

# Inca Minerals Limited

ACN 128 512 907

## Half Year Financial Report

For the half year ended 31 December 2015



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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, AUSTRALIA, 6008
<b>Corporate Office</b>	Suite 1, 16 Nicholson Road SUBIACO, WA, AUSTRALIA, 6008
<b>Share Registry</b>	Advanced Share Registry Services 110 Stirling Highway PERTH, WA, 6009, AUSTRALIA
<b>Auditor</b>	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 2015.

**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 2015 (**report period**) was \$8,302,516 (2014: \$664,177). No dividends were paid or declared payable during or since the report period.

During the report period the Company was extremely active. Its 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.

Immediately prior to the report period (on 29 June 2015) the Company announced that a certificate to commence operations at the Company's flagship Chanape project in Peru had been granted by the Ministerio de Energía y Minas de Peru. This was the final step in the ministry's permitting process and meant Inca's semi-detailed Environmental Impact Assessment drill permit was now activated. The Company immediately resumed drilling at Chanape in July of the report period.

During the September 2015 quarter the Company completed fourteen drill holes for a total of 2,737.95 metres. Included in the reported assay results are:

- CH-DDH013 – intersected a sulphide-bearing tourmaline breccia – the Client Breccia. Assay results included a 68 metre intersection of 1.98% copper (Cu) plus gold (Au) and silver (Ag) credits approximately 175 metres vertical distance from surface.
- CH-DDH018 and CH-DDH019 – both holes intersected a high-sulphide zone of mineralisation believed related to the high-grade Chujcula Veins. In CH-DDH018 the grade of the corresponding 97m – 98m sample is 3.41g/t Au, 26.0g/t Ag and 0.31% Cu. In CH-DDH019 the grades intersected included 3m @ 10.83g/t Au, 17.10g/t Ag, 0.28% Cu and 0.44% Zinc (Zn) from 287 metres.

Drill hole CH-DDH027, located at the summit of Mount Chanape, was also commenced during the September 2015 quarter. CH-DDH027 was drilled to a down-hole depth of 800 metres and, at 449m (down-hole), CH-DDH027 intersected a second porphyry – the Summit Porphyry. Two porphyries are now confirmed at Chanape – one located below the Clint Breccia (the Chanape Porphyry) and the second intersected in CH-DDH027 (the Summit Porphyry). The discovery of the Summit Porphyry re-confirmed Chanape's prospectivity and commensurately enhanced its exploration potential in hosting a well-preserved, multi-phase porphyry system comprising:

- Epithermal Au-Ag±Cu±Molybdenum (Mo)±Lead (Pb)±Zn±Tungsten (W) mineralisation in veins, breccia pipes and marginal volcanics; and
- Porphyry style Cu-Mo-Ag±Au mineralisation in a variety of porphyry intrusive stocks.

**DIRECTORS' REPORT (continued)****Review of Operations and Exploration Activities (continued)**

While the above was occurring, and during July and August of the report period, the Company successfully raised \$4.3million (before underwriter commissions) with funds to be directed at continued exploration of Chanape and the Company's working capital. These funds were raised through:

- The issue of 300,445,453 fully paid ordinary shares at \$0.01 per share pursuant to a renounceable rights issue (with a take-up of approximately 87%) and placement; and
- The placement of 130,000,000 fully paid ordinary shares at \$0.01 per share with Resource Capital Fund VI – one of the world's largest specialist resources funds.

During the December 2015 quarter the Company completed seven drill holes for a total of 2,440.7 metres (including CH-DDH027 which was completed during the December 2015 quarter). Included in the reported assay results are:

- CH-DDH027 – significant mineralisation including down-hole intervals of 13m @ 1.36g/t Au from 267 metres, 7m @ 10.12g/t Ag from 268 metres and 6m @ 0.14% Cu from 269 metres;
- CH-DDH028 and CH-DDH029 - discovery of high-grade gold veins that include down-hole intervals of:
  - 3m @ 3.45g/t Au and 60.03g/t Ag from 35 metres in CH-DDH028; and
  - peak values of 1m @ 5.04g/t Au, 185.8g/t Ag and 0.26% Pb at 37 metres in CH-DDH029.
- CH-DDH030 – discovery of the Li Vein which included down-hole intervals of 2m @ 10.74g/t Au and 34.1g/t Ag with a peak sample value of 1m @ 19.94g/t Au and 60.3g/t Ag from 59 metres.

In October 2015 the Company announced that, in keeping with its desire to supplement its project portfolio, it had negotiated an exclusive option to acquire the Cerro Rayas Lead-Zinc-Silver project. Cerro Rayas is located 130km SE of Chanape and 60km SW of the provincial capital of Huancayo. As part of Inca's preliminary due diligence the Company had conducted a rock-chip sampling programme at Cerro Rayas and reported peak values of:

- M184109 – 41.59% Zn and 0.42% Pb;
- M184112 – 32.07% Zn, 20.19% Pb and 349g/t Ag.

Further due diligence on Cerro Rayas and assessment of other potential projects was conducted throughout the remainder of the report period.

In total, 5,179.05 metres of drilling at Chanape had been completed during the report period and the Company has completed 33 holes for a total of 9,147 metres of drilling in all programmes at Chanape. Including well over 2,000 surface samples, the Company has compiled a significant body of information regarding Chanape's epithermal, mesothermal and porphyry potential. Together, these mineralised bodies define a large Au-Ag-Cu-Pb-Mo-W porphyry system covering an area of 2.5km x 1km.

At the end of the report period the Company was awaiting assay results from the second deep hole drilled into the Summit Porphyry at Chanape (CH-DDH033) – a 908 metre hole that ended in a sulphide-bearing porphyry-breccia sequence (CH-DDH033 assay results were reported February 2016). Immediately post the report period the Company commenced and is currently assessing the 2015 drill results including, but not limited to: high-grade breccia pipe and vein holes such as CH-DDH013 [Clint Breccia], CH-DDH018/19/28 [Chujcula Veins], CH-DDH030 [Li Vein] and the porphyry holes CH-DDH027 and CH-DDH033. The Company has enlisted the services of a world-expert who will visit Chanape in February 2016 and the Company looks forward to reporting the results of this visit.

**DIRECTORS' REPORT (continued)****Review of Operations and Exploration Activities (continued)****Competent Person's Statement**

The information in this report that relates to epithermal and porphyry style mineralisation for the Chanape Project, 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 epithermal and porphyry style mineralisation for the Chanape Project, 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**

There have been no other material items, transactions or events subsequent to 31 December 2015 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 2015.

Signed in accordance with a resolution of the Directors.



**Ross Brown**

Managing Director

Dated at Perth this 11<sup>th</sup> day of March 2016.

11 March 2016

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 2015, 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 2015**

	Note	31 December 2015 \$	31 December 2014 \$
Revenue		8,203	18,469
Directors' fees		(53,139)	(52,374)
Salaries and wages		(47,193)	(25,127)
Administrative expenses		(364,352)	(288,384)
Advertising and promotion costs		(13,058)	(14,863)
Professional fees		(208,966)	(177,239)
Listing and share registry expenses		(47,001)	(40,245)
Depreciation		(5,556)	(7,775)
Foreign exchange gains / (expenses)		19,151	73,468
Exploration and evaluation expenditure written off or impaired	3	(7,031,479)	(141,323)
Impairment expense related to former employee loans		(11,200)	(8,400)
Provision for impairment related to Peruvian Value Added Tax	2	(547,926)	-
Share based payments	11	-	(384)
<b>Loss before income tax</b>		<b>(8,302,516)</b>	<b>(664,177)</b>
Income tax expense		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(8,302,516)</b>	<b>(664,177)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		-	-
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation of foreign operations		(465,241)	134,923
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(8,767,757)</b>	<b>(529,254)</b>
Loss attributable to:			
- Members of Inca Minerals Limited		(8,302,516)	(664,177)
Total Comprehensive Loss attributable to			
- Members of Inca Minerals Limited		(8,767,757)	(529,254)
<b>LOSS PER SHARE</b>			
Basic and diluted loss per share (cents per share)		(0.0083)	(0.0011)

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



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2015**

	Note	31 December 2015 \$	30 June 2015 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,391,354	208,810
Trade and other receivables	2	<u>168,325</u>	<u>479,496</u>
<b>Total Current Assets</b>		<u>1,559,679</u>	<u>688,306</u>
<b>Non-Current Assets</b>			
Plant and equipment		135,059	129,367
Exploration and evaluation expenditure	3	<u>3,088,376</u>	<u>8,517,647</u>
<b>Total Non-Current Assets</b>		<u>3,223,435</u>	<u>8,647,014</u>
<b>Total Assets</b>		<u>4,783,114</u>	<u>9,335,320</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		<u>475,987</u>	<u>288,036</u>
<b>Total Current Liabilities</b>		<u>475,987</u>	<u>288,036</u>
<b>Total Liabilities</b>		<u>475,987</u>	<u>288,036</u>
<b>Net Assets</b>		<u>4,307,127</u>	<u>9,047,284</u>
<b>Equity</b>			
Contributed equity	4	29,119,764	25,092,164
Accumulated losses		(23,934,989)	(15,632,473)
Foreign currency translation reserve		<u>(877,648)</u>	<u>(412,407)</u>
<b>Total Equity</b>		<u>4,307,127</u>	<u>9,047,284</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 2015**

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total Equity \$
<b>Balance at 1 July 2014</b>	22,093,289	(11,128,901)	(361,128)	10,603,260
Loss attributable to members of the Company	-	(664,177)	-	(664,177)
Other comprehensive income for the period	-	-	134,923	134,923
Total comprehensive income/loss for the period	-	(664,177)	134,923	(529,254)
Shares issued	3,245,409	-	-	3,245,409
Cost of share issue	(208,813)	-	-	(208,813)
<b>Balance at 31 December 2014</b>	<b>25,129,885</b>	<b>(11,793,078)</b>	<b>(226,205)</b>	<b>13,110,602</b>
<b>Balance at 1 July 2015</b>	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)
<b>Balance at 31 December 2015</b>	<b>29,119,764</b>	<b>(23,934,989)</b>	<b>(877,648)</b>	<b>4,307,127</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the half year ended 31 December 2015**

	31 December 2015 \$	31 December 2014 \$
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(418,636)	(462,806)
Interest received	8,203	18,469
Net cash (used in) operating activities	<u>(410,433)</u>	<u>(444,337)</u>
<b>Cash flows from Investing Activities</b>		
Payments for exploration and evaluation expenditures	(2,402,612)	(1,330,198)
Payments for property, plant and equipment	(19,674)	(1,053)
Proceeds from return of security deposits	9,350	-
Net cash (used in) investing activities	<u>(2,412,936)</u>	<u>(1,331,251)</u>
<b>Cash flows from Financing Activities</b>		
Proceeds from share issue	4,304,455	3,200,000
Costs of share issue	(299,206)	(208,813)
Net cash provided by financing activities	<u>4,005,249</u>	<u>2,991,187</u>
Net increase in cash held	1,181,880	1,215,599
Effect of exchange rate changes on cash and cash equivalents	664	23,500
Cash and cash equivalent at the beginning of the half year	<u>208,810</u>	<u>580,880</u>
<b>Cash and cash equivalent at the end of the half year</b>	<u><b>1,391,354</b></u>	<u><b>1,819,979</b></u>

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

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

**1. Basis of Preparation**

These general purpose interim financial statements for the half year reporting period ended 31 December 2015 (**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 2015, together with any public announcements made during the report period.

**a) New and Revised Accounting Requirements Applicable to the Current Half year Reporting 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. 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 2015

## 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 2015, the Group incurred a loss of \$8,302,516 and had net cash inflows of \$1,181,880.

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 2015	30 June 2015
	\$	\$
Value Added Tax (VAT) credits in Peru	670,383	419,057
Provision for impairment of VAT credits in Peru*	(547,926)	-
Other receivables	45,868	60,439
	<u>168,325</u>	<u>479,496</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. The 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 2015	30 June 2015
	\$	\$
<b>At cost</b>		
Balance at beginning of the period	8,517,647	9,973,665
Expenditure incurred (including foreign exchange rate movements)	1,602,208	1,581,691
Impairment of exploration and evaluation expenditure	(6,406,884)	(2,592,640)
Expenditure written off	(624,595)	(445,069)
Balance at end of the period	<u>3,088,376</u>	<u>8,517,647</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 2015**

**4. Contributed equity**

	31 December 2015 \$	30 June 2015 \$
<b>Ordinary shares</b>		
Issued and fully paid	29,119,764	25,092,164
<b>Movement in fully paid ordinary shares:</b>	<b>No. of Shares</b>	<b>\$</b>
At 1 July 2015	646,336,363	25,092,164
Issued at \$0.01 per share 27 July 2015	215,445,453	2,154,455
Issued at \$0.01 per share 27 July 2015	75,000,000	750,000
Issued at \$0.01 per share 29 July 2015	10,000,000	100,000
Issued at \$0.01 per share 19 August 2015	130,000,000	1,300,000
Less: costs associated with issue of shares	-	(276,855)
At 31 December 2015	1,076,781,816	29,119,764

**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 current financial year, 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			
2015	8,203	-	8,203
2014	18,469	-	18,469
Segment result			
2015	(1,081,341)	(7,221,175)	(8,302,516)
2014	(542,180)	(121,997)	(664,177)
Segment assets			
2015	737,647	4,045,467	4,783,114
2014	3,152,904	10,173,126	13,326,030
Segment liabilities			
2015	(103,470)	(372,517)	(475,987)
2014	(84,900)	(130,528)	(215,428)
Depreciation and amortisation expense			
2015	(2,681)	(2,875)	(5,556)
2014	(3,282)	(4,493)	(7,775)

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2015**

**6. Events Subsequent to Reporting Date**

There have been no other material items, transactions or events subsequent to 31 December 2015 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 2015 \$</b>	<b>Consolidated 30 June 2015 \$</b>
Not later than one year	6,022,432	2,294,435
Between one and five years	201,412	6,303,757
	<u>6,223,844</u>	<u>8,598,192</u>

The exploration expenditure commitments above include commitments related to an agreement for the acquisition of interests in mining concessions pertaining to the Group's Chanape project in Peru. As at 31 December 2015 the Group has met all of its obligations in respect of the agreement 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 agreement pertaining to the Chanape project are set out below.

1. Mining option and assignment agreements dated 24 June 2011 granting the Group the exclusive option to acquire Minera Altas Cumbres S.A.C.'s (**MAC**) interest in 20 mining concessions over land totalling 805,346 hectares referred to as the Chanape Project. The Group has the exclusive right to terminate at any time during the option period and any unpaid amounts are not payable to the vendor. Other key terms are (Ctd o/leaf):

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

## 9. Expenditure Commitments (Continued)

Option consideration	US\$1,500,000 consisting of 60 payments of US\$25,000 plus the applicable VAT commencing one month after signing date i.e. 24 July 2011. *
Purchase price	US\$3,000,000 payable on or before 31 December 2016.
Additional purchase consideration	Shares in the Company to the Vendor's major shareholder to the value of US\$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\$50,000*
Mining assignment period	5 years from the Commencement Date (i.e. 5 years from 31 December 2011).
Exploration expenditure committed	A minimum of US\$3,600,000 plus applicable VAT on drilling as follows: <ul style="list-style-type: none"> <li>• 1 March 2012 to 31 December 2012 – US\$350,000*;</li> <li>• 1 January 2013 to 31 December 2013 – US\$500,000*;</li> <li>• 1 January 2014 to 31 December 2014 – US\$750,000*;</li> <li>• 1 January 2015 to 31 December 2015 – US\$1,000,000*;</li> <li>• 1 January 2016 to 31 December 2016 – US\$1,000,000</li> </ul>
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 exclusive 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 agreement with MAC.



## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

## 9. Expenditure Commitments (Continued)

2. A Memorandum of Understanding (**MOU**) granting the Group the exclusive option to acquire 100% interest in a mining concession making up the Cerro Rayas Project commenced 24 October 2015. The Group has the exclusive right to terminate at any time during the exclusive option and/or mining assignment and purchase option periods and any unpaid amounts are not payable to the Vendor. Other key terms are:

Exclusive Option Period	Five months and ending the earlier of (i) 27 March 2016 and (ii) The date the Group terminates the MOU.
Exclusive Option Period Consideration	US\$10,000 consisting of the following: <ul style="list-style-type: none"> <li>US\$5,000 payable on the Commencement Date (24 October 2015)*;</li> <li>US\$5,000 payable in 4 x monthly payments of US\$1,250 commencing 25 December 2015*.</li> </ul>
Mining Assignment & Purchase Option ( <b>MAPO</b> ) Period	The earlier of (i) 2 years as counted from the commencement date of the MAPO period; and (ii) The date the Group terminates the MAPO agreement**.
Mining Assignment & Purchase Option ( <b>MAPO</b> ) Consideration**	MAPO consideration is comprised of the following: <ul style="list-style-type: none"> <li>US\$15,000 payable on or around 1 May 2016;</li> <li>US\$100,000 payable on or around 31 April 2017;</li> <li>US\$60,000 payable in 12 monthly US\$5000 payments on or around 1 May 2017 – 31 April 2018;</li> <li>US\$65,000 payable on or around 31 April 2018**.</li> </ul>
Cancellability	The Group has the exclusive right to terminate at any time during the exclusive option period and/or the mining assignment and purchase option period. Any unpaid amounts are not payable to the Vendor.

\* The Group has met all applicable commitments under the MOU.

\*\* In the event the Group elects to enter into a Mining Assignment & Purchase Option (**MAPO**) Agreement then the commencement date of the MAPO agreement is estimated to be on or around 1 May 2016 but, as at the time of reporting, no MAPO commencement date has been finalised. The Cerro Rayas MAPO consideration listed in the above table has not been included in the total expenditure commitments described at the beginning of this Note 9. Until the Group has completed all the due diligence required during the exclusive option period it is not yet possible to determine whether the Group will execute the Cerro Rayas MAPO agreement and incur the MAPO consideration commitments.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2015**

**9. Expenditure Commitments (Continued)**

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 2015 \$	Consolidated 30 June 2015 \$
Not later than one year	60,990	92,330
Between one and five years	7,100	21,620
	<u>68,090</u>	<u>113,950</u>

**10. Controlled Entities**

	Country of Incorporation	Percentage Controlled (%)	
		31 December 2015	30 June 2015
Subsidiaries of Inca Minerals Limited:			
Urcaguay 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

**11. Share Based Payments**

	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
Through profit and loss:		
Fair value of 988,793 fully paid ordinary shares issued to Managing Director Mr Ross Brown	-	16,809
Reversal of accrued liability as at 30 June 2015	-	(16,425)
	<u>-</u>	<u>384</u>
Capitalised to Exploration and Evaluation Expenditure:		
Fair value of 1,300,000 fully paid ordinary shares to acquire the Moquegua mining option:	-	28,600

**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 2015 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.



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**Ross Brown**  
Managing Director

Dated at Perth this 11<sup>th</sup> day of March 2016.

## **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 2015, 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 2015 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.

*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 11 March 2016.

*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 2015 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*.

*Significant Inherent Uncertainty Regarding the Value of Capitalised Exploration Expenditure*

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As referred to in Notes 3 and 9 to the financial statements, the value of capitalised exploration and evaluation expenditure amounts to \$3,088,376, of which \$3,048,376 relates to the Chanape Project, in Peru.

As disclosed in Note 9 to the financial statements, maintaining the rights of tenure to the Chanape Project is entirely discretionary for the consolidated entity. Should it choose to do so, and as disclosed in Note 9 to the financial statements, the consolidated entity will need to pay US\$3,000,000 on or before 31 December 2016 to complete the acquisition of this project ("Purchase Commitment"), in addition to the payment of a further US\$1,000,000 for agreed exploration commitments for the calendar year ended 31 December 2016. The consolidated entity as at 31 December 2015 has cash and cash equivalents of \$1,391,354 and net working capital of \$1,083,692.

The ability of the consolidated entity to continue its tenure to the Chanape Project, should it choose to do so, and to consequently maintain the value of the Project (\$3,048,376 as at 31 December 2015), is dependent on raising working capital to meet the Purchase Commitment and its planned exploration commitments.

In the event that the consolidated entity does not maintain the rights of tenure to the Chanape Project, the value of the exploration and evaluation expenditure capitalised, would need to be written down to a Nil value.

**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  
11 March 2016