Inca Minerals Limited

ACN 128 512 907

Half Year Financial Report

For the half-year ended 31 December 2013

CONTENTS

CORPORATE PARTICULARS

Directors	Mr Ross Brown - Managing Director Dr Justin Walawski Mr Gareth Lloyd
Company Secretary	Dr Justin Walawski
Registered Office	1030 Wellington Street WEST PERTH, WA, 6005, AUSTRALIA
Corporate Office	1030 Wellington Street WEST PERTH, WA, 6005, AUSTRALIA
Share Registry	Advanced Share Registry Services 150 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 ("the Company") for the half-year ended 31 December 2013.

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 2013 was $1,184,583 (2012: $480,414). No dividends were paid or declared payable during or since the half-year.

During the half-year ended 31 December 2013 the Company conducted a Share Purchase Plan which successfully raised $513,000 (see ASX announcement 18 December 2013).

The Company's 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.

During the previous report period the Company discovered a Cu-Mo-Ag±Au porphyry at its flagship Chanape Project in Peru (see ASX announcement 29 January 2013) in its first drill hole (CH-DDH001). The discovery placed the Company on a trajectory altogether different from that of a pure exploration company. With a lead time to discovery, normally measured in years, delivered in a single phase of drilling, the Company then sought to commence the process of "resource building" in an equally ambitious time-frame.

During the half-year ended 31 December 2013 (**report period**) independent world expert opinion was sought as a means to measure the importance of the Cu-Mo-Ag±Au porphyry discovery. The opinion confirmed the Company's belief that Chanape has the potential to develop into a dual-resource project: being equally prospective for near-surface epithermal Au-Ag-Cu mineralisation and deeper porphyry and porphyry-related Cu-Mo-Ag±Au mineralisation.

During the report period the Company also completed an orientation program which included 1:5,000 scale geological and alteration mapping. Grid rock chip sampling was conducted at the same time with in excess of 800 rock chip samples collected and assayed for *inter alia* Au, Ag, Cu, Mo, Pb and Zn. The result of this work was the delineation of over 70 breccia bodies (the host rock type of significant Au, Ag, Cu mineralisation), numerous samples returning +1g/t Au with peak values of **31g/t Au** (sample 733), **788g/t Ag** (sample 753), **0.86% Cu** (sample 753), **4.65% Pb** (sample 521); broad geochemical anomalies with elevated Au, Ag, Cu and Mo and [rock] alteration anomalies, typical of an underlying porphyry system.

The Company also completed two geophysical surveys involving ground magnetics (designed to delineate high-sulphide, near-surface epithermal mineralisation) and IP (designed to be interpretable to approximately 700m depth – a requirement based on the known extent of porphyry mineralisation in CH-DDH001).

During the report period the Company successfully upgraded its drill permits for Chanape. Under its existing DIA permit, the Company increased the drilling allowance from 1,500m to 10,000m with an eight

DIRECTORS' REPORT (continued)

Review of Operations and Exploration Activities (continued)

month extension. The Company also completed two environmental/social base-line studies as part of the process of seeking a "higher level" permit, referred to as an EIAsd. This permit will eventually replace the DIA and will have a drilling allowance of more than 20,000m.

The culmination of the orientation work was the generation of 40 drill targets for both epithermal and porphyry mineralisation and the commencement of the Company's second phase of drilling. Of the seven holes completed (during the report period) in this second phase of drilling, six targeted epithermal mineralisation (CH-DDH003 – CH-DDH007 and CH-DDH009) and one (CH-DDH008) targeted deeper porphyry mineralisation.

In the epithermal drilling, strong grades were encountered in CH-DDH003 (**62m @ 0.59g/t Au, 4.8g/t Ag from surface**); CH-DDH006 (**66m @0.93g/t Au, 14.64g/t Ag, 0.24% Cu from 33m**); CH-DDH007 (**78m @ 1.1g/t Au, 16.51g/t Ag, 0.26% Cu from 35m**). In testing for the deeper porphyry mineralisation south-west of the discovery hole, CH-DDH008 intersected intensely altered and vein-effected porphyry bodies and related hydrothermal breccias over an interval of 233m. The hole was successful in confirming the broader extent of altered and mineralised porphyry style mineralisation.

The Company continued this second phase drill campaign into early February 2014. As has been announced to the market subsequent to the report period (see ASX announcement 10 February 2014) the Company's third deep porphyry hole (CH-DDH011) intersected the largest porphyry interval to date, a 459m section comprising variously altered and porphyritic monzodiorite and hydrothermal breccias. This section contains the highest visible content of chalcopyrite (Cu mineral) seen in drill core to date. Assay results are pending at the time of writing.

The end of the report period and at the time of writing finds the Company with an opened-ended Cu-Mo-Ag±Au porphyry system showing the early signs of grade and tonnage not dissimilar to other porphyry systems being mined in the near vicinity of Chanape.

While Chanape remains the Company's principal focus, it also recognises the tremendous potential of its Dingo Range tenements – a view confirmed by Rox Resources Ltd's nickel discovery in the same area (being the eastern goldfields region of Western Australia). In December 2013 the Company commissioned a detailed literature research review to critically assess previous exploration in the broader Dingo Range area. The research review, conducted by Mr Grant "Rocky" Osborne (who was instrumental in the discovery of nickel at Rocky's Reward, north of the Perseverance nickel mine), generated a number of high priority nickel targets and an exploration proposal was prepared and scheduled for late 2014.

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 Australian 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 "Australian 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 Australian 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 "Australian 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.

DIRECTORS' REPORT (continued)

Events Subsequent to Reporting Date

There have been no other material items, transactions or events subsequent to 31 December 2013 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 2013.

Signed in accordance with a resolution of the Directors.

Ross Brown
Managing Director
Dated at Perth this 13th day of March 2014.

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

13 March 2014

Board of Directors
Inca Minerals Limited
1030 Wellington Street
West Perth WA 6005
AUSTRALIA

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 2013, 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 2013

	31 December 2013 $	31 December 2012 $
Revenue	48,430	18,609
Directors' fees	(52,312)	(49,125)
Salaries and wages	(24,905)	(37,753)
Administrative expenses	(723,399)	(274,827)
Advertising and promotion costs	(18,172)	(12,787)
Professional fees	(189,363)	(260,641)
Listing and share registry expenses	(50,239)	(29,152)
Depreciation	(6,733)	(11,357)
Interest expense	-	(10,104)
Foreign exchange expenses	(28,514)	-
Carrying value of assets sold	(8,278)	-
Exploration and evaluation expenditure written off	(131,098)	-
Loss before income tax	(1,184,583)	(667,137)
Income tax revenue	-	186,723
LOSS FOR THE PERIOD	(1,184,583)	(480,414)
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	85,509	(70,389)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,099,074)	(550,803)
Loss attributable to:		
- Members of Inca Minerals Limited	(1,184,583)	(480,414)
Total Comprehensive Loss attributable to		
- Members of Inca Minerals Limited	(1,099,074)	(550,803)
EARNING PER SHARE		
Basic and diluted loss per share (cents per share)	(0.28)	(0.21)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	31 December 2013 $	30 June 2013 $
Assets			
Current Assets			
Cash and cash equivalents		1,972,411	3,468,841
Trade and other receivables		70,419	152,356
Total Current Assets		**2,042,830**	**3,621,197**
Non-Current Assets			
Trade and other receivables		17,101	9,553
Plant and equipment		56,300	24,494
Exploration and evaluation expenditure	2	10,130,685	8,829,955
Total Non-Current Assets		**10,204,086**	**8,864,002**
Total Assets		**12,246,916**	**12,485,199**
Liabilities			
Current Liabilities			
Trade and other payables		551,710	160,559
Total Current Liabilities		**551,710**	**160,559**
Total Liabilities		**551,710**	**160,559**
Net Assets		**11,695,206**	**12,324,640**
Equity			
Contributed equity	3	20,916,736	20,447,096
Accumulated losses		(9,361,174)	(8,176,591)
Foreign currency translation reserve		139,644	54,135
Total Equity		**11,695,206**	**12,324,640**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2013

	Contributed Equity $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total Equity $
Balance at 1 July 2012	14,241,787	(4,649,690)	(18,392)	9,573,705
Loss attributable to members of the Company	-	(480,414)	-	(480,414)
Total comprehensive income for the period	-	-	(70,389)	(70,389)
	-	(480,414)	(70,389)	(550,803)
Shares issued	2,093,400	-	-	2,093,400
Cost of share issue	(135,743)	-	-	(135,743)
Balance at 31 December 2012	16,199,444	(5,130,104)	(88,781)	10,980,559
Balance at 1 July 2013	20,447,096	(8,176,591)	54,135	12,324,640
Loss attributable to members of the Company	-	(1,184,583)	-	(1,184,583)
Total comprehensive income for the period	-	-	85,509	85,509
	-	(1,184,583)	85,509	(1,099,074)
Shares issued	513,002	-	-	513,002
Cost of share issue	(43,362)	-	-	(43,362)
Balance at 31 December 2013	20,916,736	(9,361,174)	139,644	11,695,206

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2013

	31 December 2013 $	31 December 2012 $
Cash flows from Operating Activities		
Payments to suppliers and employees	(465,142)	(423,464)
Interest received	18,430	18,609
Australian Tax Office Research & Development Rebate received	-	186,723
Net cash (used in) operating activities	(446,712)	(218,132)
Cash flows from Investing Activities		
Payments for exploration and evaluation expenditures	(1,561,470)	(1,068,511)
Payments for property, plant and equipment	(46,383)	(2,018)
Payments for security deposits	(7,504)	(9,350)
Proceeds from sale of tenement	10,000	-
Proceeds from sale of plant and equipment	20,000	-
Net cash (used in) investing activities	(1,585,357)	(1,079,879)
Cash flows from Financing Activities		
Proceeds from share issue	513,002	2,033,400
Costs of share issue	(11,524)	(88,985)
Proceeds from shares oversubscribed to be refunded	-	4,500
Net cash (used in) / provided by financing activities	501,478	1,948,915
Net (decrease) /increase in cash held	(1,530,591)	650,904
Effect of exchange rate changes on cash and cash equivalents	34,161	536
Cash and cash equivalent at the beginning of the half-year	3,468,841	637,842
Cash and cash equivalent at the end of the half-year	**1,972,411**	**1,289,282**

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

1. Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is 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 of Inca Minerals Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year 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 2013, together with any public announcements made during the following half-year ended 31 December 2013.

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

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

(i) *Consolidated financial statements*

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation Standards;* and
- AASB 2012-10: *Amendments to Australian Accounting Standards — Transition Guidance and* Other *Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

Consolidated financial statements:

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations)* from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012-2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

1. Basis of Preparation (continued)

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

(ii) Other

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

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 9.

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

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

(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 2013, the Company incurred a loss of $1,184,583 and had net cash outflows of $1,530,591.

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 *Corporation Act 2001;*
- The ability to curtail administration and operational cash out flows as required.

2. Exploration and Evaluation Expenditure

	31 December 2013 $	30 June 2013 $
At cost		
Balance at beginning of the period	8,829,955	8,670,646
Expenditure incurred	1,431,828	2,115,763
Expenditure written off	(131,098)	(1,956,454)
Balance at end of the period	10,130,685	8,829,955

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

3. Contributed equity

	31 December 2013 $	30 June 2013 $
Ordinary shares		
Issued and fully paid	20,916,736	20,447,096

Movement in fully paid ordinary shares:	No. of Shares	$
At 1 July 2013	420,487,615	20,447,096
Issued at $0.035 per share 19 December 2013	14,657,190	513,002
Less: costs associated with issue of shares		(43,362)
At 31 December 2013	435,144,805	20,916,736

4. 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.

Reportable segments:	**Australia** $	**Peru** $	**Consolidated** $
Segment revenue			
2013	48,430	-	48,430
2012	18,609	-	18,609
Segment result			
2013	(693,350)	(491,233)	(1,184,583)
2012	(368,458)	(111,956)	(480,414)
Segment assets			
2013	2,772,138	9,474,778	12,246,916
2012	4,599,903	6,808,944	11,408,847
Segment liabilities			
2013	(131,181)	(420,529)	(551,710)
2012	(128,071)	(300,217)	(428,288)
Depreciation and amortisation expense			
2013	(6,733)	-	(6,733)
2012	(11,357)	-	(11,357)

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

5. Events Subsequent to Reporting Date

There have been no other material items, transactions or events subsequent to 31 December 2013 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.

6. Contingent Liabilities

There are no contingent liabilities at the reporting date.

7. Dividends

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

8. 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 2013 $	Consolidated 30 June 2013 $
Not later than one year	1,868,211	1,758,049
Between one and five years	12,028,930	11,216,683
	13,897,141	12,974,732

The exploration expenditure commitments above include commitments related to two separate agreements, with two separate parties, for the acquisition of interests in mining concessions pertaining to the Group's Chanape and Moquegua projects in Peru. As at 31 December 2013 the Group has met all of its obligations in respect of the two 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 Chanape and Moquegua projects 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 SAC'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:

Option consideration	US$1,500,000 consisting of 60 payments of $25,000 plus the applicable VAT commencing one month after signing date, i.e. 24 July 2011. (Term: 5 years)
Purchase price	US$3,000,000.
Additional purchase consideration	Shares in the Company to the Vendor's major shareholder (Mr Gino Venturi) to the value of USD$500,000 at an issue price of no less than AUD$0.20 cents per share twelve months after the Company lists.*
Exclusive option & assignment fees	US$100,000

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

8. Expenditure Commitments (Continued)

Mining assignment period	5 years from the date of signing of the agreement, i.e. 5 years from 24 June 2011.
Exploration expenditure committed	A minimum of US$3,600,000 plus applicable VAT on drilling as follows: • 1 March 2012 to 31 December 2012 – US$350,000; • 1 January 2013 to 31 December 2013 – US$500,000; • 1 January 2014 to 31 December 2014 – US$750,000; • 1 January 2015 to 31 December 2015 – US$1,000,000; • 1 January 2016 to 31 December 2016 – US$1,000,000
NSR Royalty	Upon the beginning of commercial production a US$20 per ounce of gold equivalent net smelter royalty to be calculated in accordance with the terms and conditions.
Cancellability	The Group has the exclusive right to terminate at any time during the option period. Any unpaid amounts are not payable to the vendor.

** In March 2013 the Company issued 2,445,945 fully paid ordinary shares at an issue price of $A0.20 per share, as part of the Company's purchase consideration to acquire the Chanape Project from Minera Altas Cumbres S.A.C. (Vendor). The shares were issued to the Vendor's major shareholder Mr Gino Venturi and were held in voluntary escrow for a period of 12 months and released from escrow on 12 March 2014.*

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

*Part 1**

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

1. The Group spends US$3 million on exploration in the first 3 years to obtain 50% interest.
2. The Group and Chavez then incorporate a joint venture company (JVCO) and contribute their respective 50% interest in the Virgen De Chapi project and the two western concessions comprising part of the Oscar Alberto project into the JVCO.
3. The Group can then exercise an option to acquire the 50% in JVCO from Chavez as follows:

    a. US$3m cash; or
    b. Issuing shares to the value of US$3m in the Company to Chavez; or
    c. Combination of cash and shares at the Group's discretion; or
    d. Continuing with exploration and development within the JV structure with Chavez.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2013

8. Expenditure Commitments (Continued)

*Part 2**

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

* *Parts 1 and 2 of the agreement with Chavez on the Moquegua Regional Project commence when legal title to the Moquegua Regional Project concessions is transferred from Chavez to the Group. The Group anticipates this will occur in July 2014 or shortly thereafter.*

Part 3

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

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

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 2013 $	Consolidated 30 June 2013 $
Not later than one year	156,142	115,830
Between one and five years	54,369	79,059
	210,511	194,889

9. Controlled Entities

	Country Incorporation	Percentage Controlled (%) 31 December 2013	30 June 2013
Subsidiaries of Inca Minerals Limited:			
Urcaguary Pty Ltd (formerly Inca Minerals Limite	Australia	100	100
Inca Minerales 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 2013 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 2014.

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, 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 2013 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 13 March 2014.

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 2013 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 2014