

# Inca Minerals Limited

ACN 128 512 907

## Half Year Financial Report

For the half year ended 31 December 2017



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**CORPORATE PARTICULARS**

<b>Directors</b>	Mr Ross Brown - Managing Director Dr Justin Walawski Mr Gareth Lloyd
<b>Company Secretary</b>	Dr Justin Walawski
<b>Registered Office</b>	Suite 1, 16 Nicholson Road SUBIACO, WA, 6008, AUSTRALIA
<b>Corporate Office</b>	Suite 1, 16 Nicholson Road SUBIACO, WA, 6008, AUSTRALIA
<b>Share Registry</b>	Advanced Share Registry Ltd 110 Stirling Highway PERTH, WA, 6009, AUSTRALIA
<b>Auditor</b>	Stantons International Audit and Consulting Pty Ltd 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 2017.

**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 2017 (**report period**) was \$734,398 (2016: \$719,933). No dividends were paid or declared payable during or since the report period.

During the report period the Company conducted a number of capital raisings which included the issue of 209,071,440 fully paid ordinary shares to raise \$1,514,909 (before associated raising costs). Funds raised are to be used for drilling and exploration at the Company's Peru-based projects and for working capital.

During the report period the Company was highly active and both its Peruvian based zinc-focussed projects (Greater Riqueza and Cerro Rayas) produced numerous > 10% zinc (Zn) results across several newly defined targets (the Company's 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-year report).

Phase 1 of the Company's maiden drilling campaign at Greater Riqueza was completed with a total of 1,662.1 metres drilled, in 12 holes, during the report period. Strong open-ended manto mineralisation appears in the western and southern most drill holes and the positive results of drilling, in conjunction with a number of new zones of rich mineralisation identified in extensive channel-sampling programs, confirmed the Company's decision to obtain eight additional concessions. At the end of the report period, the Greater Riqueza project is comprised of four smaller projects (Riqueza; Palcacandha; Riqueza West; and Antacocha) which encompass nine concessions covering an area of 6,371 hectares and the Company is awaiting new drill permitting legislation before finalising the 2018 exploration program for Greater Riqueza.

Exploration at Cerro Rayas during the report period continued to reinforce the highly prospective nature of the project. A series of mapping and sampling programs occurring at three existing mine workings (Vilcapuquio; Torrepatá; and Wari) contributed to the Company's understanding of the mineralisation with better than expected grades generated from all sites. At the end of the report period, the top-10 zinc results are all > 30% Zn and average 36.89% Zn; the top-10 lead (Pb) results are all > 20% Pb and average 28.07% Pb with dominant ore-forming minerals including smithsonite, galena and unidentified argentiferous minerals. The Company's exploration revealed the three mine workings define a 1.5km Mississippi Valley Type mineralised NW-SE corridor. Post the report period, the Company commenced an ambitious exploration program at Cerro Rayas with a view to drill-target identification and a maiden drill program as soon as possible.

**DIRECTORS' REPORT (continued)****Competent Person's Statement**

*The information in this report that relates to mineralisation for the Greater 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 fulltime 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 2 March 2018 the Company completed a placement of 26,666,667 fully paid ordinary shares raising \$160,000 (before associated costs).

Other than as disclosed in this report, there have been no further material items, transactions or events subsequent to 31 December 2017 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 4 and forms part of the Directors' Report for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Directors.

**Ross Brown**

Managing Director

Dated at Perth this 14<sup>th</sup> day of March 2018.

**AUDITOR'S INDEPENDENCE DECLARATION**

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

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14 March 2018

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 2017, 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)



**Samir Tirodkar**  
Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the half year ended 31 December 2017**

	Note	31 December 2017 \$	31 December 2016 \$
Revenue		2,443	10,649
Directors' fees		(46,927)	(51,553)
Salaries and wages		(119,066)	(121,044)
Administrative expenses		(243,210)	(232,643)
Advertising and promotion costs		(18,336)	(67,000)
Professional fees		(57,073)	(60,627)
Listing and share registry expenses		(43,209)	(53,329)
Environmental rehabilitation		(3,471)	(32,646)
Depreciation		(4,085)	(3,897)
Foreign exchange (losses) / gains		(16,647)	(25,047)
Provision for impairment related to Peruvian Value Added Tax	2	(184,817)	(79,796)
<b>Loss before income tax</b>		<b>(734,398)</b>	<b>(716,933)</b>
Income tax expense		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(734,398)</b>	<b>(716,933)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
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		(22,837)	77,670
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(757,235)</b>	<b>(639,263)</b>
Loss attributable to:			
- Members of Inca Minerals Limited		(734,398)	(716,933)
Total Comprehensive Loss attributable to			
- Members of Inca Minerals Limited		(757,235)	(639,263)
<b>LOSS PER SHARE</b>			
Basic and diluted loss per share (cents per share)		(0.03)	(0.04)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

	Note	31 December 2017 \$	30 June 2017 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,225,384	3,130,990
Trade and other receivables	2	<u>67,054</u>	<u>23,732</u>
<b>Total Current Assets</b>		<u><b>2,292,438</b></u>	<u><b>3,154,722</b></u>
<b>Non-Current Assets</b>			
Plant and equipment		169,872	119,292
Exploration and evaluation expenditure	3	<u>3,691,693</u>	<u>2,228,409</u>
<b>Total Non-Current Assets</b>		<u><b>3,861,565</b></u>	<u><b>2,347,701</b></u>
<b>Total Assets</b>		<u><b>6,154,003</b></u>	<u><b>5,502,423</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		179,015	145,458
Provisions		<u>73,152</u>	<u>86,738</u>
<b>Total Current Liabilities</b>		<u><b>252,167</b></u>	<u><b>232,196</b></u>
<b>Total Liabilities</b>		<u><b>252,167</b></u>	<u><b>232,196</b></u>
<b>Net Assets</b>		<u><b>5,901,836</b></u>	<u><b>5,270,227</b></u>
<b>Equity</b>			
Contributed equity	4	37,130,968	35,742,124
Accumulated losses		(30,858,379)	(30,123,981)
Foreign currency translation reserve		<u>(370,753)</u>	<u>(347,916)</u>
<b>Total Equity</b>		<u><b>5,901,836</b></u>	<u><b>5,270,227</b></u>

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the half year ended 31 December 2017**

	Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>29,599,029</b>	<b>(28,769,663)</b>	<b>(351,854)</b>	<b>477,512</b>
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)
<b>Balance at 31 December 2016</b>	<b>34,872,765</b>	<b>(29,486,596)</b>	<b>(274,184)</b>	<b>5,111,985</b>
<b>Balance at 1 July 2017</b>	<b>35,742,124</b>	<b>(30,123,981)</b>	<b>(347,916)</b>	<b>5,270,227</b>
Loss attributable to members of the Company	-	(734,398)	-	(734,398)
Other comprehensive income for the period	-	-	(22,837)	(22,837)
Total comprehensive income/(loss) for the period	-	(734,398)	(22,837)	(757,235)
Shares issued*	1,899,909	-	-	1,899,909
Cost of share issue*	(511,065)	-	-	(511,065)
<b>Balance at 31 December 2017</b>	<b>37,130,966</b>	<b>(30,858,379)</b>	<b>(370,753)</b>	<b>5,901,836</b>

\* On 22 December 2017, 70,000,000 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 \$385,000, based on the market price of these shares at the time of issue, has been recognised here. Refer note 4.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the half year ended 31 December 2017**

	31 December 2017 \$	31 December 2016 \$
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(363,241)	(361,381)
Peruvian VAT credit	-	117,285
Interest received	2,268	4,418
Net cash (used in) operating activities	<u>(360,973)</u>	<u>(239,678)</u>
<b>Cash flows from Investing Activities</b>		
Payments for exploration and evaluation expenditures	(1,870,798)	(941,736)
Payments for property, plant and equipment	(62,871)	(5,770)
Proceeds from sale of tenement	-	5,000
Proceeds from sale of property, plant and equipment	-	1,200
Net cash (used in) investing activities	<u>(1,933,669)</u>	<u>(941,306)</u>
<b>Cash flows from Financing Activities</b>		
Proceeds from share issue	1,473,670	5,373,449
Costs of share issue	(80,910)	(149,713)
Net cash provided by financing activities	<u>1,392,760</u>	<u>5,223,736</u>
Net (decrease) / increase in cash held	(901,882)	4,042,752
Effect of exchange rate changes on cash and cash equivalents	(3,724)	125
Cash and cash equivalents at the beginning of the half year	<u>3,130,990</u>	<u>151,753</u>
<b>Cash and cash equivalents at the end of the half year</b>	<b><u>2,225,384</u></b>	<b><u>4,194,630</u></b>

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

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

**1. Basis of Preparation**

These general purpose interim financial statements for the half year reporting period ended 31 December 2017 (**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 2017, 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 2017**

**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 2017, the Group incurred a loss of \$734,398 and had net cash outflows of \$901,882.

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*; and
- The ability to curtail administration and operational cash out flows as required.

**2. Trade and Other Receivables**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2017</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Other receivables	25,850	13,379
Prepayments	41,204	10,353
Value added tax (VAT) credits in Peru	1,104,456	919,639
Provision for impairment of VAT credits in Peru *	(1,104,456)	(919,639)
	<u>67,054</u>	<u>23,732</u>

\* 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**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2017</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>At cost</b>		
Balance at beginning of the period	2,228,409	334,315
Expenditure incurred (including foreign exchange rate movements)	1,463,284	1,895,153
Expenditure written off	-	(1,059)
Balance at end of the period	<u>3,691,693</u>	<u>2,228,409</u>

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 2017

**4. Contributed equity**

	31 December 2017 \$	30 June 2017 \$
<b>Ordinary shares</b>		
Issued and fully paid	37,130,968	35,742,124
<b>Movement in fully paid ordinary shares:</b>	<b>No. of Shares</b>	<b>\$</b>
At 1 July 2017	2,286,244,757	35,742,124
Issued at \$0.0148 per share 6 July 2017	18,212,110	270,851
Issued at \$0.0093 per share 22 November 2017	30,247,705	280,388
Issued at \$0.006 per share 12 December 2017	160,611,625	963,670
Issued pursuant to the Controlled Placement Facility with Acuity Capital 22 December 2017*	70,000,000	385,000
Less: costs associated with issue of shares*	-	(511,065)
At 31 December 2017	2,565,316,197	37,130,968

\* On 22 December 2017, 70,000,000 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 \$385,000, 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.

<b>Reportable segments:</b>	<b>Australia \$</b>	<b>Peru \$</b>	<b>Consolidated \$</b>
Segment revenue			
December 2017	2,443	-	2,443
December 2016	10,649	-	10,649
Segment result			
December 2017	(347,526)	(386,872)	(734,398)
December 2016	(431,556)	(285,377)	(716,933)
Segment assets			
December 2017	1,923,428	4,230,575	6,154,003
June 2017	1,125,398	4,377,025	5,502,423
Segment liabilities			
December 2017	(108,577)	(143,590)	(252,167)
June 2017	(100,684)	(131,512)	(232,196)
Depreciation and amortisation expense			
December 2017	(1,150)	(2,935)	(4,085)
December 2016	(1,179)	(2,718)	(3,897)

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

For the half year ended 31 December 2017

**6. Events Subsequent to Reporting Date**

On 2 March 2018 the Company completed a placement of 26,666,667 fully paid ordinary shares raising \$160,000 (before associated costs).

Other than as disclosed in this report, there have been no further material items, transactions or events subsequent to 31 December 2017 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:

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 30 June 2017 \$</b>
Not later than one year	503,719	545,546
Between one and five years	2,935,914	3,061,706
	<b>3,439,633</b>	<b>3,607,252</b>

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 2017 the Group has met all 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 concessions within the Riqueza and Cerro Rayas projects are set out below.

**1. Riqueza Project:** A 5 year mining concession transfer option and assignment agreement granting the Group the exclusive option to acquire 100% interest in a mining concession called Nueva Santa Rita and 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 2017

9. Expenditure Commitments (continued)

Total Mining Concession Transfer Option & Assignment ( <b>MCTOA</b> ) Consideration	US\$1,773,000
Payment Timing of MCTOA Consideration	MCTOA Payment on Execution Date ( <b>ED</b> ): 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 (17 May 2016)
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.

\* As at the date of the Directors' Declaration, the Group has met all applicable commitments under the agreement.

**2. Cerro Rayas Project - La Elegida I Concession:** A 2.5-year mining concession transfer option and assignment agreement commencing 10 October 2016 granting the Group the exclusive option to acquire 100% interest in a mining concession known as La Elegida I which forms part of the Group's 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:

Total Mining Concession Transfer Option and Assignment ( <b>MCTOA</b> ) Consideration	US\$240,000
Payment Timing of MCTOA Consideration	Mining assignment and purchase option payments ( <b>MAPOP</b> ): MAPOP on Commencement Date ( <b>CD</b> ): US\$15,000* MAPOP on or before 9 months from CD: US\$6,000* MAPOP on or before 12 months from CD: US\$20,000* MAPOP on or before 18 months from CD: US\$74,000 MAPOP on or before 19 – 30 months from CD: US\$5,000 per month MAPOP on or before 30 months from CD: US\$65,000
Mining assignment period	2.5 years from the Commencement Date (10 October 2016)
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.

\* As at the date of the Directors' Declaration, the Group has met all applicable commitments under the agreement.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

**9. Expenditure Commitments (continued)**

**3. Cerro Rayas Project - La Elegida Concession:** A 2-year mining concession transfer option and assignment agreement commencing 30 June 2017 granting the Group the exclusive option to acquire 100% interest in a mining concession known as La Elegida which forms part of the Group's 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:

Total Mining Concession Transfer Option and Assignment ( <b>MCTOA</b> ) Consideration	US\$245,000
Payment Timing of MCTOA Consideration	Mining assignment and purchase option payments ( <b>MAPOP</b> ): MAPOP on Commencement Date ( <b>CD</b> ): US\$51,000* MAPOP on or before 6 months from CD: US\$11,000* MAPOP on or before 12 months from CD: US\$90,000 MAPOP on or before 13 – 24 months from CD: US\$4,000 per month MAPOP on or before 24 months from CD: US\$45,000
Mining assignment period	2 years from the Commencement Date (30 June 2017)
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.

\* As at the date of the Directors' Declaration, the Group has met all applicable commitments under the agreement.

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:

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 30 June 2017 \$</b>
Not later than one year	69,800	44,903
Between one and five years	8,360	19,040
	<u>78,160</u>	<u>63,943</u>

**10. Controlled Entities**

	<b>Country of Incorporation</b>	<b>Percentage Controlled (%)</b>	
		<b>31 December 2017</b>	<b>30 June 2017</b>
Subsidiaries of Inca Minerals Limited:			
Urcaguay 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 2017 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 14<sup>th</sup> day of March 2018.

## INDEPENDENT AUDITOR'S REVIEW REPORT

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
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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 2017, 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 2017 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 14 March 2018.

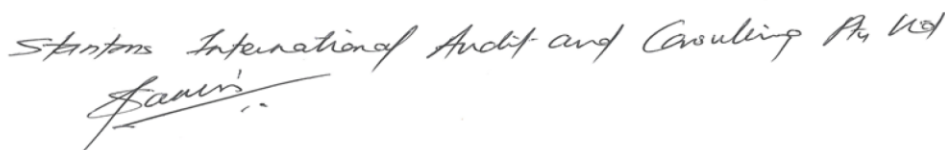
*Conclusion*

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 2017 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)

**Samir Tirodkar**  
Director



*Stantons International Audit and Consulting Pty Ltd*  
*Samir*

West Perth, Western Australia  
14 March 2018