

# TARGET'S STATEMENT



**INCA MINERALS LTD**

(ACN: 146 669 687)

**Inca's Directors unanimously recommend that you**

**ACCEPT**

**the takeover offer by Condor Metals Limited (ACN: 128 512 907; ASX: CNK)  
in the absence of a Superior Offer**

This is an important document that requires your immediate attention. If you do not know what to do, you should promptly consult your financial, legal, tax or other adviser.

**Corporate Adviser**

**element**   
CAPITAL

**Legal Adviser**

**HARDY ♦ BOWEN**  
LAWYERS

## **IMPORTANT NOTICES**

### **Nature of this Document**

This is the Target's Statement dated 24 January 2012 given by Inca Minerals Limited (ACN:146 669 687) (**Inca**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement provided by Condor Metals Limited (ACN:128 512 907; ASX: CNK) (**Condor**).

### **ASIC and ASX Disclaimer**

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

A copy of this Target's Statement has also been provided to the ASX. Neither the ASX nor any of its officers takes any responsibility for the content of this Target's Statement.

### **Defined Terms and Interpretation**

Capitalised terms used in this Target's Statement are defined in Section 10. Section 10. also sets out some rules of interpretation which apply to this Target's Statement.

### **Disclaimer Regarding Forward-Looking Statements**

This Target's Statement contains statements in the nature of forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Inca Shareholders should note that forward-looking statements are only predictions and are subject to inherent uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from implied values or anticipated results, performance or achievements expressed or implied in those forward-looking statements. These risks, variables and other factors include matters specific to the mining industry as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of Inca Shares, including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of Inca. None of Inca, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) or gives any assurance that the implied values, anticipated results, performance or achievements expressed or implied in forward-looking statements contained in this Target's Statement will be achieved, and you are cautioned not to place undue reliance on these statements. The forward-looking statements in this Target's Statement reflect views only as at the date of this of this Target's Statement.

### **No Account of Personal Circumstances**

The information in this Target's Statement does not constitute financial product advice. This Target's Statement has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs.

It is important you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. If you are in any doubt in relation to these matters, you should consult your investment, financial, taxation or professional adviser before making a decision whether to accept the Offer.

### **Information on Condor in Target's Statement**

Except where disclosed otherwise, the information on Condor in this Target's Statement has been obtained from the Bidder's Statement and other publicly available information. Inca and its Directors are unable to verify the accuracy or completeness of the information on Condor. Subject to the Corporations Act, neither Inca, nor its officers make any representation or warranty, express or implied, regarding such information and disclaim any responsibility in respect of that information.

### **No internet site is part of this Target's Statement**

No internet site is part of this Target's Statement. Inca does not maintain a website.

## **TABLE OF CONTENTS**

<b>WHAT YOU SHOULD DO</b>	<b>3</b>
<b>HOW TO ACCEPT THE OFFER</b>	<b>3</b>
<b>KEY DATES</b>	<b>3</b>
<b>CHAIRMAN'S LETTER</b>	<b>4</b>
<b>1. SUMMARY OF CONDOR'S OFFER</b>	<b>5</b>
<b>2. DIRECTORS' RECOMMENDATION AND WHY YOU SHOULD ACCEPT</b>	<b>7</b>
<b>3. FREQUENTLY ASKED QUESTIONS</b>	<b>9</b>
<b>4. IMPORTANT DETAILS OF CONDOR'S OFFER</b>	<b>12</b>
<b>5. YOUR CHOICES AS AN INCA SHAREHOLDER</b>	<b>20</b>
<b>6. OVERVIEW OF INCA</b>	<b>21</b>
<b>7. OVERVIEW OF CONDOR</b>	<b>45</b>
<b>8. RISK FACTORS</b>	<b>46</b>
<b>9. ADDITIONAL INFORMATION</b>	<b>53</b>
<b>10. INTERPRETATION AND AUTHORISATION</b>	<b>58</b>

## WHAT YOU SHOULD DO

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Your Directors unanimously recommend you **ACCEPT** the Offer for all of the Inca Shares you hold, in the absence of a Superior Offer. Your Directors intend to **ACCEPT** the Offer for all the Inca Shares they own or control, in the absence of a Superior Offer. You should read this Target's Statement, together with the Bidder's Statement, in full.

## HOW TO ACCEPT THE OFFER

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To accept the Offer, you should complete and sign the Acceptance Form attached to the Bidder's Statement in accordance with the instructions provided in the Acceptance Form, and return it in the reply paid envelope so that it is received before the end of the Offer Period. See Section 2 of the Bidder's Statement.

Note that there may be tax consequences for you, if you accept the Offer. Please refer to Section 9.7 of this Target's Statement and Section 9 of the Bidder's Statement for a general outline of the tax implications of accepting the Offer.

## KEY DATES

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Date of this Target's Statement	24 January 2012
Date of Condor's Offer	1 February 2012
Close of Condor's Offer (unless extended)	2 March 2012

## INCA SHAREHOLDER INFORMATION

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If you have any queries concerning the Offer, please contact the Inca Chairman, Mr Laurence Ziatas on +61 418 943 691.

## CHAIRMAN'S LETTER

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24 January 2012

Dear Shareholders,

On 28 December 2011, Condor Metals Limited (**Condor**) announced its intention to make an off-market takeover offer (**Offer**) for all of the issued ordinary shares of Inca Minerals Limited (**Inca** or the **Company**). The Offer comprises 2.3 Condor Shares for every 1 Inca Share. When the Offer was announced, this represented value of about A\$0.11 per Inca Share, and has now increased to about A\$0.138 per Inca Share based on the last closing price of Condor Shares on 23 January 2012.

Your Board considers this to be a good outcome for all Inca Shareholders and unanimously recommends that you **ACCEPT** the Offer, in the absence of a Superior Offer. Each of your Directors also intends to accept Condor's Offer for any Inca Shares they have a Relevant Interest in, in the absence of a Superior Offer.

The Board's unanimous support of the Offer follows careful consideration of the options available to Inca, including attempting an IPO, proceeding with the development of Inca's projects on a standalone basis in a highly volatile and uncertain financial market place.

The Offer provides Inca Shareholders with a significantly more liquid investment in an ASX listed exploration company which is better placed to raise future funding than an unlisted entity.

The Board and I are proud of our involvement with the Company as it has grown from a grass roots start-up exploration company through to a company with the rights to acquire an advanced highly prospective project in Chanape and the potential in our Moquegua Regional Project. If Inca Shareholders support the Offer and it succeeds, we believe the new Condor Board and management, including our Managing Director, Ross Brown, as the Managing Director of the merged entity, will be well placed to continue to grow the merged entity and optimise the value of your investment.

Your Board will keep you informed of any further developments in relation to the Offer. The Offer is scheduled to close at 5pm (WST) on 2 March 2012 (unless extended).

Yours sincerely,



Laurence Ziatas  
**Chairman**  
**Inca Minerals Limited**

## **1. SUMMARY OF CONDOR'S OFFER**

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### **1.1 THE OFFER**

On 28 December 2011, Condor announced its intention to make an off-market takeover bid for 100% of the Inca Shares on issue, or issued during the Offer Period.

On 24 January 2012, Condor lodged its Bidder's Statement with ASIC and intends to despatch it to Inca Shareholders, together with this Target's Statement, on or around 1 February 2012. The Bidder's Statement contains the full terms and conditions of the Offer, together with other information material to your decision whether or not to accept the Offer.

### **1.2 CONSIDERATION FOR THE OFFER**

Under the Offer, the Consideration being offered by Condor is 2.3 Condor Shares for every 1 Inca Share held. Based on the closing price of Condor Shares on the ASX on the last trading day immediately before the Offer was announced (23 December 2011) of A\$0.049, the value of the scrip Consideration is A\$0.1127 per Inca Share.

Based on the closing price of Condor Shares on the ASX on 23 January 2012 (being the last trading day before this Target's Statement was lodged with ASIC) of A\$0.06, the value of the scrip Consideration is A\$0.138 per Inca Share.

### **1.3 OFFER PERIOD**

Unless the Offer is extended or withdrawn, it is open for acceptance from 1 February 2012 until 5pm WST on 2 March 2012. The circumstances in which Condor may extend or withdraw its Offer are in Sections 4.7 and 4.8 of this Target's Statement.

### **1.4 PAYMENT OF CONSIDERATION**

Condor has stated in the Bidder's Statement that if you accept the Offer, you will receive your Condor Shares within 1 month of the later of the date you accept, and the date the Offer becomes unconditional. In any event, assuming the Conditions of the Offer are satisfied or waived, you will be issued the Condor Shares within 21 days of the end of the Offer Period.

Full details of when you will receive the Consideration are set out in Section 4.11 of this Target's Statement and Section 7 of Annexure A of the Bidder's Statement.

### **1.5 CONDITIONS TO THE OFFER**

In summary, the Offer is subject to various conditions including the following:

- At or before the end of the Offer Period, Condor having a Relevant Interest in at least 90% of all Inca Shares.
- No prescribed occurrence in respect of Inca occurring during the Offer Period.
- No material adverse change.
- Except with the prior consent of Condor, Inca not agreeing to acquire or dispose of any asset for an amount greater than \$10,000, and not agreeing to enter into any agreement for the expenditure of more than \$10,000.
- The Inca Directors (being Laurence Ziatas, Ross Brown and Bernardine Dove) and their associates entering into voluntary escrow agreements, pursuant to which they will not

dispose of, or agree to offer or dispose of the Condor Shares they are to receive in consideration for their Inca Shares in which they have a Relevant Interest for a period of 12 months from the end of the Offer Period.

This is only a summary of the Offer Conditions. The Conditions are set out in full in Section 4.3 of this Target's Statement and in Section 8 of Annexure A of the Bidder's Statement.

Condor may choose to waive any of the Conditions in accordance with the Offer set out in Annexure A of the Bidder's Statement.

## 2. DIRECTORS' RECOMMENDATION AND WHY YOU SHOULD ACCEPT

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### 2.1 DIRECTORS' RECOMMENDATION

As at the date of this Target's Statement, the Inca Directors are:

- Mr Laurence Lambro Anthony Ziatas, Chairman.
- Mr Ross Curtis Brown, Managing Director.
- Mrs Bernardine Edith Dove, Non-Executive Director.

**Each Director recommends that you ACCEPT the Offer in the absence of a Superior Offer, for the reasons set out in Section 2.3**

In considering whether you wish to follow that recommendation, you should:

- Read the whole of this Target's Statement and the Bidder's Statement.
- Consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- Obtain independent financial and taxation advice if you believe that is necessary.

### 2.2 INTENTIONS OF THE DIRECTORS

All of the Inca Directors intend to accept the Offer in respect of the Inca Shares held by them or in which they have a Relevant Interest, in the absence of a Superior Offer.

### 2.3 WHY YOU SHOULD ACCEPT THE OFFER

#### (a) YOU WILL BENEFIT FROM THE LIQUIDITY OF THE MERGED GROUP

As Inca is not currently listed, there is no ready market for Inca Shareholders to trade Inca Shares. By accepting the Offer you will receive Condor Shares which are freely tradeable on ASX. There will be no escrow restrictions (other than for Inca Directors) and so you may sell your Condor Shares immediately should you wish to do so.

In order to fund the growth of its assets and build shareholder value as a result, it has always been the intention of Inca to list Inca Shares on ASX. The Offer represents an alternative avenue to undertaking an initial public offering of Inca Shares and for Inca Shareholders to realise the value of their shareholding in Inca through a company that is already listed on ASX.

#### (b) THE OFFER GIVES YOU THE OPPORTUNITY TO BECOME A CONDOR SHAREHOLDER

Condor is an exploration focused company with a well-credentialed board of directors and cash reserves available for ongoing exploration of tenements. Inca Shareholders accepting the Offer will gain the benefit of exposure to Condor's existing and future projects. The opportunity for maximising the potential profitability of your investment in Inca will be considerably enhanced by converting your shareholding in Inca to Condor Shares.

#### (c) IMPROVED ACCESS TO CAPITAL

The merged group is likely to have improved access to the funding required to continue the exploration and possible future development of both the Condor and Inca assets.



**(d) THE OFFER WILL GIVE YOU EXPOSURE TO ADDITIONAL HIGH QUALITY WESTERN AUSTRALIAN PROJECTS AND REDUCE YOUR RISK PROFILE**

By accepting the Offer, you will not only retain exposure to existing Inca projects but you will gain exposure to Condor's diverse and high quality Western Australian assets. You will also improve your risk profile by diversifying, and thus reducing, overall sovereign risk.

**(e) THE OFFER IS UNANIMOUSLY RECOMMENDED BY THE INCA DIRECTORS, IN THE ABSENCE OF A SUPERIOR OFFER**

The Inca Directors unanimously agree that the Offer is the best opportunity currently available for Inca Shareholders to achieve a return on their investment in Inca. Whilst the Inca Directors' position in recommending that Inca Shareholders accept the Offer is conditional on the absence of a Superior Offer, the Inca Directors have advised the Condor Directors that they are not aware of any Competing Proposal and have no expectation of a Superior Offer emerging.

**(f) YOU MAY BE ELIGIBLE FOR TAX ROLLOVER RELIEF**

In the event that Condor achieves its minimum acceptance condition of being entitled to 90% of the Inca Shares, then Inca Shareholders accepting the Offer may be entitled to rollover relief. In summary, rollover relief means that the effective sale of your Inca Shares will not crystallise a taxation event, and any potential tax liability will not accrue until such time as you sell your Condor Shares. Inca Shareholders should consult their professional advisers in regard to how accepting the Offer will affect their individual circumstances.

**2.4 CONSIDERATIONS FOR NOT ACCEPTING THE OFFER**

Considerations for not accepting the Offer include the following:

**(a) REDUCED EXPOSURE TO INCA ASSETS**

If Inca Shareholders accept the Offer and the Offer becomes unconditional, their interest in Inca's assets and the value that could be realised through a successful development of the assets will be diluted. However, this has to be weighed against the dilution that is likely to occur if Inca remains an independent company and has to raise working capital to fund its projects through further equity raisings as well as the fact that Inca Shareholders will gain significant exposure to Condor's assets.

**(b) INABILITY TO ACCEPT A SUPERIOR OFFER IF ONE WERE TO EMERGE**

Except in the limited circumstances provided for in the Corporations Act, accepting Condor's Offer will preclude Inca Shareholders from accepting a Superior Offer from a third party, should one emerge during the Offer Period. At the date of this Target's Statement, the Directors are not aware of a proposal by anyone to make a Superior Offer.

Accepting Condor's Offer will not, however, deny an Inca Shareholder the benefit of any superior price offered by Condor which, under the Corporations Act, is required to be extended to all Inca Shareholders, including those who have already accepted Condor's Offer. At the date of this Target's Statement, Condor has given no indication that it intends to increase the Offer Consideration.

**(c) THE PRICE OF CONDOR SHARES IS UNCERTAIN**

Inca Shareholders are being offered Condor Shares for their Inca Shares at a fixed ratio regardless of the price at which Condor shares trade. If Inca Shareholders accept the Offer they are subject to any rise or fall in Condor's Share price.

### 3. FREQUENTLY ASKED QUESTIONS

This Section answers some frequently asked questions about Condor's Offer. It is not intended to address all relevant issues for Inca Shareholders. This Section should be read together with all other parts of the Target's Statement.

Question	Answer
<b>Why have I received this document?</b>	You have received this booklet because you are a shareholder in Inca Minerals Limited. This booklet is a Target's Statement and Inca is required by law to produce this Target's Statement in response to Condor's Offer. The Target's Statement contains important information prepared by your Directors to help you decide whether to accept the Offer for your Inca Shares.
<b>Who is offering to purchase my Inca Shares</b>	Condor Metals Limited, a company incorporated in Australia and listed on the Australian Stock Exchange under the ASX code 'CNK'. Please refer to the Bidder's Statement and Section 7. of this Target's Statement for further detail on Condor.
<b>What is Condor offering for my Inca Shares?</b>	Consideration under the Offer is 2.3 Condor Shares for 1 of your Inca Shares, subject to the Conditions of the Offer.
<b>What is Condor's relationship with Inca?</b>	Condor entered into the Bid Implementation Agreement with Inca on 23 December 2011, pursuant to which it undertook to make the Offer on certain terms and Conditions.
<b>What is the Bidder's Statement?</b>	The Bidder's Statement contains information on Condor's Offer for your Inca Shares. The law requires Condor to send it to you.
<b>What are my choices in regard to Condor's Offer?</b>	As an Inca Shareholder you can: <ul style="list-style-type: none"><li>▪ Accept Condor's Offer for all the Inca Shares you hold; or</li><li>▪ Not accept Condor's Offer by doing nothing and continue to exercise your entitlements as an Inca Shareholder.</li></ul>
<b>What are Inca Directors recommending?</b>	Each Director recommends that you <b>ACCEPT</b> the Offer for the reasons explained in Section 2. of this Target's Statement in the absence of a Superior Offer. All Directors intend to accept the Offer for the Inca Shares that are held by them or on their behalf in the absence of a Superior Offer.
<b>Will I be forced to sell my Inca Shares?</b>	You cannot be forced to sell your Inca Shares unless Condor receives acceptances giving it more than 90% voting power in Inca and acquires at least 75% of the Inca Shares that it offers to acquire under the Offer. In such circumstances, Condor will be entitled to compulsory acquire any Inca Shares held by Inca Shareholders who did not accept the Offer, in which case those Inca Shareholders will receive the same Consideration for their Inca Shares as stipulated under the Offer. More information about this is contained in Section 4.14 of this Target's Statement.
<b>When do I have to make a decision?</b>	The Offer is presently scheduled to close at close of business on 2 March 2012 unless extended in accordance with the Corporations Act.

Question	Answer
<b>How do I accept the Offer?</b>	Instructions on how to accept the Offer are set out in Section 2 of the Bidder's Statement and on the Acceptance Form which accompanies the Bidder's Statement. If you wish to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.
<b>How do I reject Condor's Offer?</b>	To reject Condor's Offer, you should do nothing. Disregard all documents sent to you by Condor.
<b>If I accept the Offer now, can I withdraw my acceptance?</b>	<p>You will be permitted to withdraw your acceptance if:</p> <ul style="list-style-type: none"> <li>▪ The Offer lapses without becoming unconditional; or</li> <li>▪ The Offer Period is extended by more than one month (and then only if the Offer has not become unconditional).</li> </ul> <p>In the latter circumstances, you will have a period of one month after the date that Condor's Offer is extended to withdraw your acceptance. These statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.</p>
<b>Can Condor withdraw the Offer once I have accepted?</b>	Condor may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Condor may withdraw the Offer with written consent of ASIC and subject to the conditions (if any) specified in such consent.
<b>What happens if Condor increases the Offer?</b>	If you accept the Offer now and Condor subsequently raises the Offer Consideration under the Offer, you will receive the higher price if the Offer becomes unconditional.
<b>Can I accept the Offer for only some of my Inca Shares?</b>	You may only accept this Offer in respect of 100% (and not a lesser proportion) of your Inca Shares. For example, if you hold 10,000 Inca Shares and accept the Offer, you may only accept this Offer in respect of 10,000 Inca Shares. See Section 2 and Annexure A of the Bidder's Statement for more information about accepting the Condor Offer.
<b>What are the Conditions of the Offer?</b>	The Offer is subject to the Conditions set out in Section 8 of Annexure A of the Bidder's Statement and Section 4.3 of this Target's Statement. Condor may choose to waive any of the Conditions in accordance with the Offer set out Annexure A of the Bidder's Statement.
<b>What happens to my acceptance if the Offer lapses?</b>	If the Offer lapses then acceptances given by Inca Shareholders will be void. Inca Shareholders will continue to own the Inca Shares the subject of any such acceptances and will be free to deal with them as they choose. The Offer will lapse if, at the end of the Offer Period, the conditions to which the Offer is subject are not satisfied or waived.
<b>What happens if the Conditions of the Offer are not satisfied or waived?</b>	If the Conditions of the Offer have not been satisfied or waived by Condor before the end of the Offer Period, the Offer will lapse. If Condor's Offer lapses you will continue to hold and be free to deal with your Inca Shares.

Question	Answer
<b>When will Condor advise as to the status of the Conditions of the Offer?</b>	<p>Section 8 in Annexure A of the Bidder's Statement indicates the Bidder will give a Notice of Status of Conditions on 23 February 2012.</p> <p>The Bidder is required to set out in the Notice of Status of Conditions:</p> <ul style="list-style-type: none"> <li>a) Whether the Offer is free of the Condition;</li> <li>b) Whether, so far as the Bidder knows, the Condition has been fulfilled on the date the notice is given; and</li> <li>c) The Bidder's voting power in Inca.</li> </ul> <p>If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for the Notice of Status of Conditions will be taken to be postponed for the same period and the Bidder is required to give notice that states the new date for giving the Notice of Status of Conditions.</p> <p>If the condition is fulfilled (so that the Offer becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give the ASX and Inca notice that states that a particular Condition has been fulfilled.</p>
<b>When will I receive the Offer Consideration if I accept the Offer?</b>	<p>Condor has stated in the Bidder's Statement that if you accept the Offer, you will receive your Condor Shares within 1 month of the later of the date you accept, and the date the Offer becomes unconditional. In any event, assuming the Conditions of the Offer are satisfied or waived, you will be issued the Condor Shares within 21 days of the end of the Offer Period. Full details of when you will receive the Consideration are set out in Section 4.11 of this Target's Statement and Annexure A of the Bidder's Statement.</p>
<b>What are the tax implications of accepting the Offer?</b>	<p>A general outline of the tax implications for certain Australian resident Inca Shareholders of accepting the Offer is set out in Section 9.7 of this Target's Statement and Section 9 of the Bidder's Statement. If you are an Australian resident for tax purposes you may be liable to pay capital gains tax (<b>CGT</b>) on the disposal of your Inca Shares unless CGT rollover relief is available. You should not rely on the outline in this Target's Statement or the Bidder's Statement as advice on your own affairs. It does not deal with the position of certain Inca Shareholders. You should seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Inca Shares.</p>
<b>Can the Offer Period be extended?</b>	<p>Yes. The Offer Period may be extended in certain circumstances pursuant to the Corporations Act.</p>
<b>Who should I call if I have questions?</b>	<p>If you have any queries concerning the Offer, please contact the Chairman of Inca Minerals Limited, Mr Laurie Ziatas on Mob: +61 418 943 691 or you can speak to your financial or other professional adviser.</p>

## 4. IMPORTANT DETAILS OF CONDOR'S OFFER

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### 4.1 CONSIDERATION PAYMENT TO INCA SHAREHOLDERS WHO ACCEPT THE OFFER

Under the Offer, the Consideration being offered by Condor is 2.3 Condor Shares for every 1 Inca Share.

### 4.2 VALUE OF THE OFFER

Based on the closing price of Condor Shares on the ASX on the last trading day immediately before the Offer was announced (23 December 2011) of A\$0.049, the value of the scrip Consideration is A\$0.1127 per Inca Share.

Based on the closing price of Condor Shares on the ASX on 23 January 2011 (being last trading day before this Target's Statement was lodged with ASIC) of A\$0.06, the value of the Offer is A\$0.138 per Inca Share.

### 4.3 CONDITIONS TO THE OFFER

Condor's Offer is subject to a number of Conditions. Those Conditions are set out below and in Section 8 of Annexure A of the Bidder's Statement. Condor may choose to waive any of the Conditions in accordance with the Offer set out in Annexure A of the Bidder's Statement. Details of any act, omission, event or fact that would result in any of the Conditions to the Offer not being fulfilled by the end the Offer Period are in Section 4.4 of this Target's Statement.

- (a) The Offer and any contract that results from acceptance of the Offer is subject to the fulfilment of the following conditions:
  - (i) **90% minimum acceptance:** At or before the end of the Offer Period, Condor has a Relevant Interest in such number of Inca Shares which represents at least 90% of the aggregate of all the Inca Shares on issue at the end of the Offer Period.
  - (ii) **No prescribed occurrences:** Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:
    - A. Inca converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
    - B. Inca or any Subsidiary of Inca resolves to reduce its share capital in any way;
    - C. Inca or any Subsidiary of Inca enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
    - D. Inca or any Subsidiary of Inca issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
    - E. Inca or any Subsidiary of Inca issues, or agrees to issue, convertible notes;
    - F. Inca or any Subsidiary of Inca disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
    - G. Inca or any Subsidiary of Inca charges, or agrees to charge, the whole, or a substantial part, of its business or property;
    - H. Inca or any Subsidiary of Inca resolves to be wound up;

- I. A liquidator or provisional liquidator of Inca or of any Subsidiary of Inca is appointed;
- J. A court makes an order for the winding up of Inca or of any Subsidiary of Inca;
- K. An administrator of Inca or of any Subsidiary of Inca is appointed under sections 436A, 436B or 436C of the Corporations Act;
- L. Inca or any Subsidiary of Inca executes a deed of company arrangement; or
- M. A receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Inca or any Subsidiary of Inca;

provided that a Prescribed Occurrence will not include any matter:

- N. Fairly disclosed to Condor on or before the date of this document (including as a result of disclosures made to ASX);
- O. Occurring as a result of any matter, event or circumstance required by this document, the Takeover Bid or the transactions contemplated by them; or
- P. Approved in writing by Condor.

(iii) **No material adverse change:** Between the Announcement Date and the end of the Offer Period (each inclusive), no event, change or condition occurs, is announced or becomes known to Condor (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, a material adverse effect on:

- A. The business, assets, liabilities, financial or trading position, profitability or prospects of Inca since 30 June 2011 by an amount of \$100,000 or more; or
- B. The status or terms of any approvals, licences or permits from any department or government agency, taken as a whole, applicable to either of the Inca Group's Chanape or Moquegua projects; or
- C. The ability of Inca or its Subsidiaries to develop either of the Inca Group's Chanape or Moquegua projects and to sell gold and/or copper obtained from those projects;

except for:

- D. Events, changes and conditions fairly disclosed in the Inca due diligence material or publicly announced by Inca or otherwise disclosed in public filings in Australia by Inca or any of its subsidiaries prior to the Announcement Date provided that the relevant disclosure or announcement is not, and is not likely to be, incomplete, incorrect, untrue or misleading;
- E. An event required or permitted to be done or procured by Inca or its subsidiaries pursuant to this Agreement or the Takeover Bid;
- F. An event done with the prior written approval of Condor;
- G. Events that are or that arise from changes in commodity prices or currency exchange rate changes;
- H. Stock market fluctuations or general economic, business or securities market conditions; or
- I. Results from exploration activities on the area covered by the Mining Rights.

- (iv) **No material acquisitions, disposals or new commitments:** Except with the prior written consent of Condor, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):
- A. Inca or any Subsidiary of Inca acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$10,000, or makes an announcement in relation to such an acquisition, offer or agreement;
  - B. Inca or any subsidiary of Inca disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Inca's consolidated balance sheet as at 30 June 2011) is, in aggregate, greater than \$10,000, or makes an announcement in relation to such a disposition, offer or agreement; or
  - C. Inca or any Subsidiary of Inca enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the Inca Group of an amount which is, in aggregate, more than \$10,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.
- (v) **Corporate actions:** Except with the prior written consent of Condor, between the Announcement Date and the end of the Offer Period (each inclusive), no member of the Inca Group:
- A. Gives or agrees to give any mortgage, charge, lien or other encumbrance over any of its assets otherwise than in the ordinary course of business;
  - B. Makes or proposes to make any material change to its constitution;
  - C. Increases or agrees to increase its level of indebtedness (including financial liabilities incurred under finance leases) or issues or agrees to issue any indebtedness or debt securities other than advances under existing credit facilities in the ordinary course of business, indebtedness incurred to external service providers in relation to advising on the Offer or other unsecured advances made in the ordinary course of business;
  - D. Makes or agrees to make any loans, advances or capital contributions to, or investments in, any other person;
  - E. Increases the remuneration of, pays any bonus (other than in accordance with existing contractual entitlements as at the Announcement Date), issues any securities, options or performance rights or otherwise varies the employment arrangements with any of the directors or senior managers of the Inca Group (collectively, **Relevant Employees**);
  - F. Accelerates the rights of any of the Relevant Employees to compensation or benefits of any kind (including under an executive or employee share or option plan and including by vesting the outstanding performance rights);
  - G. Pays any of the Relevant Employees termination or retention payments (otherwise than in accordance with existing contractual entitlements at the Announcement Date);

- H. Enters into, amends, or terminates any material contract;
  - I. Declares, or distributes any dividend, bonus or other share of its profits or assets; or
  - J. Resolves, agrees, commits or announces an intention to do any of the things referred to in paragraphs A to I above.
- (vi) **No change of control rights:** Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Inca (including Condor acquiring Inca Shares) or any of its Subsidiaries or assets, to:
- A. Terminate or alter any contractual relations between any person and Inca or any of its Subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
  - B. Require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
  - C. Accelerate or adversely modify the performance of any obligations of Inca or any of its Subsidiaries under any agreements, contracts or other legal arrangements.
- (vii) **No regulatory actions:** Between the Announcement Date and the end of the Offer Period (each inclusive):
- A. There is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
  - B. No action or investigation is announced, commenced or threatened by any Public Authority; and
  - C. No application is made to any Public Authority (other than by Condor or any of its Associates),
- in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Inca Shares or the completion of any transaction contemplated by this Bidder's Statement, or seeks to require the divestiture by Condor of any Inca Shares or the divestiture of any material assets of Inca or the Condor Group.
- (viii) **Voluntary escrow:** The Inca Directors (being Laurence Ziatas, Ross Brown and Bernardine Dove) and their associates entering into voluntary escrow agreements, pursuant to which they will not dispose of, or agree to offer or dispose of the Condor Shares they are to receive in consideration for their Inca Shares in which they have a Relevant Interest for a period of 12 months from the end of the Offer Period.



#### **4.4 CIRCUMSTANCES WHICH MAY AFFECT CONDITIONS**

Unless otherwise disclosed in this Target's Statement, Inca is not aware of any act, omission, event or fact that would result in any of the Conditions to the Offer not being fulfilled by the end the Offer Period.

#### **4.5 NOTICE OF STATUS OF CONDITIONS**

Section 8 in Annexure A of the Bidder's Statement states that Condor will give a Notice of Status of Conditions to the ASX and Inca by the later of 23 February 2012 and the date determined under Section 630(2) of the Corporations Act if the Offer Period is extended. The Notice of Status of Conditions is required by Section 630(1) of the Corporations Act.

Condor is required to set out in its Notice of Status of Conditions:

- a) Whether the Offer is free of any or all of the Conditions;
- b) Whether, so far as Condor knows, any of the Conditions have been fulfilled; and
- c) Condor's voting power in Inca.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Condor is required, as soon as practicable after the extension, to give a notice to the ASX and Inca that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Condor must, as soon as practicable, give the ASX and Inca a notice that states that the particular Condition has been fulfilled.

#### **4.6 OFFER PERIOD**

Unless Condor's Offer is extended or withdrawn, it is open for acceptance from 1 February 2012 until 5pm WST on 2 March 2012. The circumstances in which Condor may extend or withdraw its Offer are in Sections 4.7 and 4.8 respectively of this Target's Statement.

#### **4.7 EXTENSION OF THE OFFER PERIOD**

Condor may extend the Offer Period at any time before the end of the Offer Period. If the bid is subject to a Condition, Condor may only extend the Offer Period after giving the Notice of Status of Conditions in accordance with section 650C(2) of the Corporations Act.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- a) Condor improves the Offer Consideration under the Offer; or
- b) Condor's voting power in Inca increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

#### **4.8 WITHDRAWAL OF OFFER**

Condor may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Condor may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

#### **4.9 EFFECT OF ACCEPTANCE**

The effect of acceptance of the Offer is listed in Section 6 of Annexure A of the Bidder's Statement. Inca Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Inca Shares and the representations and warranties which they give by accepting of the Offer.

#### **4.10 YOUR ABILITY TO WITHDRAW YOUR ACCEPTANCE**

You only have limited rights to withdraw your acceptance of the Offer. You may only withdraw your acceptance of the Offer if whilst the Offer is subject to a Condition, Condor varies the Offer in a way that postpones, for more than one month, the time when Condor needs to meet its obligations under the Offer. This will occur if Condor extends the Offer Period by more than one month and the Offer is still subject to Conditions.

#### **4.11 WHEN YOU WILL RECEIVE YOUR CONSIDERATION IF YOU ACCEPT THE OFFER**

Condor has stated in Section 7 of Annexure A of the Bidder's Statement that:

- (a) Subject to the terms of the Offer and the Corporations Act, Condor will provide the consideration for your Inca Shares not later than one month after the Offer is accepted or the Offer (or the contract resulting from its acceptance) becomes unconditional, whichever is the later, but in any event (assuming the Offer becomes or is declared unconditional) not later than 21 days after the end of the Offer Period.
- (b) Under no circumstances will interest be paid on the consideration to which you are entitled under the Offer, regardless of any delay in providing the consideration or any extension of the Offer.
- (c) Subject to Sections 7 and 8 of Annexure A in the Bidder's Statement, the obligations of Condor to allot and issue any Condor Shares to which you are entitled under the Offer will be satisfied:
  - (i) By entering your name on the register of members of Condor; and
  - (ii) If your name is entered into the issuer sponsored sub-register of Condor, by Condor dispatching to you an issuer sponsored holding statement for the Condor Shares to which you become entitled by accepting the Offer (by pre-paid mail to your address as shown on the register of members of Inca).
- (d) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
  - (i) If that document is given with your acceptance, Condor will provide the consideration in accordance with Section 7(a) of Annexure A of the Bidder's Statement;
  - (ii) If that document is given after acceptance and before the end of the Offer Period while this Offer is subject to a defeating condition, Condor will provide the consideration by the end of whichever of the following periods ends earlier:
    - A. Within one month after this Offer becomes unconditional; or
    - B. 21 days after the end of the Offer Period;
  - (iii) If that document is given after acceptance and before the end of the Offer Period while this Offer is not subject to a defeating condition, Condor will provide the consideration by the end of whichever of the following periods ends earlier:
    - A. Within one month after that document is given; and

- B. 21 days after the end of the Offer Period; and
- (iv) If that document is given after the end of the Offer Period, Condor will provide the consideration within 21 days after that document is given.
- (e) If, at the time you accept the Offer, any of the following:
  - (i) *Banking (Foreign Exchange) Regulations 1959* (Cth);
  - (ii) *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth);
  - (iii) *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2001* (Cth);
  - (iv) *Iraq (Reconstruction and Repeal Sanctions) Regulations 2003* (Cth); or
  - (v) Any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other Public Authority be obtained before you receive any consideration for your Inca Shares, or would make it unlawful for Condor to provide any consideration to you for your Inca Shares, you will not be entitled to receive any consideration for your Inca Shares until all requisite authorities, clearances or approvals have been received by Condor.

#### **4.12 EFFECT OF AN IMPROVEMENT IN CONSIDERATION ON INCA SHAREHOLDERS WHO HAVE ALREADY ACCEPTED THE OFFER**

If Condor improves the Offer Consideration under the Offer, all Inca Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

#### **4.13 LAPSE OF OFFER**

The Offer will lapse if the Offer Conditions are not freed or fulfilled by the end of the Offer Period in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Inca Shares as you see fit.

#### **4.14 COMPULSORY ACQUISITION**

Condor has indicated in Section 8.3 of the Bidder's Statement that if, as a result of the Offer, it becomes entitled to compulsorily acquire outstanding Inca Shares under Part 6A.1 of the Corporations Act, it presently intends to proceed with compulsory acquisition of those Inca Shares and any other Inca securities on issue which it is entitled to compulsorily acquire in accordance with the Corporations Act.

#### **4.15 BREAK FEE**

Pursuant to the Bid Implementation Agreement, Inca undertakes to pay to Condor the sum of A\$100,000 plus GST (**Condor Break Free**) if:

- (a) The following occur:
  - (i) Before the end of the Offer Period, a competing proposal is announced or open for acceptance; and
  - (ii) A person acquires an interest in all or a substantial part of the assets of the Inca or its subsidiaries or a relevant interest in more than 50% of the Inca Shares under that competing proposal; and

- (iii) In the case of a competing proposal that is a takeover bid made under Chapter 6 of the Corporations Act, the competing proposal becomes free from all defeating conditions either before or after the end of the offer period under the competing proposal; or
- (b) All of the Inca Directors who deem themselves capable of making a recommendation in relation to the takeover bid do not recommend the takeover bid or any one or more Inca Directors withdraws an earlier recommendation or recommends a competing proposal (or announces an intention to do any of the foregoing) other than as a result of a breach of this Bid Implementation Agreement by Condor; or
- (c) Inca or any of the Inca Directors knowingly does (or knowingly omits to do) anything (whether or not it may be permitted by the terms of the Bid Implementation Agreement) which results in any of the Conditions of the takeover bid being breached and Condor does not declare the takeover bid free of the breached condition (which Condor is under no obligation to do); or
- (d) There is a material breach of clause 7 of the Bid Implementation Agreement by Inca and Condor terminates the Bid Implementation Agreement as a result of such breach in accordance with clause 9 of the Bid Implementation Agreement.

Inca is not obliged to pay Condor the Break Fee if Inca terminates the Bid Implementation Agreement as a consequence of Condor's material breach of the Bid Implementation Agreement, a Superior Offer is made, or if a prescribed occurrence occurs.

Pursuant to the Bid Implementation Agreement, and subject to clause 8.3(b) of the Bid Implementation Agreement, Condor undertakes to pay to Inca the sum of A\$100,000 plus GST (**Inca Break Fee**) if:

- (a) Condor does not proceed with the takeover bid (other than where there has been a material adverse change); or
- (b) Condor or any of the Condor Directors knowingly does (or knowingly omits to do) anything (whether or not it may be permitted under the terms of the Bid Implementation Agreement) which results in any of the conditions of the takeover bid being breached and Condor does not declare the takeover bid free of the breached condition (which Condor is under no obligation to do).

Condor is not obliged to pay the Inca Break Fee if Condor terminates the Bid Implementation Agreement in accordance with clause 9 of the Bid Implementation Agreement.

See Condor's ASX announcement dated 28 December 2011, for a full version of the Bid Implementation Agreement.

## 5. YOUR CHOICES AS AN INCA SHAREHOLDER

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### **Your Directors recommend that you ACCEPT the Offer (in the absence of a Superior Offer).**

In considering whether to accept the Offer, the Directors encourage you to seek professional advice if you are unsure as to whether acceptance of the Offer is in your best interests, taking into account your individual circumstances.

The Bidder's Statement contains important information which Inca Shareholders are urged to read carefully. Inca Shareholders should note that Inca has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither Inca nor its Directors or advisers makes any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

Inca Shareholders who would like further information on Inca or its projects before making a decision about the Offer are encouraged to exercise their right under the Corporations Act to obtain from ASIC copies of all documents lodged by both Condor and Inca with ASIC or the ASX. Alternatively, they can telephone or email the Chairman of Inca, Mr Laurence Ziatas on Mob: 0418 943 691; Email: [LZiatas@incaminerals.com.au](mailto:LZiatas@incaminerals.com.au)

During the Offer Period Inca Shareholders have the following choices:

#### **1. ACCEPT the Offer**

If you wish to accept the Offer, you should follow the instructions in the Bidder's Statement and the Acceptance Form. Subject to the Conditions of the Offer being satisfied or waived, you will receive 2.3 Condor Shares for every 1 of your Inca Shares.

You should be aware that once you accept the Offer your acceptance cannot be withdrawn except in the limited circumstances listed in the Corporations Act. You should consider the timing of any acceptance of the Offer given a Superior Offer by another party may emerge which you would be precluded from accepting if you had already accepted Condor's Offer. At the date of this Target's Statement, Inca Directors are not aware of a proposal by anyone to make a Superior Offer.

You should be aware that the market price of Condor Shares may rise fall after you have accepted the Offer.

Inca Shareholders should be aware that if they accept the Offer and Condor declares the Offer unconditional, CGT rollover relief may not be available if Condor acquires less than 80% of Inca's Shares under the Offer (see Section 9.7 of this Target's Statement and Section 9 of the Bidder's Statement).

#### **2. REJECT the Offer**

If you wish to retain your Inca Shares, you need take no action in relation to the Offer and deal with your Inca Shares consistent with your entitlements as an Inca Shareholder. Inca Shareholders should note that if Condor acquires 90% of the Inca Shares under the Offer, it will be entitled to compulsorily acquire the Inca Shares that it does not already own.

## 6. OVERVIEW OF INCA

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### 6.1 OVERVIEW

Inca Minerals Limited was registered on 18 November 2010 and is a junior mineral exploration company focused on gold and copper exploration in Peru. Inca has two exploration projects in Peru:

- **Chanape:** Inca's flagship project, located east of Lima in the central western part of Peru's pierina epithermal gold belt. The project is comprised of 10,405ha of which 805ha is considered by Inca Directors to be mid to advanced stages of exploration and prospective for gold/copper/silver porphyry mineralization.
- **Moquegua:** A regional project comprised of a cluster of four separate concession areas: Virgen De Chapi, Oscar Alberto, Jose Alonso and Agua Blanca, with a combined area of 7,000 ha. All are located near Arequipa within Peru's southern copper porphyry belt and are all early stage exploration projects considered by Inca Directors to be prospective for gold/copper/silver porphyry mineralisation.

Inca has established an administration base in Perth and an operational base in Peru which includes legal advisors, prospectors, geological support and logistics, drilling contractors and assay laboratories.

Inca has developed extensive networks throughout Peru. These have resulted in significant deal-flow and local country relationships that have afforded Inca a competitive advantage for identifying, evaluating and securing high quality projects. Chanape and Moquegua are two such projects located in established mining precincts within Peru's broadly defined yet highly productive porphyry belt and in close proximity to established mining operations.

Inca acquired rights to the Chanape and Moquegua projects through option agreements which provide Inca with the right to purchase the projects in the event that the exploration leads to a commercial discovery or to terminate the agreements without penalty in the event that the projects do not prove commercially viable (see below).

Chanape is the more advanced project of the two and future work will include remodelling of existing geophysical data, assaying existing drill core, and re-assaying some drill core to confirm previous results. This work will precede further drill testing. It is anticipated that within 12 – 18 months Inca should know whether Chanape hosts gold-copper porphyry mineralisation.

### 6.2 CHANAPE GOLD COPPER PORPHYRY PROJECT

Inca's flagship project, Chanape, is located approximately 130kms east of Lima, in the Pierina Epithermal Gold porphyry belt. The project comprises thirty valid mining concessions which cover an area of approximately 10,405ha of which 805ha is considered by Inca Directors to be mid to advanced stages of exploration and prospective for gold/copper/silver porphyry mineralization. Chanape is approximately 35km south west from Chinalco's Toromocho porphyry deposit and approximately 10km south from the Nyrstar-owned Coricancha gold, silver, zinc and lead mine within the Viso Aruri mining precinct. There is established regional and local mining infrastructure and services in the Viso Aruri mining precinct.

Chanape hosts a number of spatially coincident geological, geochemical and geophysical features that make it highly prospective for gold-copper porphyry mineralisation. A standout feature of

previous exploration at Chanape, which suggests a possible gold-copper porphyry, is the result of diamond drilling conducted at one of the breccia pipes, breccia # 8. Continuous anomalous gold, copper and silver mineralisation has been recorded from surface to depths beyond 100m. Summary intersections are provided in Table 1 below.

Drill Hole	Section	Start (m's down hole)	Finish (m's down hole)	Total Interval m's	Grams per tonne		% Cu
					Au	Ag	
CH002	Over sampled section <sup>1</sup>	0.14	128.60	128.46	0.95	12.97	0.09
	<b>Over breccia<sup>2</sup></b>	0.14	100.96	<b>100.96</b>	<b>1.19</b>	<b>16.12</b>	<b>0.10</b>
CH003	Over sampled section	0.00	130.50	130.50	0.96	28.16	0.13
	<b>Over breccia</b>	0.00	101.30	<b>101.30</b>	<b>1.23</b>	<b>35.87</b>	<b>0.16</b>
CH004	Over sampled section	0.00	116.00	116.00	1.43	24.59	0.23
	<b>Over breccia</b>	0.00	116.00	<b>116.00</b>	<b>1.43</b>	<b>24.59</b>	<b>0.23</b>

**Table 1: Chanape Summary Drill Results**

**Note 1:** Weighted average over the entire interval that was sampled irrespective of lithology.

**Note 2:** Weighted average over interval recorded as breccia.

This drilling was conducted by the Canadian listed company, High Ridge Resources Inc. and the results were obtained by Inca from publicly available information disclosed by High Ridge.

Inca has secured rights to the Chanape project through a mining option and assignment agreement. On 24 June 2011, Inca's wholly owned subsidiary Inca Minerales SAC (**IM**) and Minera Altas Cumbres SAC's (**MAC**) entered into a mining option and assignment agreement (**Chanape Agreement**), as amended by letter agreement dated 6 October 2011 and the first addendum dated 28 October 2011, whereby MAC granted IM:

- (a) an exclusive option to acquire a 100% interest in the mineral rights over 20 mining concessions (**Concessions**) in Peru (**Purchase Option**); and
- (b) an exclusive mining assignment permitting IM to undertake mineral exploration activities over the Concessions (**Mining Assignment**).

#### *Purchase Option*

MAC granted IM the Purchase Option over the Concessions on the following terms:

- (a) the period of the option is 5 years from the commencement date, being 31 December 2011 or the date on which a notarised letter is delivered from MAC to IM stating that the commencement date has occurred, whichever is earlier (**Option Period**);
- (b) the consideration payable over the Option Period for the Purchase Option is US\$1,500,000 plus Value Added Tax (VAT) payable in 60 monthly instalments and a final sum of US\$3,000,000 at the end of the 5th year; and
- (c) subject to the satisfaction of various conditions (including Inca's successful listing on ASX, although listing is not defined in the Chanape Agreement) on the date that is 12 months from the date Inca is admitted to the official list of ASX, Inca must issue to Mr Gino Ursinio Venturi Vigo, US\$500,000 worth of Inca Shares at the greater of:

- (i) an issue price of \$0.20 each per Inca Share; and
- (ii) if the 20 day VWAP of the Inca Shares is greater than \$0.20 on the issue date (**VWAP Price**), an issue price equal to such number,

with any Inca Shares issued to Mr Venturi being subject to voluntary escrow for a period of 12 months from the date of issue.

#### *Mining Assignment*

In addition to the Purchase Option, MAC granted IM the Mining Assignment on the following terms:

- (a) the period of the assignment is 5 years from the Commencement Date (**Assignment Period**);
- (b) the consideration payable for the Mining Assignment is US\$50,000 plus VAT;
- (c) IM is permitted to undertake any superficial and underground exploration work, including certain specified activities associated with the same, on the Concessions from time to time during the Assignment Period;
- (d) IM is required during the Assignment Period to expend not less than US\$3,600,000 (excluding the applicable 18% VAT) in drilling expenses on the Concessions in accordance with an agreed expenditure program (**Expenditure**);
- (e) in addition to the Expenditure, IM must, during the Assignment Period, satisfy all requisite fees associated with the Concessions in order to keep them in good standing; and
- (f) IM must provide quarterly reports to MAC of all exploration activities carried out on the Concessions during the Assignment Period.

#### *Royalty*

In the event in which either IM exercises the Purchase Option or mining concessions have been granted in favour of IM that are totally or partially located within 10km of the Concessions, MAC shall have the right to receive, following the commencement of commercial production, a US\$20 per ounce of gold equivalent net smelter return royalty.

### **6.3 MOQUEGUA REGIONAL COPPER GOLD PORPHYRY PROJECT**

Moquegua is centred approximately 60km south east of Arequipa, within the Palaeocene Southern Peru Copper Porphyry Belt. Arequipa is Peru's second largest city, and hence Moquegua is well placed for infrastructure and mining services. Moquegua is a regional project comprising four separate concession areas, being Virgen De Chapi, Oscar Alberto, Jose Alonso and Agua Blanca. The four concession areas comprising the Moquegua regional project occur within a rectangular area of approximately 40km x 15km, within the Southern Peruvian Copper Porphyry Belt, and in proximity to many substantial operating mines, including Freeport McMoran's Cerro Verde Mine and Southern Copper Corporation's Cuajone porphyry mine.

On the basis of preliminary mapping and regional setting Moquegua is considered prospective for Au-Cu porphyry mineralisation. However, it is acknowledged that there has been a limited amount of work conducted on the project to date, and commensurately it must be considered early stage exploration.

Inca has secured rights to the Moquegua project concessions through a mining option, mining assignment and option of a future asset agreement. On 23 June 2011, IM and Mr Daniel Oscar Chavez (**Chavez**) entered into a mining option, mining assignment and option of a future asset agreement (**Moquegua Agreement**), whereby Chavez granted IM:



- (a) an exclusive option to acquire a 50% interest in the mineral rights over 4 mining concessions (**Moquegua Concessions**) in Peru (**Moquegua Purchase Option**); and
- (b) an exclusive mining assignment permitting IM to undertake mineral exploration activities over the Moquegua Concessions (**Moquegua Mining Assignment**).

#### *Moquegua Purchase Option*

Chavez granted IM the Moquegua Purchase Option over the Moquegua Concessions on the following terms:

- (a) the period of the option is 3 years from the date of the Moquegua Agreement (**Moquegua Option Period**);
- (b) IM may exercise the Moquegua Purchase Option provided it has expended US\$3,000,000 on exploration on the Moquegua Concessions during the Moquegua Option Period (**Moquegua Expenditure**) and notified Chavez of the same, at which point Chavez shall, upon receipt of such notice, transfer a 50% interest in the Moquegua Concessions to IM (**Interest**);
- (c) within 30 calendar days following the acquisition of the Interest, the parties shall jointly incorporate a new corporation (**NEWCO**) each holding a 50% interest in NEWCO; and
- (d) following incorporation, NEWCO will perform all mining and exploration activities on the Moquegua Concessions with IM to act as manager.

#### *Moquegua Mining Assignment*

In addition to the Moquegua Purchase Option, Chavez granted IM the Moquegua Mining Assignment on the following terms:

- (a) the period of the assignment is 3 years from the commencement date (**Assignment Period**);
- (b) the consideration payable by IM to Chavez for the Moquegua Mining Assignment is US\$100 plus VAT;
- (c) IM is permitted to undertake any superficial and underground exploration work, including certain specified activities associated with the same, on the Moquegua Concessions from time to time during the Assignment Period; and
- (d) in addition to the Moquegua Expenditure, IM must, during the Assignment Period, satisfy all requisite fees associated with the Moquegua Concessions in order to keep them in good standing.

#### *Call Option over shares in NEWCO*

In addition to the Moquegua Purchase Option and the Moquegua Mining Assignment, Chavez granted IM an exclusive and irrevocable option (**Call Option**) over Chavez's shareholding in NEWCO (**Shareholding**) on the following terms:

- (a) the period of the Call Option is 3 years from the date of incorporation of NEWCO;
- (b) upon notifying Chavez of its intention to exercise the Call Option, the consideration payable by IM to Chavez to acquire the Shareholding is either (at IM's discretion):
  - (i) US\$3,000,000 in cash; or
  - (ii) the number of Inca Shares which market value at the date of issuing the Inca Shares will be equivalent to the sum of US\$3,000,000; or

- (iii) a combination of cash and Inca Shares equivalent to the sum of US\$3,000,000; or
- (iv) IM to continue to sole fund exploration and eventual commercial exploitation on the Moquegua Concessions to the value of US\$3,000,000.

#### *Transfer of Additional Concessions*

In addition to the Moquegua Purchase Option, the Moquegua Mining Assignment and the Call Option, within 7 days of the execution of the Moquegua Agreement, Chavez shall transfer to IM a 100% interest in 6 mining concessions in Peru (**Additional Concessions**). The consideration payable by IM to Chavez for the Additional Concessions is 1,300,000 Inca Shares at a deemed issued price of \$0.10 each per share.

#### *Consultant*

In addition to the Moquegua Purchase Option, the Moquegua Mining Assignment, the Call Option and the Additional Concessions, as from 15 July 2011 IM shall engage Chavez as a consultant for a period of 38 months. Chavez shall be paid as follows:

- (a) 15 July 2011 – 28 February 2012: US\$46,600;
- (b) 1 March 2012 – next 30 months: US\$4,000 per month.

### **6.4 THE DIRECTORS OF INCA**

As at the date of this Target's Statement the Inca Directors are:

- Laurence Lambro Anthony Ziatas: Chairman
- Ross Curtis Brown: Managing Director
- Bernardine Edith Dove: Non-Executive Director

### **6.5 INCA SECURITIES**

As at the date of this Target's Statement, Inca had:

- 43,805,000 fully paid ordinary shares on issue.
- 143 Inca Shareholders.
- No other securities on issue.

### **6.6 SUBSTANTIAL INCA SHAREHOLDERS**

Inca Shareholders who hold more than 5% of Inca's Shares are as follows:

Inca Shareholder	Inca Shares	Relevant Interest
Ross Curtis Brown	10,000,000	22.8%
Aqa Corporation Pty Ltd	8,000,000	18.2%
Luis Alberto Aguilar	3,000,000	6.8%
Element Resources Fund Pty Ltd	3,000,000	6.8%

### **6.7 THIRD PARTY PROPOSALS**

Other than the Offer, Inca has not received any formal proposals from third parties in relation to Inca Shares or Inca's projects in the previous 12 months.

## **6.8 FINANCIAL INFORMATION**

Inca's last audited financial statements are for the financial period ended 30 June 2011. Inca's Unaudited Statement of Financial Position as at 31 December 2011, Unaudited Statement of Comprehensive Income for Six Months Ended 31 December 2011, and Unaudited Statement of Changes in Equity as at 31 December 2011 are presented in Section 6.10 of this Target's Statement.

## **6.9 FUNDING REQUIREMENTS**

As at the date of this Target's Statement, Inca has a number of funding requirements over the next 12 months, including:

- Payment of Ongoing Option Fee – Chanape Project.
- Project Exploration – Chanape Project.
- Project Exploration – Moquegua.
- General Working Capital and Administration Expenses.

The Inca Directors estimate Inca will spend approximately A\$1,900,000 on the Peruvian assets and approximately A\$800,000 on working capital and general administration costs in the next 12 months.

## **6.10 UNAUDITED FINANCIAL STATEMENTS – INCA MINERALS LIMITED**

Inca's last audited financial statements are for the financial period ended 30 June 2011. Inca's Unaudited Statement of Financial Position as at 31 December 2011, Unaudited Statement of Comprehensive Income for Six Months Ended 31 December 2011, and Unaudited Statement of Changes in Equity as at 31 December 2011 are presented below.

(a) Consolidated Statement of Financial Position as at 31 December 2011 (Unaudited)

	Note	31 December 2011	30 June 2011
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	2	108,511	354,467
Trade and Other Receivables	3	26,930	17,088
<b>TOTAL CURRENT ASSETS</b>		<u>135,441</u>	<u>371,555</u>
<b>NON-CURRENT ASSETS</b>			
Trade and Other Receivables	3	20,000	20,000
Property, Plant and Equipment	4	8,259	8,474
Exploration and Evaluation Expenditure	5	404,017	57,387
		<u>432,276</u>	<u>85,861</u>
<b>TOTAL ASSETS</b>		<u>567,717</u>	<u>457,416</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	6	51,344	70,155
Loan – Condor	7	100,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>151,344</u>	<u>70,155</u>
<b>TOTAL LIABILITIES</b>		<u>151,344</u>	<u>70,155</u>
<b>NET ASSETS</b>		<u><b>416,373</b></u>	<u><b>387,261</b></u>
<b>EQUITY</b>			
Share Capital	8	1,288,850	878,500
Accumulated Losses		(491,195)	-
Current Period Losses		(381,344)	(491,195)
Foreign Currency Translation Reserve		62	(44)
<b>TOTAL EQUITY</b>		<u><b>416,373</b></u>	<u><b>387,261</b></u>

(b) **Consolidated Statement of Comprehensive Income for the Period 1 July 2011 to 31 December 2011 (Unaudited)**

	<b>Note</b>	<b>Period ended 31 December 2011 \$</b>	<b>Period ended 30 June 2011 \$</b>
Income from ordinary activities		0	0
Depreciation expense	4	(215)	(470)
Legal expenses		(66,007)	(53,757)
Exploration expenses		0	(69,356)
Key management personnel compensation		(163,603)	(181,500)
Other consultancy fees		(81,800)	(123,298)
Travel & administrative expenses		(74,692)	(64,027)
<b>Results from operating activities</b>		<b>(386,317)</b>	<b>(492,408)</b>
Net finance income	9	4,973	1,213
<b>Loss before income tax expense</b>		<b>(381,344)</b>	<b>(491,195)</b>
Income tax expense		0	0
<b>Loss for the period</b>		<b>(381,344)</b>	<b>(491,195)</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences		62	(44)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(381,282)</b>	<b>(491,239)</b>
<b>Earnings per share</b>			
Basic and diluted loss per share (cents)	12	(0.09)	(1.95)

(c) **Consolidated Statement of Changes in Equity for the Period 1 July 2011 to 31 December 2011 (Unaudited)**

	Note	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at beginning of period				(491,195)	(491,195)
Loss for the period				(381,344)	(381,344)
Foreign currency translation differences for the period			62		62
<b>Total comprehensive loss for the period</b>			62	(872,539)	(872,477)
<b>Transactions with owners Recorded directly in equity</b>					
Balance at beginning of period		878,500			878,500
Shares issued for cash Consideration	8	412,500			412,500
Share based payments	8	13,000			13,000
Transaction costs of share issues	8	(15,150)			(15,150)
<b>Balance as at 31 December 2011</b>		<u>1,288,850</u>	<u>62</u>	<u>(872,539)</u>	<u>416,373</u>

**Notes to the Financial Statements for the Period 1 July 2011 to 31 December 2011  
(Unaudited)**

**Note 1: Statement of significant accounting policies**

**(a) Basis of preparation**

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied, unless otherwise stated.

These financial statements have been prepared on an accruals basis and are based on historic costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(b) Removal of parent entity financial statements**

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to disclose parent entity financial statements. For the purposes of the unaudited financial statements for the period ended 31 December 2011, the parent entity disclosure note has not been provided. Please contact Inca if this information is required.

**(c) Principles of consolidation**

The consolidated financial information incorporates the assets, liabilities and results of entities controlled by Inca Minerals Limited at the end of the reporting period. A controlled entity is any entity over which Inca Minerals Limited has the power to govern the financial and operating policies so as to obtain benefit from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential rights are also considered. Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. In preparing the consolidated financial information, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation.

**(d) Going Concern**

These financial statements have been prepared on the basis of a going concern which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. Presently, the Group has no significant sources of operating income and relies on equity contributions to continue as a going concern. For the period 1 July 2011 to 31 December 2011 the Group incurred a loss of \$380,526. As at 31 December 2011 the Group had a net asset surplus of \$416,372 and a working capital deficiency of \$16,903. The Directors are confident the Group will successfully raise sufficient funding to continue as a going concern and continue to pay its debts as and when they fall due. In the event further capital raising initiatives are delayed or fail to eventuate the Directors are confident in the Group's ability to manage its expenditure but exploration and evaluation expenditure of \$404,017 which is currently

capitalised in the Group's non-current assets, would be expensed if current rights to tenure over the relevant area of interest were to lapse.

**(e) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

For the purposes of the unaudited financial statements for the period ended 31 December 2011, a note disclosing the deferred tax liability not recognized and the deferred tax assets not recognized, has not been provided. Please contact Inca if this information is required.

**(f) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**(i) Recognition & measurement**

Plant and Equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of fixed assets constructed within the entity includes the costs of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

**(ii) Subsequent costs**

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



(iii) **Depreciation**

The depreciable amount of all fixed assets is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<b>Class of fixed asset</b>	<b>Depreciation rate (diminishing value method)</b>
Office equipment	40% - 66.67%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) **Financial instruments**

***Non-derivative financial assets and liabilities***

(i) **Initial recognition and measurement**

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) **Classification and subsequent measurement**

Financial assets are subsequently measured at fair value or cost or amortised cost (using the effective interest rate method). Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- The amount at which the financial asset or financial liability is measured at initial recognition;
- Less principal repayments;
- Plus or minus the cumulative amortisation of the differences, if any,

between the amount initially recognised and the maturity amount calculated using the effective interest method; and

- Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the related period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Inca Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

The Inca Group has the following non-derivative financial assets: receivables and cash and cash equivalents:

**A. Loans and receivables**

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

**B. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short- term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

***Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**(i) Fair value**

Fair value is based on current bid prices of all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

**(ii) Impairment**

At each reporting date, Inca assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(iii) **Derecognition**

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

**(h) Impairment of assets**

At each reporting period, Inca assesses whether there is any indication an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, Inca estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(i) Trade and other receivables**

Trade receivable are recognised and carried at original invoice amount less an allowance for any uncollectable amounts with this deemed to reflect fair value. Normal terms of settlement are within 90 days. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

**(j) Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by Inca during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 90 days of recognition of the liability.

**(k) Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**(l) Indirect taxes**

Revenues, expenses and assets are recognised net of the amount of indirect tax, except where the indirect tax incurred is not recoverable from the relevant taxation authority. In these circumstances, the indirect tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of indirect tax.

Cash flows are presented in the statement of cash flows on a gross basis, except for the indirect tax component of investing and financing activities, which are disclosed as operating cash flows.

**(m) Employee benefits**

Provision is made for Inca's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**(n) Functional currency transactions and balances**

The functional currency of Inca is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is Inca's functional and the Inca Group's presentation currency. The functional currency of the subsidiary is the Peruvian Soles.

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

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

**(o) Share-based payment transactions**

Inca provides benefits to its directors and certain consultants in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transactions). The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the market value of the services rendered.

**(p) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the period in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (A) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (B) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(q) Comparative figures**

Inca was incorporated on 18 November 2010 and produced its first set of audited financial statements for the period ended 30 June 2011. Figures drawn from the audited financial statements for the period ended 30 June 2011 provide the comparatives used in the financial statements in this Target's Statement.

**(r) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(s) Critical accounting estimates, judgements and assumptions**

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the

reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**(i) Impairment**

Inca assesses impairment at the end of each reporting period by evaluation conditions and events specific to Inca that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**(ii) Exploration and evaluation**

The Inca Group's accounting policy for exploration and evaluation expenditure necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the Inca Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the income statement. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.

**(t) Segment reporting**

An operating segment is a component of the Inca Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Inca Group's other components.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily Inca's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(u) New accounting standards for the application in future periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

**Note 2: Cash and cash equivalents**

	31 December 2011	30 June 2011
	\$	\$
Cash at bank	108,511	354,467

**Note 3: Trade and other receivables**

	31 December 2011	30 June 2011
	\$	\$
CURRENT		
Loan	1,235	-
Indirect taxes receivable	25,695	17,088
	26,930	17,088
NON-CURRENT		
Deposit Receivable	20,000	20,000

The Company's exposure to credit risk and impairment losses related to other receivables is disclosed in Note 14.

**Deposit receivable**

The deposit secures the Company's corporate credit card facility which has an approved limit of \$20,000. Amounts payable at 31 December 2011 are recognised within Note 6.

**Note 4: Property, Plant and Equipment**

	31 December 2011	30 June 2011
	\$	\$
Office Equipment at cost	8,944	8,944
Less accumulated depreciation	(685)	(470)
	8,259	8,474

Movements in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial period:

	Office Equipment	
	31 December 2011	30 June 2011
	\$	\$
Opening balance	8,474	-
Additions	-	8,944
Disposals	-	-
Depreciation expense	(685)	(470)
Closing balance	8,259	8,474

**Note 5: Exploration and Evaluation Expenditure**

	31 December 2011	30 June 2011
	\$	\$
Exploration expenditure at cost	404,017	57,387

The ultimate recoupment of costs carried forward for exploration assets is dependent on the successful development and commercial exploration or sale of the respective area of interest. For the period 1 July 2011 – 31 December 2011 all exploration and evaluation expenditure has been capitalised since exploration and evaluation activities in the area of interest have not, at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

**Note 6: Trade creditors and other payables**

	31 December 2011	30 June 2011
	\$	\$
Trade creditors	37,308	-
Other payables	14,036	70,155
	51,344	70,155

**Note 7: Loan from Condor Metals Limited**

	31 December 2011	30 June 2011
	\$	\$
Loan from Condor	100,000	-

On 23 December 2011 Inca and Condor Metals Limited executed a loan agreement pursuant to which Condor loaned Inca \$100,000, repayable on 31 March 2011. In the event Inca cannot repay the loan, Condor may, at its option, convert the loan into Inca shares at the Issue Price. The loan is secured by a fixed and floating charge over Inca's assets.



**Note 8: Issued Capital****Share capital for the period ended 30 June 2011**

	<b>No. of Ordinary Shares</b>	<b>\$</b>
Issued at incorporation for payment of non-executive directors' fees (10,000,000 shares at \$0.01)	10,000,000	100,000
Seed capital issued on 14 April 2011 (1,500,000 shares at \$0.0167)	1,500,000	25,000
Shares issued on 14 April 2011 for the payment of non-executive directors' fees (75,000 shares at \$0.02)	75,000	1,500
Shares issued on 14 April 2011 for the payment of fees (1,500,000 shares at \$0.01)	1,500,000	15,000
Seed capital issued on 14 April 2011 (3,900,000 shares at \$0.05)	3,900,000	195,000
	<hr/>	
Total Issued as at 14 April 2011	16,975,000	336,500
Share-split (2:1) 15 April 2011	16,975,000	-
	<hr/>	
Total issued capital at 30 April 2011	33,950,000	336,500
Seed capital issued 8 June 2011 (2,600,000 shares at \$0.10)	2,600,000	260,000
Seed capital issued on 28 June 2011 (3,000,000 shares at \$0.10)	3,000,000	300,000
Less share issue costs	-	(18,000)
	<hr/>	
<b>Total Issued Capital 30 June 2011</b>	<b>39,550,000</b>	<b>878,500</b>

**Share capital for the period ended 31 December 2011**

	<b>No. of Ordinary Shares</b>	<b>\$</b>
Balance at beginning of period (1 July 2011)	39,550,000	878,500
Seed capital issued 15 September 2011 (4,125,000 shares at \$0.10)	4,125,000	412,500
Shares issued 14 October 2011 for payment of consultants fees	130,000	13,000
	<hr/>	
Less share issue costs	-	(15,150)
	<hr/>	
<b>Total Issued Capital 31 December 2011</b>	<b>43,805,000</b>	<b>1,288,850</b>

The Inca Group does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Inca Group.

**Note 9: Net Finance Income**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Interest income on bank deposits	6,136	1,509
Finance income	6,136	1,509
Interest expense	(1,163)	(296)
Finance costs	(1,163)	(296)
Net Finance Income	4,973	1,213

**Note 10: Events after the reporting period**

With the exception of the information disclosed in this Target's Statement there are no other matters or circumstances that have arisen since 31 December 2011 that have significantly affected or may significantly affect the operations of the Inca Group, the results of those operations, or the state of affairs of the Group.

**Note 11: Segment reporting**

The Inca Group operates a single operating segment, the exploration and evaluation of mineral properties in Peru. The results and financial position of the single operating segment are prepared on a basis consistent with Australian Accounting Standards, and thus no additional disclosures in relation to revenue, profit or loss, assets and liabilities and other material items have been made.

**Note 12: Earnings per share*****Basic and diluted earnings per share***

The calculation of basic earnings per share at 31 December 2011 was based on the loss attributable to ordinary shareholders of \$381,344 and a weighted average number of ordinary shares outstanding of 41,979,360, calculated as follows:

	<u>2011</u>
Loss attributable to ordinary shareholders for the period	<u>(381,344)</u>
Weighted average number of ordinary issued shares	
Issued ordinary shares at beginning of period	39,550,000
Effect of shares issued in September 2011	2,376,360
Effect of shares issued in October	<u>53,000</u>
Weighted average number of shares at 31 December 2011	<u>41,979,360</u>

**Note 13: Related parties and related party transactions*****(i) Directors***

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

**Non-Executive Directors**

Bernardine Edith Dove

**Executive Directors**

Ross Curtis Brown

Laurence Lambro Anthony Ziatas

***(ii) Key management personnel compensation***

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	<u>163,603</u>	<u>181,500</u>

**(iii) Share based payments**

**Description of the share-based payment arrangements**

At 31 December 2011 the Inca Group has the following share-based payment arrangements:

The Inca Group paid a portion of their directors' fees in the period ended 30 June 2011 with shares as described in Note 8. The shares were issued at the fair value of the services provided. At 30 June 2011, the total number of shares related to this arrangement is 20,150,000 and the value amounts to \$101,500.

The movement in the number of ordinary shares held directly or beneficially by each key management personnel during the financial period 1 July 2011 – 31 December 2011 is as follows:

Director	Held as at 30 June 2011	Issued in exchange for services	Held as at 31 December 2011
Laurence Lambro Anthony Ziatas	10,000,000	0	10,000,000
Ross Curtis Brown	10,000,000	0	10,000,000
Bernardine Edith Dove	150,000	0	150,000
	20,150,000	0	20,150,000

**Note 14: Financial risk management**

The Inca Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable. Inca engages in transactions expressed in foreign currencies and is therefore subject to foreign currency risk. Financial Risk Management is carried out by the Board of Directors.

The directors' overall risk management strategy seeks to assist Inca in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for Inca Group operations. The Inca Group does not have any derivative instruments at 31 December 2011.

The main risks the Inca Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. This note presents information about the Inca Group's exposure to each of these risks, the Inca Groups objectives, policies and processes for measuring and managing risks, and the Inca Group's management of capital.

**Interest rate risk**

The Inca Group's objective is to maximise its return on cash and cash equivalent instruments whilst maintaining an adequate level of liquidity and preserving capital. Cash and investments are subjected to interest rate risk – the risk that movements in interest rates affect returns.

**Liquidity risk**

The Inca Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

**Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The only collateral held as security at 31 December 2011 is disclosed in Note 5 and pertains to the \$20,000 credit card deposit. Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

**Capital management**

The Inca Board's policy is to maintain a strong capital base for future development of the business and to encourage investor and creditor confidence and. Capital consists of share capital, and retained earnings/losses of the Inca Group. The Board of Directors monitors the return on capital.

**Foreign currency risk**

The Inca Group engages in transactions expressed in foreign currencies which are subject to foreign currency risk. There were no material amounts of exposure to foreign currency risk at 31 December 2011.

**Receivables**

Inca's major risk associated with the receivables is credit risk – the risk that the debts may not be repaid. Inca manages this risk by monitoring outstanding debt and employing appropriate debt recovery procedures. Inca was not exposed to any material credit risk at balance date.

**Payables**

Payables are subjected to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and where they fall due. The directors manage this risk by monitoring its cash flow requirements and liquidity levels. All payables are due within 90 days.

**Financial instrument composition and maturity analysis**

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>31 December 2011</b>	<b>31 December 2011</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	108,511	108,511
Trade and other receivables	26,930	26,930
	<hr/>	<hr/>
	135,441	135,441
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Trade and other payables	51,344	51,344
Loan – Condor	100,000	100,000
	<hr/>	<hr/>
	151,344	151,344
	<hr/>	<hr/>

**Sensitivity analysis**

The following table illustrates the Inca Group's sensitivity to changes in interest. The table indicates the impact on how the profit values reported at 31 December 2011 would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

<b>Period ended 31 December 2011</b>	<b>Profit</b>
	<b>\$</b>
+ / - 1% in interest rates	+ / -
Variable rate instruments	543

**Note 15: Commitments**

The Group has entered into two separate agreements for the acquisition of interests in mining concessions with two separate parties. These agreements, the Chanape Agreement and the Moquegua Agreement are described in Sections 6.2 and 6.3 respectively, of this Target's Statement.

**Note 16: Group entities**

As at 31 December 2011 the Inca Group included the following significant subsidiaries

<b>Significant subsidiaries</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>
Inca Minerales SAC	Peru	100%

## 7. OVERVIEW OF CONDOR

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### 7.1 OVERVIEW

Condor Metals Limited was incorporated on 11 January 2008 and listed on the ASX in June 2008. It initially acquired a package of 26 tenements from Carrick Gold Limited and Shannon Resources Limited and was originally a wholly owned subsidiary of Carrick Gold Limited (ASX : CRK).

Condor Metals Limited is a Western Australian base metals exploration company with a focus on iron ore, manganese and nickel.

Condor's vision is to deliver exceptional shareholder returns through the discovery, delineation and development of mineable minerals and metals.

The Company holds a diversified portfolio of highly prospective tenements for iron ore, manganese, nickel and other base metals in five main projects. These are:

- The Dingo Range Iron Ore and Base Metals Project.
- The Kallona Creek Iron / Manganese Prospect
- The Grey Dame Nickel Prospect
- Gundockata Iron Ore Prospect
- Southern Cross Gold Prospect (application)

See Section 5 of the Bidder's Statement and Condor's website ([www.condornickel.com](http://www.condornickel.com)) for detailed information on Condor.

## 8. RISK FACTORS

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### 8.1 RISK OF HOLDING INCA SHARES

In considering this Target's Statement, Inca Shareholders should be aware that there are a number of risks which may affect the future operating and financial performance of Inca. The risks which apply to holding Inca Shares can be categorised as:

- Industry risks which Inca shares with other mining companies.
- Operational and / or business risks which relate to Inca's business.
- Risks which relate to the outcome of the Offer.

### 8.2 INDUSTRY RISKS

Inca is exposed to the following risks which apply to the mining industry generally. These include:

#### (a) Mining and Exploration Risks

The business of mineral exploration, development and production is subject to risk by its nature. The success of the business depends on successful exploration and/or acquisition of Reserves, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the operations. Exploration and mining are speculative undertakings which may be hampered by force majeure circumstances, land claims and unforeseen mining problems. Increased development costs, lower output or high operating costs may all contribute to make a project less profitable than expected at the time of the development decision. There is no assurance that Inca's attempts to develop and exploit its exploration activities will be successful or that production will remain profitable in the long term.

Reserve and Resource estimates, when made, are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and, thus, estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop Reserves. Further, Reserves are valued based on future costs and future prices and, consequently, the actual Reserves and Resources may differ from those estimated, which may result in either a positive or negative effect.

No assurance can be given that the anticipated tonnages and grades of gold will be achieved during production or that the indicated level of gold recovery will be realised. Gold price fluctuations, as well as increased production costs or reduced recovery rates, may render Reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such Reserves. Moreover, short-term operating factors relating to Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades, may cause a mining operation to be unprofitable in any particular accounting period.

Inferred Mineral Resources do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Measured or Indicated Mineral Resources or Proven or Probable Ore Reserves as a result of continued exploration.

There is a risk that unforeseen geological and geotechnical difficulties maybe encountered when developing and mining Reserves. In this event, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

**(b) Economic and Government Risks**

Inca is domiciled in Australia, though operating in Peru. Hence economic and legislative changes in either country may affect the future viability of Inca. The future viability of Inca is also dependent on a number of other factors affecting the performance of all industries, not just the exploration and mining industries. These factors include, but are not limited to:

- General economic conditions in Australia, Peru and their respective major trading partners.
- Changes in Government policies, taxation and other laws.
- The strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the commodities (resources) sector.
- Movement in, or outlook on, interest rates and inflation rates.
- Natural disasters, social upheaval or war in Australia, Peru and other countries.

Industry profitability can be affected by changes in government, both within Australia and externally, which are not within the control of Inca. Inca's activities are subject to extensive laws and regulations controlling not only the exploration for and mining of minerals, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. There is no assurance that permits will be obtained when sought or that unfavourable conditions will not be imposed. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of Inca's tenements, the extent of which cannot be predicted.

**(c) Commodity Price and Exchange Rate Risks**

As Inca's potential earnings will be largely derived from the sale of mineral commodities, either in processed or concentrate forms, Inca's future revenues and cash flows will be impacted by changes in the prices of these commodities. Commodity prices fluctuate and are affected by numerous factors beyond the control of Inca. These factors include current and expected future supply and demand, forward selling by producers, production cost levels in major metal producing centres as well as macroeconomic conditions such as inflation and interest rates.

Furthermore, the international prices of most commodities are denominated in United States dollars while Inca's cost base will be in a combination of Australian dollars, United States dollars and Peruvian Nuevo Soles. Consequently changes in these exchange rates may impact on the earnings of Inca. The exchange rate is affected by numerous factors beyond the control of Inca, including interest rates, inflation and the general economic outlook.



**(d) General Legal and Taxation matters**

Future earnings, asset values and the relative attractiveness of Inca Shares may be affected by changes in law and Government policy in the jurisdictions in which Inca will operate, in particular, changes to taxation law.

In September 2011 Peruvian President Ollanta Humala signed three bills into law raising mining taxes and royalties. Under the new laws, mining companies will now pay royalties ranging from 1% to 12% of operating profits along with a windfall profits tax (which applies to mining companies that do not have legal tax stability contracts with the Peruvian government) ranging from 2% to 8.4% of net profits. Inca does not presently have a legal tax stability contract with the Peruvian government. The changes in taxes and royalties may have an adverse impact on Inca.

On 2 July 2010, the Australian Federal Government proposed a new tax on the resources industry, known as the Mineral Resources Rent Tax (**MRRT**), which may result in some resource companies paying additional or increased amounts of tax. The introduction of the MRRT, which is set to apply from 1 July 2012, may have an adverse impact on Inca subject to the finalised legislation.

The Australian Federal Government secured passage of the *Clean Energy Bill 2011* through the Lower House of Parliament in October 2011, and the Upper House of Parliament in November 2011, and this legislation will ultimately establish a new tax on carbon emissions. The introduction of such a tax may have an adverse impact on Inca.

The acquisition and disposal of shares will have tax consequences which will differ depending on an individual's personal financial affairs. All Inca Shareholders are urged to obtain independent financial, taxation and professional advice about the consequences of accepting the Offer from a taxation viewpoint and generally.

**(e) Investment Risk**

Inca Shares should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value.

**(f) Share Market Conditions**

While Inca Shares are not listed on any share market exchange, share market conditions may affect the value of Inca Shares regardless of Inca's operating performance. Share market conditions are affected by many factors including but not limited to the following:

- General economic outlook.
- Interest rates and inflation rates.
- Currency fluctuations.
- Mineral price fluctuations.
- Changes in investor sentiment toward particular market sectors.
- The demand for, and supply of, capital.
- Terrorism or other hostilities.
- Other factors beyond the control of Inca.

**(g) Competition**

The industry in which Inca is involved is subject to domestic and global competition. While Inca undertakes all reasonable due diligence in its business decisions and operations, Inca has no influence or control over the activities or actions of its competitors and these activities or actions may positively or negatively affect the operating and financial performance Inca's projects and business.

**(h) Environmental risk**

Mining and exploration involves a risk of environmental damage. Inca may be required to comply with certain environmental management issues from time to time. The potential for liability is an ever-present risk. Inca intends to ensure that it conducts its operations to the highest standard of environmental obligation, including complying with all relevant applicable environmental legislation. Despite this, certain environmental risks are inherent in Inca's operations.

**(i) Insurance**

Inca intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, Inca's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Inca. Insurance of all risks associated with mineral exploration and production is not always available and where available the costs can be prohibitive.

**(j) Reliance on Key Personnel**

The responsibility of overseeing the day to day operations and the strategic management of Inca depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on Inca if one or more of these employees cease their employment.

### **8.3 OPERATIONAL AND BUSINESS RISKS**

Inca is exposed to a number of operational and business risks that relate to Inca's business. These include:

**(a) Sovereign Risk**

Peru has been a stable democracy for many years, and has a government that is supportive of mining and resource activities. There are always dangers in operating in foreign countries. For example, a new President has been recently elected who, in the past advocated greater State ownership of resources. Post election he has confirmed his intent to maintain the status quo. However, Inca cannot guarantee that government policy in Peru will remain supportive of the mining and resources sector and existing ownership structures, hence Inca cannot guarantee ongoing access, surety of title and tenure of its Peruvian based assets.

Outcomes in courts in Peru may be less predictable than in Australia, which could affect the enforceability of contracts entered into by Inca or its subsidiary in Peru.

Engagement with, and approval from, traditional communities within the project region is a critical part of the project development. If the local communities are not satisfied with their involvement, or feel that their rights are being abrogated, they can cause delays to a project or indeed the cessation of a project.

**(b) Environmental Risk**

Inca's projects are subject to Peruvian laws and regulations concerning the environment. As with most exploration projects and mining operations, Inca's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is Inca's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Inca may require approval from authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals may prevent Inca from undertaking its desired activities. Inca is unable to predict the effect of additional environmental laws and regulations that may be adapted in the future, including whether any such laws and regulations would materially increase Inca's costs of doing business or affect its operations in any area. If the Chanape or Moquegua projects prove to be large scale porphyry projects, the resulting development of such a large scale porphyry project could require a substantial environmental footprint that may demand operating restrictions that could act to make the project uneconomic.

**(c) Project Risk**

There is no JORC compliant resource in relation to any of Inca's assets, and there is no guarantee that a JORC compliant resource in relation to any of Inca's assets will be achieved in the future.

Inca has a mix of early and late stage exploration projects. Mineral exploration and development is a high risk undertaking, and there can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit.

Even if an economic ore deposit with a JORC compliant resource is discovered, there can be no guarantee that it will be able to be exploited.

If an economic ore deposit is discovered, and Inca is able to fund the exploitation of that deposit, there is no guarantee that the project will provide economic returns to shareholders as it will be subject to a series of operational risks, together with commodity price and currency risks.

**(d) Permit Risk**

There is a risk that the necessary land acquisitions, permits, consents, authorisations and agreements required to implement planned exploration, project development, or mining of Inca's projects may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

**(e) Land and Resource Tenure Risk**

Inca's land and resource tenure may be disputed resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, environmental and cultural heritage issues to be addressed, which can have significant timing and cost implications.

**(f) Commercialisation Risk**

Even if Inca discovers economic quantities of minerals, there is a risk that Inca will not achieve an economic return. Inca may not be able to transport the minerals at a reasonable cost or may not be able to sell the minerals to customers at a rate which would cover its

operating and capital costs. Inca has to receive regulatory and environmental approval to convert its exploration permits into production concessions. There is a risk that these approvals may not be obtained.

**(g) Operating Risk**

The operations of Inca may be affected by various factors not within its control, including failure to locate or identify mineral deposits, failure to achieve predicted grades during the mining phase, unanticipated metallurgical problems which may affect extraction costs, possible seismic activity, particularly given the project's location in the mid-level Andes Mountains, operational and technical difficulties encountered in production, sourcing difficulties, commissioning, operating and maintaining plant and equipment, mechanical failure, industrial and environmental accidents, processing deficiencies, labour shortages, industrial and environmental disputes, obtaining government approvals, adverse weather conditions, fire, explosions, rock falls, unusual or unexpected rock formations, unanticipated metallurgical problems and unexpected shortages or increases in the costs of consumables, spare parts, plant, equipment or labour. These risks and hazards could also result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. Inca may become subject to liability for accidents, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.

The cost of exploration will be a significant factor given Inca's expectation of drilling holes to 500 metres in depth and greater and given operations will be in the Andes.

No assurances can be given that Inca will achieve commercial viability through exploration success and planned commercial exploitation of its tenements and until Inca is able to realise value from its projects it is likely to incur ongoing operational losses.

**(h) No Profit to Date**

Inca was incorporated 18 November 2010 and has incurred losses since its inception. It is therefore not possible to evaluate its prospects based on past performance. Since Inca intends to continue investing in its exploration and development program the Directors anticipate making further losses in the foreseeable future.

While the Directors have confidence in the future revenue earning potential of Inca, there can be no certainty that Inca will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

**(i) Funding Risk**

Further funding of projects will be required by Inca to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Market conditions may make it difficult or impossible for Inca to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis will adversely affect the business and financial condition of Inca and its performance and may cause Inca to postpone future development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

**(j) Infrastructure Risk**

The funding risks, environmental risks, government approval and permit risks discussed elsewhere in Section 8 of this Target's Statement apply equally to the construction of any transport infrastructure that Inca may undertake.

**8.4 RISKS ASSOCIATED WITH THE OFFER**

Inca Shareholders should be aware of the following implications and risks that arise from the Offer and that may affect the future performance and value of Inca Shares.

**(a) Share Price Fluctuation**

Inca Shareholders are being offered specific quantities of Condor Shares as consideration under the Offer. As a result, the value of the Consideration will fluctuate depending upon the market value of Condor Shares.

**(b) Minority Ownership**

It is possible that Condor may acquire less than 100% of Inca. The existence of a minority interest in Inca may have an impact on the operations of Inca, although this will depend on the ultimate level of ownership acquired by Condor.

**(c) Inability to Accept an Alternative Offer**

Except under limited circumstances provided in the Corporations Act, Inca Shareholders who accept the Offer will not be able to accept an alternative offer, should any emerge. You may only withdraw your acceptance and accept an alternative offer if Condor extends the Offer Period for more than one month and the Offer remains subject to any condition at that time.

**(d) Risks of Investing in Condor**

If the Offer becomes unconditional, Inca Shareholders who accept the Offer will become Condor Shareholders. In those circumstances, Inca Shareholders will be exposed to the general risks associated with investing in a mineral exploration company and risks which are specific to an investment in Condor.

In preparing the information relating to Condor contained in the Target's Statement, Inca has relied on publicly available information relating to Condor and information provided by Condor's board and senior management. Risks may exist in relation to Condor of which Inca is not aware. If any material risks are known to the Directors of Condor, they must be disclosed in the Bidder's Statement to be issued by Condor.

Further risks are explained in detail in Section 10 of the Bidder's Statement. Inca Shareholders should read the Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Offer. By accepting the Offer, Inca Shareholders are investing in Condor.

## 9. ADDITIONAL INFORMATION

In making a decision whether to accept the Offer, Inca Shareholders should also carefully consider the following matters.

### 9.1 RELEVANT INTERESTS IN MARKETABLE SECURITIES OF INCA AND CONDOR

The marketable securities that Inca has on issue are 43,805,000 Inca Shares.

The marketable securities that Condor has on issue as at 24 January 2012 are set out in Section 5.5 of the Bidder's Statement.

The number and description of marketable securities of Inca and Condor in which each Inca Director has a Relevant Interest as at the date of this Target's Statement are as follows:

<b>Inca Director</b>	<b>Inca Shares</b>
Laurence Lambro Anthony Ziatas	10,000,000
Ross Curtis Brown	10,000,000
Bernardine Edith Dove	150,000

<b>Inca Director</b>	<b>Condor Shares</b>
Laurence Lambro Anthony Ziatas	Nil
Ross Curtis Brown	Nil
Bernardine Edith Dove	Nil

### 9.2 DEALINGS IN MARKETABLE SECURITIES OF INCA AND CONDOR

Condor has not acquired or disposed of any Inca Share within the four month period preceding the date of this Target's Statement. Inca and Condor executed the Loan Agreement, pursuant to which Condor loaned Inca \$100,000, repayable on 31 March 2011. In the event Inca cannot repay the loan, Condor may, at its option, convert the loan into Inca shares at the Issue Price.

Inca has not acquired or disposed of any Condor Shares within the four month period preceding the date of this Target's Statement.

### 9.3 CONDITIONAL AGREEMENTS

Except as set out in this Target's Statement no Inca Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

### 9.4 PAYMENTS AND BENEFITS

As a result of the Offer, no benefit (other than a benefit permitted by Section 200F or 200G of the Corporations Act) has been or will be given to a person:

- In connection with the retirement of a person from a Board or managerial office in Inca or a related body corporate of Inca; or
- Who holds, or has held a board or managerial office in Inca or a related body corporate, or a spouse, relative or Associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Inca.

## 9.5 INSURANCE AND INDEMNITIES

Inca has entered into standard form deeds of indemnity with certain Inca Directors against all liabilities they may incur in performance of their duties as directors or officers of Inca, except liability to Inca or a related body corporate, liability for a pecuniary penalty or compensation order under the Corporations Act, and liabilities arising from conduct involving a lack of good faith. Inca is obliged to meet the full amount of all such liabilities in accordance with terms of the deeds of indemnity. In addition, each Inca Director and officer is indemnified, as authorised by the Inca Constitution, against personal liability arising from their respective positions within Inca and its related bodies corporate. Inca holds a Directors and Officers Liability Insurance Policy on behalf of current directors and officers of Inca and its controlled entities. The policy period extends from 14 June 2011 to 14 June 2012.

## 9.6 MATERIAL CONTRACTS

To the best of the Inca Directors' knowledge, and unless stated otherwise elsewhere in this Target's Statement, none of the material contracts to which Inca is a party contain change in control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Inca.

Inca is also party to the following contracts:

### *Element Capital Mandate*

On 1 November 2011 Inca engaged Element Capital Pty Ltd (**Element**) as a corporate adviser. Under this mandate, the appointment is for a term ending 24 months post listing, to *inter alia*, provide advice, arrange and manage corporate transactions that included a takeover or transfer of an asset into a publicly listed company. In summary, under the engagement, Inca agreed to pay Element:

- (a) the following capital raising fees which are success based and payable on receipt of the funds by Inca:
  - (i) a management fee of 2% of any capital raisings, including contributions, during the term of this engagement; and
  - (ii) a success fee of 4% on one or more of the following:
    - (A) any capital raisings during the term of the engagement;
    - (B) the value of the asset(s) sold or transferred to the bidder entity in the event of an asset sale;
    - (C) the value of the net liquid assets of the bidder entity in the event of a takeover.
- (b) a monthly retainer of A\$3,000 for a period of 24 months, commencing the date Inca lists on the ASX (totalling in aggregate a minimum of A\$72,000). No retainer is payable should Inca not complete the listing.

The agreement with Element may be terminated by Inca providing 3 months notice. However, upon termination, Element is entitled to the balance of the A\$72,000 referred to above, and any other fees that would have accrued during the 24 month contract.

On 24 January 2012, the parties signed an amendment to this mandate which provides that subject to Condor receiving acceptances giving it more than 90% voting power in Inca, the term of the engagement will be reduced to 12 months, meaning \$36,000 will be the aggregate amount of the

monthly retainers payable to Element. If Condor obtains a Relevant Interest in at least 90% of the Inca Shares, it has agreed to assume Inca's rights and obligations under this mandate.

#### *Minotaur Consultancy Agreement*

On 13 October 2011, Inca entered into a consultancy agreement with Minotaur Nominees Pty Ltd as trustee of the Odyssey Trust (**Minotaur**) of which company and trust Inca's Chairman, Laurence Ziatas is a director and beneficiary respectively. This agreement commences on the earlier of the date that Inca is listed on the ASX or Inca raising \$3,000,000. The word "listed" is not defined. The services to be provided by Minotaur include coordinating community and stakeholder meetings, preparing community negotiations and liaising with the Inca Group's advisers and contractors to secure and retain Inca's Social License to its projects, for which Minotaur will be paid an annual fee of \$130,800. This agreement is for a fixed term of 3 years but can be terminated by either party on six month's notice.

#### *Ross Brown Employment Agreement*

On 11 October 2011, Inca entered into an executive employment agreement with Ross Brown. This agreement commences on the earlier of the date that Inca is listed on the ASX or Inca raising \$3,000,000. The word "listed" is not defined. Under the agreement, Mr Brown is to be employed in the position of Managing Director of Inca, for which he will be paid a base salary of \$200,000 plus superannuation. This agreement is for a fixed term of 3 years and can be terminated by either party on six month's notice.

#### *Laurence Ziatas Non-Executive Director Appointment Letter*

On 11 October 2011, Inca confirmed Laurence Ziatas' appointment as a non-executive director and chairman of Inca. Under this agreement, Mr Ziatas is to be paid an annual fee of \$60,000 pre-ASX listing and \$80,000 post-ASX listing. "ASX-listing" is not a defined term. The term of the appointment is in accordance with Inca's constitution.

#### *Sergio Ponce Engagement Letter*

Pursuant to a letter agreement dated 1 July 2011, Inca engaged the services of Mr Sergio Ponce as an in-country consultant representative / general manager of Inca. As part of this arrangement Mr Ponce is entitled to be issued \$60,000 worth of Inca Shares upon the successful listing of Inca on ASX.

## **9.7 TAXATION CONSIDERATIONS FOR INCA SHAREHOLDERS**

Section 9 of the Bidder's Statement sets out advice on Australian capital gains tax consequences of the acceptance of the Offer. If you are an Australian resident for tax purposes you may be liable to pay CGT on the disposal of your Inca Shares unless CGT rollover relief is available. CGT rollover relief will only be available if Condor acquires 80% or more of all Inca Shares, which is highly uncertain.

Inca Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. Inca Shareholders should not solely rely on Section 9 of the Bidder's Statement in relation to the taxation implications of accepting the Offer. In particular, Inca Shareholders who are subject to taxation outside Australia should obtain their own advice as to the tax consequences for them of the Offer, which may be different to those applicable to Australian resident Inca Shareholders.



## 9.8 MATERIAL LITIGATION

Other than as set out in this Section 9.8, to the best of the Inca Directors' knowledge, Inca is not involved in any ongoing or threatened litigation which is material in the context of Inca.

## 9.9 CONSENTS

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- Be named in this Target's Statement in the form and context in which they are named.
- The inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- The inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named as	Report or Statement
Hardy Bowen	Legal Adviser	N / A
Element Capital	Corporate Adviser	N / A
Computershare Investor Services Pty Ltd	Share Registry	N / A
Stantons International	Auditor	N / A
Laurence Ziatas, Ross Brown and Bernardine Dove	Chairman	Statements made by, or statements based on the statements made by the Inca Directors

Each of the above persons:

- Does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or the ASX (in compliance with the ASX Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- Fairly representing a statement by an official person; or
- From a public official document or published book, journal or comparable publication.

Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

Any Inca Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to Class Order 01/1543 may obtain a copy free of charge by contacting the Inca Chairman (Email: [LZiatas@incaminerals.com.au](mailto:LZiatas@incaminerals.com.au)).

#### **9.10 CONTINUOUS DISCLOSURE**

Inca is a 'disclosing entity' under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act.

Inca will make copies of the following documents available for inspection at 52 Ord Street, West Perth, WA (between 9am and 5pm on Business Days) or they may requested to be provided free of charge by contacting the Inca Chairman (Email: [LZiatas@incaminerals.com.au](mailto:LZiatas@incaminerals.com.au)):

- Annual Report for the year 2011; and
- Inca Constitution.

Copies of documents lodged with ASIC in relation to Inca may be obtained from, or inspected at an ASIC office.

#### **9.11 OTHER INFORMATION**

This Target's Statement is required to include all the information Inca Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- Only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- Only if the information is known to any of the Inca Directors.

Each Director is of the opinion that information Inca Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- The information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement).
- The information contained in Inca's 2011 Annual Report; and
- The information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- The nature of the Inca Shares.
- The matters Inca Shareholders may reasonably be expected to know.
- The fact that certain matters may reasonably be expected to be known to the professional advisers of Inca Shareholders; and
- The time available to Inca to prepare this Target's Statement.

## 10. INTERPRETATION AND AUTHORISATION

### 10.1 DEFINED TERMS

In this Target's Statement, the following words have these meanings unless the contrary intention appears:

Term	Meaning
<b>Acceptance Form</b>	the acceptance form attached to the Bidder's Statement.
<b>Announcement Date</b>	the day on which the Offer was announced, being 28 December 2011.
<b>Associate</b>	has the meaning given in Section 12(2) of the Corporations Act.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
<b>ASX Listing Rules</b>	the listing rules of the ASX.
<b>Bidder's Statement</b>	the bidder's statement of Condor dated 24 January 2012 which was served on Inca on 24 January 2012.
<b>Bid Implementation Agreement</b>	the bid implementation agreement between Inca and Condor dated 23 December 2011.
<b>Business Day</b>	a day on which: (a) Banks are open for general banking business in Western Australia, excluding Saturdays and Sundays; and (b) ASX is open for trading in securities.
<b>CGT</b>	Australian capital gains tax.
<b>Competing Proposal</b>	means any proposal (including a scheme of arrangement), offer or variation of an existing offer that would if completed substantially in accordance with its terms, result in: (a) Any person or persons other than Condor or one of Condor's Associates acquiring: i. an interest in all or a substantial part of the assets of Inca; ii. a Relevant Interest in more than 20% of the voting shares of Inca; or iii. control of Inca within the meaning of Section 50AA of the Corporations Act; or (b) Inca and another person or persons (other than Condor or one of Condor's Associates) operating under a dual listed company, or similar structure.
<b>Conditions</b>	the conditions of the Offer in Section 4.3 of this Target's Statement.
<b>Condor or Bidder</b>	Condor Metals Limited (ACN: 128 512 907).
<b>Condor Group</b>	Condor and its related bodies corporate (as defined in the Corporations Act).
<b>Condor Share</b>	a fully paid share in the share capital of Condor.

<b>Term</b>	<b>Meaning</b>
<b>Condor Shareholder</b>	a person who is registered as a holder of a Condor Share in the Condor register of members.
<b>Consideration</b>	2.3 Condor Shares for every 1 Inca Share held.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Inca</b>	Inca Minerals Limited (ACN:146 669 687).
<b>Inca Board or Board</b>	the board of directors of Inca.
<b>Inca Constitution</b>	constitution of Inca, as amended from time to time.
<b>Inca Director</b>	a director of Inca.
<b>Inca Group</b>	Inca and related bodies corporate (as defined in the Corporations Act).
<b>Inca Share</b>	an ordinary share in Inca.
<b>Inca Shareholder</b>	a person who is registered as the holder of a Inca Share in the Inca register of members.
<b>Indicated Mineral Resource</b>	has the meaning given to Indicated Mineral Resource in the JORC Code.
<b>Inferred Mineral Resource</b>	has the meaning given to Inferred Mineral Resource in the JORC Code.
<b>Issue Price</b>	means \$0.11 or the price which is 2.3 times the market price of Condor Shares at the close of ordinary trading on the day the Lender sends its first offer under the takeover bid contemplated by the Bid Implementation Agreement, whichever is lesser.
<b>JORC Code</b>	means the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, which is available at <a href="http://www.jorc.org">www.jorc.org</a>
<b>Loan Agreement</b>	the loan agreement between Inca and Condor dated 23 December 2011.
<b>Mining Rights</b>	means any mining and/or mining exploration rights tenements or concessions (held directly or indirectly) in which Inca has an interest.
<b>MRRT</b>	a Mineral Resource Rent Tax proposed by the Australian Federal Government, which may result in some resource companies paying additional amounts of tax from 1 July 2012, subject to finalised legislation.
<b>Notice of Status of Conditions</b>	Condor's notice disclosing the status of the conditions of its Offer which is required to be given under Section 630(3) of the Corporations Act.
<b>Offer or Condor's Offer</b>	the off-market takeover offer announced on the ASX on 28 December 2011 made by Condor to acquire all of the Inca Shares on the terms set out in the Bidder's Statement.
<b>Offer Period</b>	the period within which the Offer is open for acceptance.
<b>Probable Ore Reserve</b>	has the meaning given to that term in the JORC Code.

Term	Meaning
<b>Public Authority</b>	any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets, including ASIC and ASX (and any other stock exchange).
<b>Relevant Employee</b>	has the meaning given to that term in Section 4.3 of this Target's Statement.
<b>Relevant Interest</b>	has the same meaning as given in Sections 608 and 609 of the Corporations Act.
<b>Reserve</b>	has the meaning given to Ore Reserve in the JORC Code.
<b>Resource</b>	has the meaning given to Ore Resource in the JORC Code.
<b>Sale Nominee</b>	has the meaning given in Section 8(a)(i) of Annexure A of the Bidder's Statement.
<b>Superior Offer</b>	<p>means a Competing Proposal that in the determination of the Inca Board acting in good faith:</p> <ul style="list-style-type: none"> <li>a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and</li> <li>b) is more favourable to Inca Shareholders than the Offer, taking into account all terms and conditions of the Competing Proposal,</li> </ul> <p>provided that a financial adviser, independent of the Inca Board, has provided a written opinion to the Inca Board which supports the determination of the matters in paragraphs (a) and (b) above.</p>
<b>Target's Statement</b>	this target's statement.

## 10.2 INTERPRETATION

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise.

- (a) A reference to time is a reference to Western Standard Time.
- (b) A gender includes all genders.
- (c) The singular includes the plural and vice versa.
- (d) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act;
- (e) A reference to any legislation or to any provision of any legislation includes any modifications or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (f) A reference to a person includes a corporation, an unincorporated body or other entity and conversely.

- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (h) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) Headings used in this Target's Statement are for ease of reference only and shall not affect the meaning or interpretation of this Target's Statement.
- (k) A reference to a Section is to a Section of this Target's Statement or the Bidder's Statement, as applicable.
- (l) Where a word is defined, its other grammatical forms have a corresponding meaning.
- (m) A\$, \$, ¢ or cent is a reference to the lawful currency of Australia.

### **10.3 AUTHORISATION**

This Target's Statement has been approved by a resolution passed by the Inca Board. Each Inca Director has voted in favour of the resolution authorising this Target's Statement.

**Dated:** 24 January 2012

**Signed** for and on behalf of Inca Minerals Limited (ACN: 146 669 687)

A handwritten signature in black ink, appearing to read 'Laurence Ziatas', with a stylized flourish at the end.

Laurence Ziatas  
**Chairman**

## **Corporate Directory Inca Minerals Limited (ACN: 146 669 687)**

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### **Registered and Corporate Office**

52 Ord Street  
West Perth, WA, 6005

### **Postal Address**

PO Box 1389  
Subiaco, WA, 6904

### **Directors**

Mr Laurence Ziatas (Chairman)  
Mr Ross Brown (Managing Director)  
Mrs Bernardine Dove (Non-Executive Director)

### **Inca Minerals Contacts**

Mr Laurence Ziatas (Chairman)  
Mob: 0418 943 691  
Email: [LZiatas@incaminerals.com.au](mailto:LZiatas@incaminerals.com.au)  
After Hours Phone / Fax: (08) 9450 8883

### **Share Registry**

Computershare Investor Services Pty Ltd  
Mr Level 2, 45 St George's Terrace  
Perth, WA, 6000

### **Legal Adviser**

Hardy Bowen Lawyers  
Level 1, 28 Ord Street  
West Perth, WA, 6005

### **Auditors**

Stantons International  
Level 1, 1 Havelock Street  
West Perth, WA, 6005