Inca Minerals Limited

ACN 128 512 907

Half Year Financial Report

For the half year ended 31 December 2016

CONTENTS

CORPORATE PARTICULARS

Directors	Mr Ross Brown - Managing Director Dr Justin Walawski Mr Gareth Lloyd
Company Secretary	Dr Justin Walawski
Registered Office	Suite 1, 16 Nicholson Road SUBIACO, WA, 6008, AUSTRALIA
Corporate Office	Suite 1, 16 Nicholson Road SUBIACO, WA, 6008, AUSTRALIA
Share Registry	Advanced Share Registry Services 110 Stirling Highway PERTH, WA, 6009, AUSTRALIA
Auditor	Stantons International Level 2, 1 Walker Avenue WEST PERTH, WA, 6005, AUSTRALIA

DIRECTORS' REPORT

The Directors present their report on Inca Minerals Limited (**Inca** or **Company**) for the half year ended 31 December 2016.

Directors

The names of Directors who held office during or since the end of the half year are:

Mr Ross Brown
Dr Justin Walawski
Mr Gareth Lloyd

Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations and Exploration Activities

The loss attributable to members of Inca Minerals Limited for the half year ended 31 December 2016 (**report period**) was $716,933 (2015: $8,302,516). No dividends were paid or declared payable during or since the report period.

During the report period the Company was highly active. Its past and current exploration position and other activities appear in announcements released to the Australian Securities Exchange and should be read in conjunction with this half yearly report.

The Company completed an extensive multi-stage reconnaissance mapping and sampling program at its Riqueza zinc-silver-lead (Zn-Ag-Pb) Project (**Riqueza**) during the report period. The objective of the program was to find, refine and define zones of mineralisation suitable for possible drill testing.

In a series of ASX announcements released during the report period, the Company announced the results of the reconnaissance program at Riqueza. Through these results, it became evident that Riqueza appears to be a highly prospective Zn-Ag-Pb project. The following is a summary of exploration achievements at Riqueza:

Discovery of over 60 mineralised mantos, veins and breccias at the Humaspunco and Pinta prospects, including:

- 36 (named) veins at Humaspunco (HV1-HV36)
- 5 (named) veins at Pinta (PV1-PV5)
- More than 20 manto occurrences representing a minimum of 4 manto horizons
- Innumerable veinlets

Detailed knowledge of mineralisation and alteration at the Humaspunco-Pinta prospects, including:

- Blebby aggregates of generally fine-grained sphalerite (zinc sulphide)
- Blebby aggregates of generally coarse-grained galena (lead sulphide)
- Secondary zinc as smithsonite; secondary copper as azurite/malachite
- Development of gossan/semi-gossanous zones after sulphides
- Coarse to very coarse-grained barite and calcite as gangue material
- Very fine-grained dolomite as thin alteration selvedges along vein/manto contacts

DIRECTORS' REPORT (continued)

Review of Operations and Exploration Activities (continued)

Detailed knowledge of mineralisation and alteration at the Uchpanga prospect, including:

- Occurrence of very strong gold (Au) grades and bonanza Ag grades
- Fine-grained disseminated galena, sphalerite and pyrite (iron sulphide)
- Fine veins/stockwork galena, chalcopyrite (iron, copper sulphide)
- Secondary zinc as smithsonite, secondary copper as azurite/malachite
- Development of gossan/semi-gossanous zones after sulphides
- Pervasive argillic and phyllic alteration as broad zones associated with vein(s) or dyke(s)

Recognition that Riqueza hosts two associated intrusive-related replacement deposits, where:

- Humaspunco-Pinta is a limestone-hosted Zn-Ag-Pb replacement deposit, comprising mantos, veins and breccia chimneys
- That the Callancocha Structure is a large potential feeder-zone at Humaspunco-Pinta
- Uchpanga is a structure-hosted Zn-Ag-Pb-Au-(Cu-Mn) hydrothermal deposit, comprising a large vein or dyke and associated gossan
- Humaspunco-Pinta and Uchpanga are genetically and possibly spatially linked
- Three mines within 25km of Riqueza, also intrusive-related replacement deposits, Corihuarmi, Bethanja and Heraldos Negros

Highly encouraged by the results of its exploration and in preparation for a maiden drill campaign at Riqueza, the Company applied for a *Declaración Impacto Ambiental* (**DIA**) drill permit and a *Certificado de la Inexistencia de Restos Arqueológicos* (**CIRA**) archaeological clearance certificate during the report period. Both the CIRA and DIA were granted with the latter announced post the report period on 3 January 2017.

The Company's DIA has a total allowance of 16,800m of diamond core drilling (being 14,000m plus an additional 20%, or 2,800m as an automatic increase) and an allowance of 3,080m of trenching. The Company fully expects its maiden drilling campaign at Riqueza will commence during the March 2017 quarter.

During the report period the Company also completed a reconnaissance mapping and sampling program at its second project in Peru – the Cerro Rayas Zn-Ag-Pb Project. The program focussed on two systems of old mine workings, Vilcapuquio in the north of the project area and Wari in the south of the project area where Zn-Ag-Pb mineralisation can be seen in exposed walls. Based on rock chip assay results, Wari is strongly mineralised in Zn, Ag and Pb with averages of 30.55% Zn, 177.3g/t Ag and 21.21% Pb. Peak values at Wari include: 30.96% Zn, 258g/t Ag and 26.06% Pb. Rock chip assay results from Vilcapuquio included average grades of 18.78% Zn, 3.2g/t Ag and 2.60% Pb and peak values of 42.77% Zn, 7.7g/t Ag and 7.98% Pb. The Company looks forward to progressing exploration at Cerro Rayas during 2017.

During the report period the Company conducted a number of successful capital raisings through the issue of 950,964,608 fully paid ordinary shares to raise $5,223,736 (net of any raising costs). Funds raised are to be used for drilling and exploration at the Company's Peru-based projects and for working capital. A further 50,000,000 fully paid ordinary shares were issued during the report period for non-cash consideration. 10,000,000 of these shares were issued as consideration for advisory services, and 40,000,000 of these shares were issued as collateral only and, pursuant to the Controlled Placement Facility agreement with Acuity Capital, for $nil consideration. For financial reporting purposes only, a nominal value of $440,000, based on the market price of these shares at the time of issue, has been recognised in the financial reports wherever applicable.

DIRECTORS' REPORT (continued)

Review of Operations and Exploration Activities (continued)

Competent Person Statements

The information in this report that relates to mineralisation for the Riqueza and Cerro Rayas Projects located in Peru, is based on information compiled by Mr Ross Brown BSc (Hons), MAusIMM, SEG, MAICD, Managing Director Inca Minerals Limited, who is a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brown is a full time employee of Inca Minerals Limited and consents to the report being issued in the form and context in which it appears.

Some of the information in this report may relate to previously released information concerning mineralisation for the Riqueza and Cerro Rayas Projects, located in Peru, and subsequently prepared and first disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported, and is based on the information compiled by Mr Ross Brown BSc (Hons), MAusIMM, SEG, MAICD, Managing Director Inca Minerals Limited, who is a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brown is a full time employee of Inca Minerals Limited and consents to the report being issued in the form and context in which it appears.

Events Subsequent to Reporting Date

On 3 January 2017 the Company announced the granting of its *Declaración Impacto Ambiental* (**DIA**) drill permit for the Riqueza project.

On 9 February 2017 the Company issued 46,800,000 fully paid ordinary shares raising $878,031 (net of any raising costs).

There have been no further material items, transactions or events subsequent to 31 December 2016 which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2016.

Signed in accordance with a resolution of the Directors.

Ross Brown
Managing Director
Dated at Perth this 13th day of March 2017.

AUDITOR'S INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd
trading as
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13 March 2017

The Directors
Inca Minerals Limited
Unit 1, 16 Nicholson Road
SUBIACO WA 6008

Dear Directors

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 the Audit Director for the review of the financial statements of Inca Minerals Limited for the half-year ended 31 December 2016, 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 review; and

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

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

Martin Michalik
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 31 December 2016

	Note	31 December 2016 $	31 December 2015 $
Revenue		10,649	8,203
Directors' fees		(51,553)	(53,139)
Salaries and wages		(121,044)	(47,193)
Administrative expenses		(232,643)	(364,352)
Advertising and promotion costs		(67,000)	(13,058)
Professional fees		(60,627)	(208,966)
Listing and share registry expenses		(53,329)	(47,001)
Environmental rehabilitation		(32,646)	-
Depreciation		(3,897)	(5,556)
Foreign exchange (losses) / gains		(25,047)	19,151
Exploration and evaluation expenditure written off or impaired	3	-	(7,031,479)
Impairment expense related to former employee loans		-	(11,200)
Provision for impairment related to Peruvian Value Added Tax	2	(79,796)	(547,926)
Loss before income tax		(716,933)	(8,302,516)
Income tax expense		-	-
LOSS FOR THE PERIOD		(716,933)	(8,302,516)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		77,670	(465,241)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(639,263)	(8,767,757)
Loss attributable to:			
- Members of Inca Minerals Limited		(716,933)	(8,302,516)
Total Comprehensive Loss attributable to			
- Members of Inca Minerals Limited		(639,263)	(8,767,757)
LOSS PER SHARE			
Basic and diluted loss per share (cents per share)		(0.04)	(0.85)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
Assets			
Current Assets			
Cash and cash equivalents		4,194,630	151,753
Trade and other receivables	2	54,829	141,988
Total Current Assets		**4,249,459**	**293,741**
Non-Current Assets			
Plant and equipment		101,649	104,876
Exploration and evaluation expenditure	3	978,147	334,315
Total Non-Current Assets		**1,079,796**	**439,191**
Total Assets		**5,329,255**	**732,932**
Liabilities			
Current Liabilities			
Trade and other payables		111,950	155,933
Provisions		105,320	99,487
Total Current Liabilities		**217,270**	**255,420**
Total Liabilities		**217,270**	**255,420**
Net Assets		**5,111,985**	**477,512**
Equity			
Contributed equity	4	34,872,765	29,599,029
Accumulated losses		(29,486,596)	(28,769,663)
Foreign currency translation reserve		(274,184)	(351,854)
Total Equity		**5,111,985**	**477,512**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2016

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2015	25,092,164	(15,632,473)	(412,407)	9,047,284
Loss attributable to members of the Company	-	(8,302,516)	-	(8,302,516)
Other comprehensive income for the period	-	-	(465,241)	(465,241)
Total comprehensive income/loss for the period	-	(8,302,516)	(465,241)	(8,767,757)
Shares issued	4,304,455	-	-	4,304,455
Cost of share issue	(276,855)	-	-	(276,855)
Balance at 31 December 2015	**29,119,764**	**(23,934,989)**	**(877,648)**	**4,307,127**
Balance at 1 July 2016	29,599,029	(28,769,663)	(351,854)	477,512
Loss attributable to members of the Company	-	(716,933)	-	(716,933)
Other comprehensive income for the period	-	-	77,670	77,670
Total comprehensive income/loss for the period	-	(716,933)	77,670	(639,263)
Shares issued*	5,863,449	-	-	5,863,449
Cost of share issue*	(589,713)	-	-	(589,713)
Balance at 31 December 2016	**34,872,765**	**(29,486,596)**	**(274,184)**	**5,111,985**

* On 14 November 2016 40,000,000 shares were issued as collateral only and, pursuant to the Controlled Placement Facility agreement with Acuity Capital, for $nil consideration. For financial reporting purposes only, a nominal value of $440,000, based on the market price of these shares at the time of issue, has been recognised here.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2016

	31 December 2016 $	31 December 2015 $
Cash flows from Operating Activities		
Payments to suppliers and employees	(361,381)	(418,636)
Peruvian VAT credit	117,285	-
Interest received	4,418	8,203
Net cash (used in) operating activities	(239,678)	(410,433)
Cash flows from Investing Activities		
Payments for exploration and evaluation expenditures	(941,736)	(2,402,612)
Payments for property, plant and equipment	(5,770)	(19,674)
Proceeds from sale of tenement	5,000	-
Proceeds from sale of property, plant and equipment	1,200	-
Proceeds from return of security deposits	-	9,350
Net cash (used in) investing activities	(941,306)	(2,412,936)
Cash flows from Financing Activities		
Proceeds from share issue	5,373,449	4,304,455
Costs of share issue	(149,713)	(299,206)
Net cash provided by financing activities	5,223,736	4,005,249
Net increase in cash held	4,042,752	1,181,880
Effect of exchange rate changes on cash and cash equivalents	125	664
Cash and cash equivalent at the beginning of the half year	151,753	208,810
Cash and cash equivalent at the end of the half year	**4,194,630**	**1,391,354**

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

1. Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2016 (**report period**) have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company and its controlled entities (**Group** or **Consolidated Group**) are a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements for the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the report period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the report period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

a) New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

b) 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. 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 10.

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 profit or loss and other comprehensive income.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

1. Basis of Preparation (continued)

(c) Going Concern

The financial statements have been prepared on a 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 half year ended 31 December 2016, the Group incurred a loss of $716,933 and had net cash inflows of $4,042,752.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern 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 ability of the company to raise capital by the issue of additional shares under the *Corporations Act 2001*;
- The ability to curtail administration and operational cash out flows as required.

2. Trade and Other Receivables Other

	31 December 2016 $	30 June 2016 $
Value Added Tax (VAT) credits in Peru	778,428	820,141
Provision for impairment of VAT credits in Peru*	(778,428)	(698,632)
Other receivables	54,829	20,479
	54,829	141,988

* The Group's Peruvian subsidiary, Inca Minerales S.A.C. (**IMS**), has earned VAT credits pertaining to historical expenditure incurred. These VAT credits may be applied by IMS in the future to any VAT owing to the Peruvian government on any income generated from the sale of goods and services. As the Company cannot be sufficiently confident that IMS will generate future VAT payable against which the VAT credits can be recovered, the Company believes it prudent to provide for the non-recoverability of these VAT credits. Any remaining VAT credits pertain to an executed Agreement between IMS and the Peruvian government, under which IMS is able to recover VAT related to expenditure on qualifying exploration goods and services. The Company believes that it will recover this VAT under the Agreement.

3. Exploration and Evaluation Expenditure

	31 December 2016 $	30 June 2016 $
At cost		
Balance at beginning of the period	334,315	8,517,647
Expenditure incurred (including foreign exchange rate movements)	643,832	2,711,736
Impairment of exploration and evaluation expenditure	-	-
Expenditure written off	-	(10,895,068)
Balance at end of the period	978,147	334,315

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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

4. Contributed equity

	31 December 2016 $	30 June 2016 $
Ordinary shares		
Issued and fully paid	34,872,765	29,599,029

Movement in fully paid ordinary shares:	No. of Shares	$
At 1 July 2016	1,238,480,149	29,599,029
Issued at $0.004 per share 21 July 2016	107,497,121	429,988
Issued at $0.004 per share 29 July 2016	402,144,385	1,608,578
Issued at $0.004 per share 12 August 2016	217,095,828	868,383
Issued at $0.005 per share 15 September 2016	10,000,000	50,000
Issued at $0.011 per share 12 October 2016	44,227,274	486,500
Issued at $0.011 per share 24 October 2016	80,000,000	880,000
Issued at $0.011 per share 14 November 2016	100,000,000	1,100,000
Issued pursuant to the Controlled Placement Facility with Acuity Capital 14 November 2016*	40,000,000	440,000
Less: costs associated with issue of shares*	-	(589,713)
At 31 December 2016	2,239,444,757	34,872,765

* On 14 November 2016 40,000,000 shares were issued as collateral only and, pursuant to the Controlled Placement Facility agreement with Acuity Capital, for $nil consideration. For financial reporting purposes only, a nominal value of $440,000, based on the market price of these shares at the time of issue, has been recognised here.

5. 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. In the report period, the Company operated in mineral exploration in Australia and in Peru.

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. 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			
2016	10,649	-	10,649
2015	8,203	-	8,203
Segment result			
2016	(431,556)	(285,377)	(716,933)
2015	(1,081,341)	(7,221,175)	(8,302,516)
Segment assets			
2016	1,207,242	4,122,013	5,329,255
2015	737,647	4,045,467	4,783,114
Segment liabilities			
2016	(105,365)	(111,905)	(217,270)
2015	(103,470)	(372,517)	(475,987)
Depreciation and amortisation expense			
2016	(1,179)	(2,718)	(3,897)
2015	(2,681)	(2,875)	(5,556)

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

6. Events Subsequent to Reporting Date

On 3 January 2017 the Company announced the granting of its *Declaración Impacto Ambiental* (**DIA**) drill permit for the Riqueza project. On 9 February 2017 the Company issued 46,800,000 fully paid ordinary shares raising $878,031 (net of any raising costs).

There have been no further material items, transactions or events subsequent to 31 December 2016 which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

7. Contingent Liabilities

There are no contingent liabilities at the reporting date.

8. Dividends

No dividends were paid or declared payable during or since the half year.

9. Expenditure Commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest. These commitments are optional and only required if the Company wishes to maintain its rights of earn-in or rights of tenure. Outstanding exploration commitments for not later than one year and for between one and five years are as follows:

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Not later than one year	219,244	324,307
Between one and five years	3,116,221	2,995,907
	3,335,465	3,320,214

The exploration expenditure commitments above include commitments related to agreements for the acquisition of interests in mining concessions pertaining to the Group's Riqueza and Cerro Rayas projects in Peru. As at 31 December 2016 the Group has met all of its obligations in respect of the agreements and all future exploration commitments are payable at the Group's discretion and dependent upon the Group acquiring the exclusive rights to the mining concessions. The key terms of the agreements pertaining to the Riqueza and Cerro Rayas projects are set out below.

1. Riqueza Project: A 5 year mining concession transfer option and assignment agreement signed 24 March 2016 granting the Group the exclusive option to acquire 100% interest in mining concessions referred to as the Riqueza Project. The Group has the exclusive right to terminate at any time during the transfer option and assignment period and any unpaid amounts are not payable to the vendor. Other key terms are:

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

9. Expenditure Commitments (continued)

Total Mining Concession Transfer Option & Assignment (**MCTOA**) Consideration	US$1,773,000
Timing of Payment of MCTOA Consideration	MCTOA Payment on Execution Date (**ED**): US$30,000* MCTOA Payment 6 months from ED: US$20,000* MCTOA Payment 12 months from ED: US$50,000 MCTOA Payment 18 months from ED: US$60,000 MCTOA Payment 24 months from ED: US$50,000 MCTOA Payment 30 months from ED: US$63,000 MCTOA Payment 36 months from ED: US$100,000 MCTOA Payment 42 months from ED: US$100,000 MCTOA Payment 48 months from ED: US$150,000 MCTOA Payment 54 months from ED: US$150,000 MCTOA Payment 60 months from ED: US$1,000,000
Mining assignment period	5 years from the Execution Date
NSR Royalty	2% NSR. The Group has a 20-year option to buy back 50% of the NSR for US$1,000,000 leaving a 1% NSR to the vendor.
Cancellability	The Group has the exclusive right to terminate at any time during the option and assignment period without cost or penalty. Any unpaid amounts are not payable to the vendor.

* The Company has met all of its applicable commitments under the agreement with MRC.

2. Cerro Rayas Project: Following the now completed exclusive option period, a 2 year mining concession transfer option and assignment agreement (**MCTOAA**) commencing 3 February 2017 granting the Group an exclusive option to acquire 100% interest in a mining concession known as the Cerro Rayas Project. The Group has the exclusive right to terminate at any time during the transfer option and assignment period and any unpaid amounts are not payable to the vendor. Other key terms are:

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2016

9. Expenditure Commitments (continued)

Total Exclusive Option and MCTOAA Consideration	US$250,000
Timing of Exclusive Option Payments (**EOP**)	Exclusive Option Payment (**EOP**) on Execution Date (**ED**): US$5,000* EOP at 2 months from ED: US$1,250* EOP at 3 months from ED: US$1,250* EOP at 4 months from ED: US$1,250* EOP at 5 months from ED: US$1,250*
Timing of MCTOAA Consideration	Mining assignment and purchase option payments (**MAPOP**): MAPOP on Commencement Date (**CD**) of MCTOAA: US$15,000* MAPOP at 12 months from CD: US$100,000 MAPOP at 13 – 24 months from CD: US$5,000 per month MAPOP at 24 months from CD: US$65,000
Mining assignment period	2 years from MCTOAA Commencement Date
Cancellability	The Group has the exclusive right to terminate at any time during the option and assignment period without cost or penalty. Any unpaid amounts are not payable to the vendor.

* The Company has met all of its applicable commitments under the agreement with the vendor.

In addition to exploration expenditure commitments the Group has certain operating commitments pertaining to non-cancellable operating leases and other non-cancellable agreements contracted for but not recognised in the financial statements:

	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Not later than one year	28,395	73,595
Between one and five years	3,420	4,500
	31,815	78,095

10. Controlled Entities

	Country of Incorporation	Percentage Controlled (%) 31 December 2016	30 June 2016
Subsidiaries of Inca Minerals Limited:			
Urcaguary Pty Ltd	Australia	100	100
Inca Minerales S.A.C.	Peru	100	100
Dos Colinas S.A.C.	Peru	100	100
Hydra Minerals Ltd	Australia	100	100
Dingo Minerals Pty Ltd	Australia	100	100

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and

   (b) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date.

2. 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.

Ross Brown
Managing Director

Dated at Perth this 13th day of March 2017.

INDEPENDENT AUDITOR'S REVIEW REPORT

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
INCA MINERALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Inca Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Inca Minerals Limited ("the consolidated entity"). The consolidated entity comprises both Inca Minerals Limited ("the Company") and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Inca Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Inca Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

INDEPENDENT AUDITOR'S REVIEW REPORT CTD

Stantons International

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Inca Minerals Limited on 13 March 2017.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Inca Minerals Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
13 March 2017