Oscar Alberto project into the JVCO.
3. The Group can then exercise an option to acquire the 50% in JVCO from Chavez as follows:
   a. US$3m cash; or
   b. Issuing shares to the value of US$3m in the Company to Chavez; or
   c. Combination of cash and shares at the Group's discretion; or
   d. Continuing with exploration and development within the JV structure with Chavez.

Subsequent to the end of the reporting period the Company elected not to proceed with Part 1 and no commitments under this part of the Moquegua mining option, mining assignment and option of a future asset agreement became or remain payable.

Part 2

The amount payable for this part is 1,300,000 shares to be issued at $AUD0.10 for the purchase of two eastern concessions comprising the Oscar Alberto project, two concessions comprising the Jose Alonso project and two concessions comprising the Agua Blanca project.

Subsequent to the end of the reporting period the Company met this commitment and issued 1,300,000 fully paid ordinary shares at A$0.10 per share and acquired the six concessions which are the subject of Part 2 of the Moquegua mining option, mining assignment and option of a future asset agreement.

Part 3

The Group has agreed to employ Chavez as a consultant for a period of 38 months with effect from 15 July 2011. The amounts paid, and those amounts still payable, are as follows:

1 August 2011 – 30 June 2013	$58,600
1 July 2012 – 30 June 2014	$48,000
1 July 2013 – 31 October 2014	$16,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 14 Expenditure commitments (continued)

Operating Commitments

The Company has certain operating lease commitments. Non-cancellable operating leases contracted for but not recognised in the financial statements:

	2014	2013
	$	$
Not later than one year	66,170	115,830
Between one and five years	-	79,059
	66,170	194,889

Note 15 Auditor's remuneration

	2014	2013
Statutory audit by auditor of the parent company		
Audit and review of financial statements of parent entity	28,093	28,536
Audit and review of financial statements of subsidiary entity	950	-
	29,043	28,536
Statutory audit by auditor of Inca Minerales SAC	6,744	-

Note 16 Segment information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company operates in the segments of mineral exploration within Peru and Australia.

The Company is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located. Operating revenues of approximately Nil (2013 - Nil) are derived from a single external party.

All the assets are located in Peru and Australia. Segment assets are allocated to countries based on where the assets are located.

Reportable segments:	**Australia**	**Peru**	**Consolidated**
	$	$	$
Segment revenue			
2014	54,482	-	54,482
2013	49,388	-	49,388
Segment result			
2014	(1,937,941)	(1,014,369)	(2,952,310)
2013	(2,744,989)	(781,912)	(3,526,901)
Segment assets			
2014	1,472,345	9,483,478	10,955,823
2013	3,876,604	8,608,595	12,485,199
Segment liabilities			
2014	(194,044)	(158,519)	(352,563)
2013	(99,606)	(60,953)	(160,559)
Depreciation and amortisation expense			
2014	(12,733)	-	(12,733)
2013	(24,363)	-	(24,363)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 17 Financial risk management objectives and policies

(a) Interest rate risk

The Company's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Weighted average interest rate (%)	Floating interest rate $	Fixed interest maturing 1 year or less $	Fixed interest maturing 1 to 5 years $	Total $
30 June 2014					
Cash and cash equivalents	1.67	560,880	20,000	-	580,880
30 June 2013					
Cash and cash equivalents	1.35	3,447,885	20,956	-	3,468,841

Interest rate sensitivity analysis

At 30 June 2014, if interest rates had changed by 25 basis points during the entire year with all other variables held constant, profit for the year and equity would have been $5,062 higher/lower (2013: $10,267), mainly as a result of higher/lower interest income from cash and cash equivalents.

A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

(b) Credit risk

The maximum exposure to credit risk at reporting date on financial assets of the Company is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Commodity price risk

The Company is not exposed to commodity price risk as the operations of the Company are not yet at the production stage.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 17 Financial risk management objectives and policies (continued)

(d) Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the statement of financial position.

	Less than 6 months $	6 months to 1 year $	1 to 5 years $	Total $
30 June 2014				
Financial liabilities due for payment				
Trade and other payables	(352,563)	-	-	(352,563)
	(352,563)	-	-	(352,563)
Financial assets – cash flows realisable				
Cash assets	580,880	-	-	580,880
Trade and other receivable	349,916	-	-	349,916
	930,796	-	-	930,796
Net (outflow)/inflow on financial instruments	**578,233**	**-**	**-**	**578,233**
30 June 2013				
Financial liabilities due for payment				
Trade and other payables	(160,559)	-	-	(160,559)
	(160,559)	-	-	(160,559)
Financial assets – cash flows realisable				
Cash assets	3,468,841	-	-	3,468,841
Trade and other receivable	152,356	-	9,553	161,909
	3,621,197	-	9,553	3,630,750
Net (outflow)/inflow on financial instruments	**3,460,638**	**-**	**9,553**	**3,470,191**

There were no Level 2 or Level 3 financial instruments.

(e) Foreign exchange risk

The Company is exposed to foreign exchange risk as certain transactions are denominated in United States Dollars and Peruvian Nuevos Soles as a result of operating in Peru.

(f) Net fair value of financial assets and liabilities

The carrying amounts of financial instruments included in the statement of financial position approximate their fair values due to their short terms of maturity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 18 Events subsequent to reporting date

The Company completed a capital raising on 6 August 2014 raising $3,200,000 (before broker commissions) through the issue of 139,130,432 fully paid ordinary shares. There were no other events of significance subsequent to 30 June 2014.

On 22 August 2014 the Company issued 1,300,000 fully paid ordinary shares at A$0.10 per share and acquired the six concessions which are the subject of Part 2 of the Moquegua mining option, mining assignment and option of a future asset agreement. Refer to Note 14 Expenditure Commitments for further details on the Moquegua mining option.

Note 19 Contingent liabilities

There are no contingent liabilities at reporting date.

Note 20 Controlled entities

	Country of Incorporation	Percentage Controlled (%)	
		2014	**2013**
Subsidiaries of Inca Minerals Limited:			
Urcaguary Pty Ltd	Australia	100	100
Inca Minerales S.A.C.	Peru	100	100
Hydra Minerals Ltd	Australia	100	100
Dingo Minerals Pty Ltd	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 21 Parent Information

	2014	2013
	$	$
Financial position		
Assets		
Current assets	470,593	2,150,579
Non-current assets	10,326,711	11,197,834
Total assets	10,797,304	13,348,413
Liabilities		
Current liabilities	194,044	82,820
Non-current liabilities	-	-
Total liabilities	194,044	82,820
Net Assets	**10,603,260**	**13,265,593**
Equity		
Issued capital	22,093,289	20,447,096
Accumulated Losses	(11,490,029)	(7,181,503)
Total equity	**10,603,260**	**13,265,593**
Financial performance		
(Loss) for the year	(4,308,526)	(2,513,421)
Other comprehensive income	-	-
Total comprehensive income	**(4,308,526)**	**(2,513,421)**

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There are no contingent liabilities of the parent entity as at the reporting date.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at the reporting date.

Note 22 Company details

The principal place of business of the Company is:

Inca Minerals Limited
1030 Wellington Street
West Perth, WA, 6005
Australia

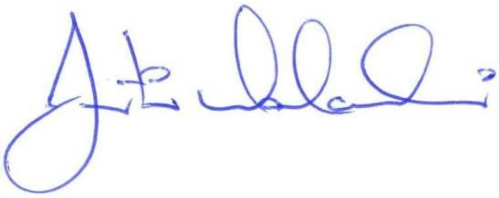
DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 9 to 44, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. the directors have been given the declarations required by s295A of the *Corporations Act 2001* that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:



Justin Walawski
Director

Dated at Perth this 26th day of September 2014

Stantons International Audit and Consulting Pty Ltd
trading as
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26 September 2014

The Directors
Inca Minerals Limited
1030 Wellington Street,
West Perth, WA 6005

Dear Sirs

RE: INCA MINERALS LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Inca Minerals Limited.

As Audit Director for the audit of the financial statements of Inca Minerals Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
trading as
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
INCA MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Inca Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Inca Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the remuneration report of Inca Minerals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
26 September 2014