



INCA MINERALS LTD

Zn DISCOVERY IN THE MAKING

ANNUAL REPORT
2016





TABLE OF CONTENTS

Directors' Review	2
Operational Review	5
Corporate Governance Statement	15
Directors' Report	23
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes In Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Financial Statements	36
Directors' Declaration	60
Auditor's Independence Declaration	61
Independent Auditor's Report	62
Shareholder Information	64
Tenement Schedule	66
Corporate Particulars	69

DIRECTORS' REVIEW

On the day Directors commenced writing this review, almost 90 million Inca shares were traded on the ASX and Chi-X exchanges making the Company's shares the highest traded shares, by volume, for the day (21 September 2016)¹. It followed the announcement of results from part of an August 2016 exploration program at the Company's exciting zinc-silver-lead (Zn-Ag-Pb) Riqueza project in Peru where more than half of the 33 assay results reported had a combined zinc-lead grade in excess of 20% and included in assay results were peak values for zinc, lead and silver of 34% Zn, 27% Pb and 427 g/t silver respectively.² As it transpired, even further good news was soon to be reported regarding assay results from the August 2016 exploration program.

The above results are extremely pleasing and bode well for the Company's maiden drill program at its flagship Riqueza project later this year. Equally pleasing was the fact that it had come about as a direct result of the Company's approach to investment of shareholder funds which Directors had purposefully discussed at the start of the 2015 – 2016 financial year (**report period**). This approach saw Inca intent on continuing to differentiate itself from most of its junior-explorer peers, many of whom were contracting their exploration activities in the face of continued challenges in the capital raising market. The Board held firm to the view that the Company should continue to invest shareholder funds in careful exploration, acquisition of prospective projects where the opportunity arose, and simultaneously seek to minimise expenditure on administration.

The first half of the report period saw Inca conduct an extensive exploration and drilling campaign at the Chanape project. This work provided substantial data and information on the project and culminated in two expert and independent reports. These reports were sobering and necessitated a review as to whether the copper porphyry hosted part of the Chanape porphyry system was too deep to commercially justify further exploration and, just as importantly, renegotiate the terms and conditions of the Chanape Mining Option and Assignment Agreement (**Chanape MOAA**) which was then in its final year of the 5-year option. Inca and the Chanape vendor were ultimately unable to agree and, in the absence of robust and justifiable commercial terms, Inca terminated the Chanape MOAA. Despite significant exploration efforts, and in excess of 11,000 metres of diamond core drilling, the results were insufficient to warrant further expenditure of at least A\$5.33million on the Chanape project in 2016 alone. Whilst the decision to terminate the MOAA was disappointing, Directors were comfortable that the extensive exploration undertaken and subsequent expert assessment had afforded sufficient basis to make an informed decision on behalf of the Company and its shareholders.

It was also during this time that Directors were successfully completing some 12 months of negotiations on the Riqueza project, culminating in its acquisition through a 5-year mining option and assignment agreement being announced in April 2016. Some six months earlier, Inca had also acquired the Cerro Rayas project with it also being highly prospective for zinc, silver and lead. Consistent with its modus operandi, Inca continued to invest in exploration, electing firstly to conduct a small program at Cerro Rayas and then exploration programs at the Riqueza project in May/June 2016 and, subsequent to the report period, two further programs at Riqueza in July and August 2016.

The Board has been extremely pleased with results from each of these programs to date. In the 2016/2017 financial year the Company hopes to follow up on the work at Cerro Rayas (during the report period) which led to it reporting a near-massive sulphide vein up to 2m across with peak grades from initial sampling of 32% Zn, 349g/t Ag and 20%Pb.

The programs at Riqueza also reflect the investment in exploration and have proven even more successful. Results to date include identification of some 61 mineralised bodies, outstanding average grades in excess of 10% Zn, 200g/t Ag and 11%Pb from rock chip sampling, and strong evidence of high-grade near-surface mineralisation across significant parts of the project area. These exploration programs provide critical information to underpin design of the Company's maiden drilling campaign at Riqueza planned later this year.

¹ http://www.asx.com.au/data/dw_sharesbyvolume.pdf

² ASX Announcement dated 20 September 2016.

DIRECTORS' REVIEW

As a result of this continued active exploration approach, the Company invested some \$4.54 million in net operating cash outflows, including exploration expenditure, during the report period. Consistent with the Company's strategic approach, some 85% of these funds were directly invested in exploration.

Financial Year	Total Net Operating Cash Outflows	Net Operating Cash Outflows – Exploration (%)	Net Operating Cash Outflows – Administration (%)
2014 – 2015	\$3.387 million	\$2.650 million (78%)	\$0.738 million (22%)
2015 – 2016	\$4.542 million	\$3.856 million (85%)	\$0.686 million (15%)

The Company's Board and senior management has remained unchanged and focussed throughout the report period. As it looks toward the 2016/2017 year the Directors believe the Company can continue to build a reputation for successful exploration and discovery with a view to developing and/or demonstrating the value of its projects to others. It will continue to invest in exploration but remain mindful of the current climate for resource projects world-wide and the availability and return on investment in competing projects available to the Company. Prudent management of shareholder funds, exploration success and effective communication thereof to the market and Company's stakeholders should facilitate realisation of the potential within the Company's projects and reward shareholders for their continued and valued support.



The Riqueza Project's Humaspunco and Pinta Prospects (from southern prospective).



OPERATIONAL REVIEW

MANAGING DIRECTOR'S SUMMARY

In broad terms Inca changed its principal focus in 2015-2016, from low grade copper-porphyry exploration to high grade zinc-replacement exploration. The Company discontinued operations at its Chanape Cu-Ag-Mo-Au³ porphyry project and commenced operations at its new Riqueza Zn-Ag-Pb-(Au)⁴ project. It was a change in focus resulting from a number of compelling geological and commercial reasons: that whilst the Company had discovered a large porphyry system at Chanape, a possible Cu-zone would be over a kilometre deep; that whilst high grade zones of Cu and Au were recorded in breccias nearer the surface, these also contained very high levels of arsenic; and that whilst Chanape remained technically prospective, the commercial commitment was unjustified. Inca made the decision to activate two Zn-Ag focussed projects, Riqueza and Cerro Rayas, it had incubated over a 12-month period.

The Zn-Ag focussed Riqueza project is proving to be an exceptional project – easily surpassing expectations in terms of early exploration results and prospectivity. At Riqueza we are discovering veins and mantos at the surface with above 10% Zn and 200g/t Ag at an unprecedented rate. With a 44% rise in the Zn price this year (2016), the decision to change direction to high grade Zn at surface appears to have been the correct one.



Inca completed three phases of mapping and sampling at Riqueza in May, June and August (the latter included as a material post-report period activity). This work resulted in the discovery of numerous additional Zn-Ag-Pb occurrences at three locations, Humaspunco, Uchpanga and Pinta. Average grades from rock chip sampling of the replacement-style vein and manto mineralisation at Humaspunco are circa 10% Zn, 200g/t Ag and 10% Pb. Mineralisation at the hydrothermal-style vein and gossan at Uchpanga peaks with values of 20.96% Zn, 920g/t Ag, 16.71% Pb and 3.59g/t Au.

The Company has lodged an application for a 14,000m DIA drill permit to cover priority drill targets generated at Riqueza through its surface exploration programs. At the time of writing a channel-sampling program has commenced, results of which will greatly assist drill targeting and prioritisation. It is anticipated that drilling will commence at Riqueza in the December 2016 Quarter.

Ross Brown

³ Cu = copper, Ag = silver, Mo = molybdenum, Au = gold

⁴ Zn = zinc, Pb = lead

RIQUEZA

EXPLORATION HIGHLIGHTS

Inca completed a detailed past-exploration data review and three mapping and sampling field programs at Riqueza during the 2015-2016 report period. The majority of the work was at the main Humaspunco Prospect where work prior to Inca's involvement had identified 6 mineralised veins with average grades of 7.38% Zn, 227.12g/t Ag and 11.56% Pb and 1 manto with average grades of 7.11% Zn, 165.56g/t Ag and 9.30% Pb. Mineralisation of unknown association and grade had also been recorded at the Uchpanga Prospect, 2km south of Humaspunco.

Prospect	Pre-Inca	Data Review	Program 1	Program 2	Program 3
Humaspunco					
Veins	6	12	12	20	36
Mantos	1	1	4	4	4*
Breccias				2	2
Uchpanga					
Veins (& gossan)	1	1	1	1	1
Pinta					
Veins				3	5
Mantos					1

Table 1: Number of known mineralised veins, mantos and breccias at Riqueza during the course of the 2015-2016 annual report period. The table incorporates results from the Company's data review and three mapping and sampling programs.

* 13 new manto occurrences were discovered in the August Program. These are believed to be extensions of the 4 known manto horizons. However further detailed stratigraphic assessment is required to confirm this. There remains a possibility that more than four manto horizons were identified in August.

Data Review of past exploration resulted in:

- Recognition of 6 additional mineralised veins at Humaspunco.
- Recognition of possible feeder zones of mineralisation at Humaspunco and Uchpanga.

May mapping and sampling program (Program 1) resulted in:

- Peak values at Humaspunco: **18.06% Zn, 418g/t Ag and 44.41% Pb.**
- Definition of a 15m thick manto sequence comprising four manto horizons.
- Recognition of extensions of the manto sequence at Humaspunco to the south.
- Peak values at Uchpanga: **20.96% Zn, 920g/t Ag, 16.71% Pb and 2.65g/t Au.**
- Recognition of hydrothermal form of mineralisation at Uchpanga.

June mapping and sampling program (Program 2) resulted in:

- Discovery of 8 mineralised veins at Humaspunco.
- Discovery of 2 mineralised breccias at Humaspunco.
- Humaspunco sub-program average grades: **10.05% Zn, 207.31g/t Ag, 12.11% Pb.**
- Recognition of lateral extensions of the manto sequence at Humaspunco to the northeast, northwest and southeast.
- Discovery of 3 veins in new area, subsequently named the Pinta Prospect ("Pinta").

August mapping and sampling program (Program 3) resulted in:

- Program average vein grades: **10.68% Zn, 205g/t Ag, 11.77% Pb.**
- Program average manto grades: **12.48% Zn, 261g/t Ag, 10.50% Pb.**
- Program peak vein and manto Zn grades: **34.08% Zn and 33.42% Zn** respectively (Figure 1).

OPERATIONAL REVIEW

- Discovery of 16 mineralised veins at Humaspunco.
- Discovery of 13 mineralised manto occurrences at Humaspunco (refer to note attached to Table 1).
- Recognition of extensions of the manto sequence at Humaspunco to the west and east.
- Discovery of 2 veins at Pinta.
- Discovery of manto mineralisation at Pinta.
- Insight into the possible connection of manto sequence at Humaspunco and Pinta, projected to cover an approximate area of 2,000m x 800m.

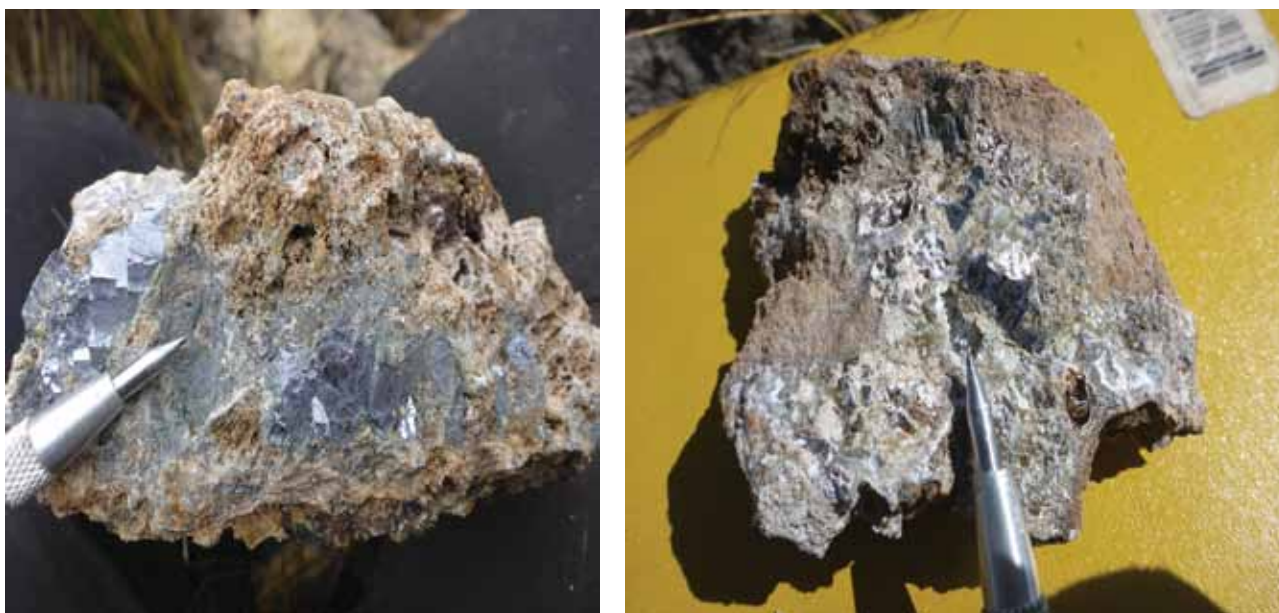


Figure 1: Samples from the August Program producing the peak Zn results LEFT: 34.08% Zn, 340g/t Ag, 27.04% Pb; RIGHT: 33.42% Zn, 189g/t Ag, 6.60% Pb.

To date, the Company has mapped and sampled approximately 75% of the Humaspunco area, 50% of Pinta and 10% of Uchpanga. Approximately 130 rock chip samples were taken during this time. The far majority of samples have recorded percentage levels of Zn and Pb and ounce per tonne levels of Ag. **The top 40 Zn, Ag and Pb sample results include averages of: 18% Zn, 371g/t Ag and 19% Pb** (Table 2).

Extensive vein and manto Zn-Ag-Pb mineralisation occurs in the Humaspunco-Pinta area at Riqueza. Prior to Inca's involvement at Riqueza, there were 6 Zn-Ag-Pb veins that were well-documented at Humaspunco. Inca has added an additional 41 new Zn-Ag-Pb bodies and an entire new prospect (Pinta) over the course of approximately 5 months with data reviews and three field programs. The Humaspunco-Pinta area now hosts 41 veins, 4 mantos and 2 breccias. The combined total strike length of the near vertical veins is greater than 4,000m and the flat lying multiple layers of mantos have a total projected area of approximately 2,000m x 800m.

Humaspunco Hill is divided into two unequal parts (Figure 2), Humaspunco West and Humaspunco East (separated by the Calancocha Structure). The geographical feature which is Humaspunco Hill comprises a thick sequence of limestones that dip $\pm 40^\circ$ to the south. The roughly NS-trending Calancocha Structure cuts across this limestone sequence causing minor asymmetrical west-side down block movement. There are three Zn-Ag-Pb-bearing vein systems that are differentiated on the basis of their strike direction: a NS system, an EW system and an irregular fracture-like system.



Figure 2: Satellite image showing the Humaspunco and Pinto Prospects at Riqueza. The yellow boxes show the approx. coverage of the August mapping and sampling program.

Humaspunco West

Humaspunco West hosts all three mineralised Zn-Ag-Pb vein types and the upper Zn-Ag-Pb manto sequence comprising three manto horizons. The dominant vein type here is the large irregular fracture veins that occur in the central and far western parts of Humaspunco West. They are very distinctive in the satellite imagery provided (Figure 3a). Exposures of the upper manto sequence at Humaspunco West occur in a line just below the ridge top (Figure 3a).

Humaspunco East

Humaspunco East hosts numerous EW and NS mineralised Zn-Ag-Pb vein types and both the upper and lower Zn-Ag-Pb manto sequences. The upper manto sequence is projected along the northern, western and southern limits of Humaspunco East (Figure 3b). The manto sequence dips shallowly under the surface between these exposures (Figures 3b & 4). The EW veins appear to originate from the Calancocha Structure and extend east of the structure. This supports the notion that the Calancocha Structure acts as a feeder-zone to mineralisation. It is noted that EW vein mineralisation occurs west of the structure.



OPERATIONAL REVIEW

Zn			Ag				Pb		
Sample #	%	Prospect	Sample #	g/t	oz/t	Prospect	Sample #	%	Prospect
184120	34.08	Humaspunco	5403	920	29.7	Uchpanga	5420	44.41	Humaspunco
5490	33.42	Humaspunco	5453	799	25.8	Uchpanga	184120	27.04	Humaspunco
184115	26.08	Humaspunco	5449	583	18.8	Humaspunco	184125	26.60	Humaspunco
184118	24.88	Humaspunco	5466	560	18.1	Humaspunco	5499	24.97	Humaspunco
5443	22.70	Humaspunco	5497	540	17.4	Humaspunco	5499	24.97	Humaspunco
184116	22.19	Humaspunco	184123	524	16.9	Humaspunco	5456	24.15	Humaspunco
5470	21.70	Humaspunco	184114	439	14.2	Humaspunco	184118	23.25	Humaspunco
5403	20.96	Uchpanga	184113	427	13.8	Humaspunco	5477	22.54	Pinta
184123	20.86	Humaspunco	184113	427	13.8	Humaspunco	5431	21.65	Humaspunco
5468	20.20	Humaspunco	5420	418	13.5	Humaspunco	184123	20.96	Humaspunco
184119	19.74	Humaspunco	5499	405	13.1	Humaspunco	5443	20.70	Humaspunco
184114	19.66	Humaspunco	5442	400	12.9	Humaspunco	5461	20.12	Humaspunco
184138	19.53	Humaspunco	5441	397	12.8	Humaspunco	5465	19.87	Humaspunco
5494	19.39	Humaspunco	184125	386	12.5	Humaspunco	5441	19.69	Humaspunco
5496	18.80	Humaspunco	5477	385	12.4	Pinta	5487	19.66	Humaspunco
5420	18.07	Humaspunco	5469	358	11.5	Humaspunco	184130	19.65	Humaspunco
184130	17.60	Humaspunco	184118	351	11.3	Humaspunco	5337	19.41	Humaspunco
5419	17.22	Humaspunco	184120	340	11.0	Humaspunco	184126	19.24	Humaspunco
5498	17.03	Humaspunco	5484	340	11.0	Humaspunco	5449	18.65	Humaspunco
5461	16.68	Humaspunco	5450	333	10.7	Humaspunco	5444	17.13	Humaspunco
184134	16.29	Humaspunco	5464	331	10.7	Humaspunco	5442	16.90	Humaspunco
184124	16.20	Humaspunco	5437	327	10.5	Humaspunco	5403	16.71	Uchpanga
5451	15.73	Humaspunco	184115	322	10.4	Humaspunco	5497	16.58	Humaspunco
5448	15.68	Humaspunco	5493	303	9.8	Humaspunco	5445	16.55	Humaspunco
184126	15.43	Humaspunco	5443	301	9.7	Humaspunco	184117	16.53	Humaspunco
5429	15.39	Humaspunco	5431	295	9.5	Humaspunco	5476	16.36	Pinta
5467	15.36	Humaspunco	5498	293	9.5	Humaspunco	184131	16.33	Humaspunco
184127	15.29	Humaspunco	5456	291	9.4	Humaspunco	5451	16.30	Humaspunco
5491	15.29	Humaspunco	184131	286	9.2	Humaspunco	184114	15.76	Humaspunco
5442	15.25	Humaspunco	184127	280	9.0	Humaspunco	5492	15.74	Humaspunco
5440	14.94	Humaspunco	184130	268	8.6	Humaspunco	5452	14.98	Humaspunco
5425	14.89	Humaspunco	5486	262	8.5	Humaspunco	5494	14.76	Humaspunco
184117	14.80	Humaspunco	184117	255	8.2	Humaspunco	5463	14.66	Humaspunco
5447	14.79	Humaspunco	5483	254	8.2	Humaspunco	5464	14.62	Humaspunco
184131	13.64	Humaspunco	5476	241	7.8	Pinta	5482	14.05	Humaspunco
5422	12.62	Humaspunco	5432	240	7.7	Pinta	5428	13.95	Humaspunco
5439	12.46	Humaspunco	5485	240	7.7	Humaspunco	184140	13.84	Humaspunco
5460	11.75	Humaspunco	5471	239	7.7	Humaspunco	5467	13.72	Humaspunco
5445	11.65	Humaspunco	5482	239	7.7	Humaspunco	184119	13.59	Humaspunco
5477	11.58	Pinta	5467	236	7.6	Humaspunco	5458	13.36	Humaspunco
Top 40 av.	18.00		Top 40 av.	371			Top 40 av.	19.00	

Table 2: Top 40 assay results from sampling at Riqueza. The list includes high to low values for Zn, Ag and Pb. The average grade for Zn is 18.00%. The average grade for Ag is 371g/t. The average grade for Pb is 19.00%.

OPERATIONAL REVIEW

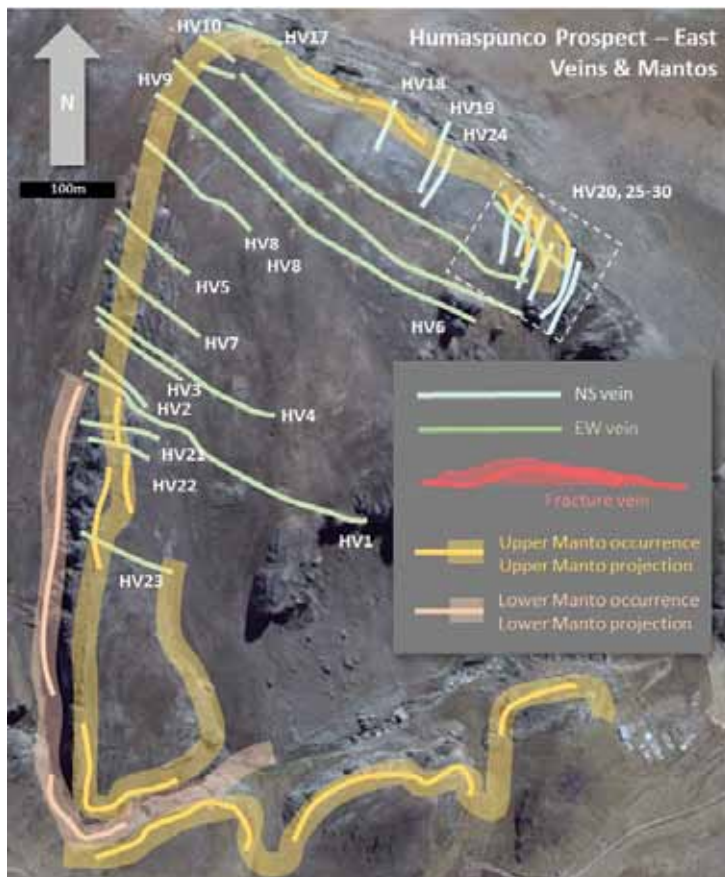
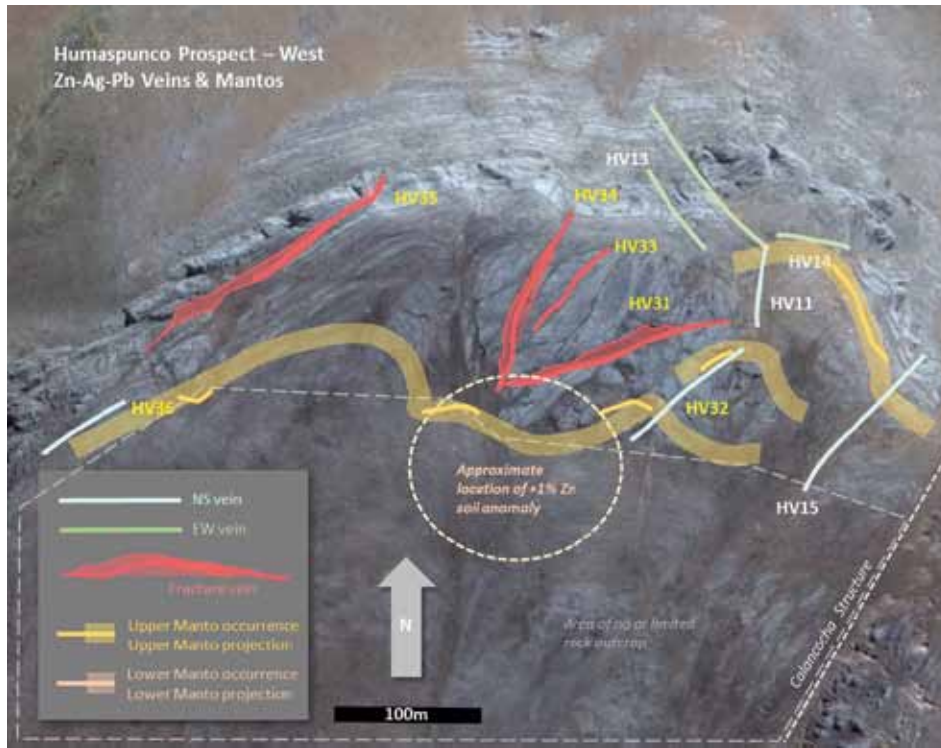


Figure 3a ABOVE: Humaspunco West, showing known manto occurrences (yellow lines) and upper manto projections (broad transparent yellow lies). The plan also shows the extent of the three vein types, NS veins (pale blue lines), EW veins (pale green lines) and fracture veins (red lines). The projected manto sequence wraps around the Humaspunco Hill ridge top dipping below the surface, believed under the area of no or limited rock outcrop. The large fractures veins are a distinctive feature appearing to coalesce up-slope of the large +1% Zn soil anomaly.

Figure 3b LEFT: Humaspunco East, showing known upper manto occurrences and projections, as well as known lower manto occurrences and projections. The plan also shows the extent of the two vein types, NS veins, EW veins. The projected upper manto sequence wraps around the Humaspunco Hill ridge top and down along a central ridge. It occurs on the southern side of the valley and is open-ended in this direction. The lower manto horizon occurs stratigraphically below the upper manto and therefore outcrops near the base of rock exposures along the southern valley and central ridge.

OPERATIONAL REVIEW

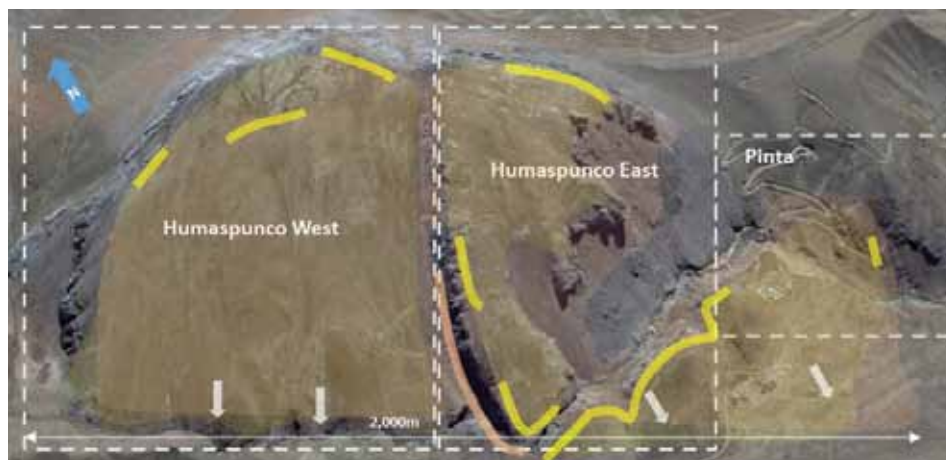


Figure 4 LEFT: Satellite image showing the Humaspunco and Pinta Prospects. The pale yellow shading shows the projected expanse of the upper manto sequence, connecting outcrop occurrences of three manto horizons (thick yellow lines). The pink shading shows the projected expanse of the lower manto sequence.

Pinta

The Pinta Prospect may be considered an eastern extension of Humaspunco (Figure 4). It hosts mineralised veins the same approximate orientation as those occurring at Humaspunco and it hosts a mineralised manto horizon occurring at the same stratigraphic position as the upper manto horizons. As mentioned above, the strata-parallel manto sequence is believed contiguous between these prospects (Figure 4).

Uchpanga

The Uchpanga Prospect, located in the southern part of the Riqueza Project area, hosts a 750m long gossan (outcropping highly weathered sulphide layer) and a series of historic mine workings. Whilst the far greater number of mine workings occur at Humaspunco, perhaps the largest of them all, the Rita Maria Mine, occurs at the western end of the 750m long gossan. The prior-mentioned data review revealed very little about the nature of mineralisation at Rita Maria. Inca's May and June programs therefore focussed on sampling the fresh vein (or dyke) material said to have been targeted by the 1950-1980 operations. Bonanza grade Ag and very high Zn, Pb and Au grades were returned, including; **20.96% Zn, 920g/t Ag, 799g/t Ag, 16.71% Pb, 3.59g/t Au and 2.65g/t Au.**

Coming Year

The 2016-2017 period will see the commencement of drilling at Humaspunco and Uchpanga and, the expected beginning of a resource build at Humaspunco. On-going channel sampling will support drill targeting as the program continues. It is expected that the eight additional concession applications at Riqueza will be granted in the coming report period.

PERMITTING

The Company has submitted a Declaracion de Impacto Ambiental (DIA) drill permit application to the Ministerio de Energia y Minas (MEM). The drill permit allows for 14,000 metres of drilling on 20 drill platforms. In addition there is a provision for 2,945m of trenches. At the time of writing, the DIA application has progressed well with, among other developments, the granting of archaeological clearances.

SUBSEQUENT ACTIVITIES AND FUTURE EXPLORATION

At the time of writing the Company is conducting ongoing systematic vein and manto sampling programs and is planning a geophysical survey at Riqueza.

SOCIAL LICENCE

The Company has obtained long term access agreements with the two communities that possess land covering the Riqueza concession.

OPERATIONAL REVIEW

TENURE

The Riqueza Project comprises nine mining concessions being *Nueva Santa Rita*, which hosts all known mineralisation at the Humaspunco, Uchpanga and Pinta Prospects, and eight concession applications that are pending (refer to the tenement/concession table for details). Riqueza has a total area of 7,600ha.

The Nueva Santa Rita concession is the subject of the Mining Option and Assignment Agreement (MOAA) (described below). For the duration of the MOAA the concession is assigned to Inca. All the applications are 100% owned by Inca.

LOCATION

Riqueza is located approximately 200km ESE of Lima and is accessible from two directions via well-established road networks. Two operating mines, the Bethanja Ag-Pb-Zn Mine and the Corihuarmi Au-Cu Mine, provide excellent mining logistics.

OWNERSHIP

The Company may acquire 100% ownership of the Nueva Santa Rita concession by way of a 5-year Mining Option and Assignment Agreement with the concession holder. The total consideration for 100% of the project (less 2% NSR) is US\$1,773,000. The payment schedule is listed below:

- US\$30,000 on Execution Date (“ED”), PAID then:
- US\$20,000 @ 6 months from ED;
- US\$50,000 @ 12 months from ED;
- US\$60,000 @ 18 months from ED;
- US\$50,000 @ 24 months from ED;
- US\$63,000 @ 30 months from ED;
- US\$100,000 @ 36 months from ED;
- US\$100,000 @ 42 months from ED;
- US\$150,000 @ 48 months from ED;
- US\$150,000 @ 54 months from ED; and,
- US\$1,000,000 @ 60 months from ED and on the execution of the Public Transfer Deed (Last payment)

The Company has a 20-year option to buy back 50% of the 2% NSR for US\$1,000,000, leaving a 1% NSR. The Company can acquire 100% of the project at any time and can withdraw without penalty at any time.

As mentioned above, all the concession applications are 100% owned by Inca.

OTHER PROJECTS

CERRO RAYAS

Located approximately 15km north east of Riqueza, Cerro Rayas is the Company’s second Zn-Ag-Pb focussed project. It hosts two groups of old mine workings called Huari and Vilapuqueo. Zn-Ag-Pb mineralisation at Huari and Vilapuqueo is associated with replacement-veins within brecciated carbonate host rocks. As part of its preliminary due diligence Inca undertook a sampling program to confirm mineralisation at the project. The peak Zn value from limited sampling was **41.59%**. Mineralisation at Huari occurs as a near-massive sulphide vein up to 2m across. Vein material returned **32.07% Zn, 349g/t Ag, 20.19%Pb**. Historic (pre-Inca) sampling at Vilapuqueo has recorded peak Zn levels at **25.6%**.

Exploration will be increased at Cerro Rayas in the coming year to complement the drill program development of Riqueza. A reconnaissance mapping and sampling program is planned to cover the project area.

OPERATIONAL REVIEW



Figure 5 ABOVE LEFT: Vein material from an old mine working at Cerro Rayas. This sample returned 32.07% Zn, 349g/t Ag and 20.19% Pb. ABOVE RIGHT: More weathered vein material from the same working that returned 41.59% Zn.

CHANAPE

Under a sdEIA drill permit the Company completed a total of 21 holes for a total of 5,179m in the 2015-2016 period. The program was successful in discovering a second porphyry sequence under the summit area of the project and identifying a number of high grade gold, silver and copper breccias and veins in various parts of the project.

At the conclusion of hole CH-DDH033 (the last hole drilled by the Company at Chanape), world renowned porphyry-expert Mr Richard Sillitoe was commissioned to undertake a review of all drill data. The conclusion was that the potential Cu-zone of the porphyry was below the deepest drilling, i.e no shallower than 1,000m from the surface. In light of the lack of robust Cu grades in the porphyry sequences and the high arsenic levels in the near-surface mineralisation, the Company sought to renegotiate the US\$4M exercise price that was looming at 2016 year-end. Despite strident efforts to reduce this cost, negotiations with the owner were unsuccessful. The Company concluded that continued exploration at Chanape was not justified and the option to acquire the project was terminated.

OTHER OPPORTUNITIES IN PERU

The Company has been operating in Peru since 2011 and has developed a deep understanding of the exploration opportunity and landscape of the jurisdiction. Inca's technical team has proven credentials, having delivered multiple exploration discoveries and having secured multiple permits. We are well placed to take advantage of the exploration potential that Peru provides.

DINGO RANGE – WESTERN AUSTRALIA

Located approximately 200kms east of Leinster, Dingo Range comprises five tenements covering part of the Dingo Range Greenstone Belt. The project is prospective for nickel (Ni) and Au. Hampered for the entire 2015-2016 period by a protracted plaintiff, the Company has nevertheless farmed-out all non-Ni rights for three tenements to an unlisted exploration company. It is the intention to resume Ni exploration at Dingo Range in the coming 2016-2017 year.

Competent Person Statements

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

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



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Inca Minerals Limited (**Inca or Company**) is responsible for the corporate governance of the Company. In developing its corporate governance policies Inca has referred to recommendations within the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (CGPR) and developed the following policies which can be found on the Company's website at www.incaminerals.com.au under the section titled "Corporate/Corporate Governance":

- *Corporate Governance Policy*
- *Continuous Disclosure Policy*
- *Code of Conduct & Securities Trading Policy*
- *Diversity Policy*

The Company's corporate governance practices during the financial year ended 30 June 2016 (**Reporting Period**) are reported below. Where the Company's corporate governance practices follow the CPGR the Board has provided appropriate statements reporting on the adoption of the CPGR. In compliance with the "if not, why not" reporting framework, where the Company's corporate governance practices differ from the relevant CPGR, the Board has explained its reasons for doing so and any alternative practice the Company may have adopted.

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS		ADOPTED / NOT ADOPTED AND COMMENT	
Principle 1: Lay solid foundations for management and oversight.			
1.1	Listed entities should disclose the roles and responsibilities of its Board and management, those expressly reserved to the Board and those delegated to management.	A	The Company has formalised and disclosed on its website (at www.incaminerals.com.au) the functions reserved to the Board and those delegated to management within its <i>Corporate Governance Policy</i> .
1.2	Listed entities should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	A	The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election or re-election as a Director and provides shareholders with all material information in its possession relevant to a decision on whether to elect or re-elect a Director.
1.3	Listed entities should have written agreements with each Director and senior executive setting out the terms of their appointment.	A	The Company has set out the terms of appointment in writing with each Director and senior executive.
1.4	The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with proper functioning of the Board.	NA	The Company did not appoint a Chairperson during the Reporting Period. The Company Secretary is accountable directly to the Board as to the proper functioning of the Board.
Legend: A = Adopted NA = Not Adopted			

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS	ADOPTED / NOT ADOPTED AND COMMENT
Principle 1: Lay solid foundations for management and oversight. (Ctd)	
<p>1.5 Listed entities should:</p> <p>(a) Have a diversity policy which includes requirements for the Board or relevant Board committee to set measurable objectives for achieving gender diversity and to annually assess and disclose the objectives and progress towards their achievement;</p> <p>(b) Disclose that policy or a summary of it; and</p> <p>(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board (or relevant Board committee) in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>[1] the respective proportions of men and women on the Board, in senior management positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) or</p> <p>[2] if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined under that Act.</p>	<p>NA The Company has disclosed its <i>Diversity Policy</i> on its website at www.incaminerals.com.au. The Company's <i>Diversity Policy</i> does not mandate setting measurable objectives for achieving gender diversity as it is impractical to do so at this time. The proportion of women across the whole organisation, in senior executive positions, and on the Board, as at the date of this statement, is as follows:</p> <ul style="list-style-type: none"> • Whole organisation – 37% • Senior Executive Positions – 40% • Board – 0% <p>For the purposes of this statement and the Company's gender diversity, "senior executive" means a person who reports directly to the Board or Managing Director and/or who makes or participates in making decisions that could significantly affect the Company's operations.</p>
<p>1.6 Listed entities should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>A The Company's processes for evaluating the performance of the Board and its Directors are disclosed on the Company's website at www.incaminerals.com.au in the Company's <i>Corporate Governance Policy</i>. During the Reporting Period these evaluations took place in accordance with the process outlined in the <i>Corporate Governance Policy</i>.</p>
<p>1.7 Listed entities should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>A The Company's processes for evaluating its Managing Director and key executives are disclosed on the Company's website at www.incaminerals.com.au in the Company's <i>Corporate Governance Policy</i>. During the Reporting period the Board evaluated the performance of its Managing Director in accordance with the process outlined in its <i>Corporate Governance Policy</i>. A similar process, with respect to certain key executives, was completed by the Managing Director.</p>
<p>Legend: A = Adopted NA = Not Adopted</p>	

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS	ADOPTED / NOT ADOPTED AND COMMENT
Principle 2: Structure the Board to add value	
<p>2.1 (a) The Board of a listed entity should have a nomination committee of at least three members (a majority of whom are independent directors) chaired by an independent director and disclose:</p> <ul style="list-style-type: none"> • The committee charter • The committee members; and • As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) If a nomination committee is not established then disclose that fact and the processes employed to address board succession issues, and to ensure the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>A The Company has a small Board consisting of three Directors inclusive of the Managing Director. The Board considers it desirable to use the full complement of knowledge, expertise and experience of all its Directors in making decisions and performing the functions usually associated with a Nomination Committee. The Company's <i>Corporate Governance Policy</i> and <i>Diversity Policy</i> disclose (on the Company's website at www.incaminerals.com.au) processes pertaining to board succession, skills, knowledge, experience, independence and diversity.</p>
<p>2.2 Listed entities should have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	<p>A The Company has disclosed (in its <i>Corporate Governance Policy</i> and <i>Diversity Policy</i> at www.incaminerals.com.au) the mix of skills and diversity the Board currently has and considers desirable in its membership given the Company's stage of development.</p>
<p>2.3 Listed entities should disclose the names of directors considered by the Board to be independent directors, the length of each director's service and, if a director has an interest, position, association or relationship that might cause doubt about the independence of that director, but the Board is of the opinion that it does not compromise the independence of the director, disclose the nature of the interest, position, association or relationship in question and disclose why the Board is of that opinion.</p>	<p>A Two current Directors hold shares in Inca either directly or beneficially and a third Director is a part owner of the Company's Corporate Advisor during the Reporting Period meaning none of the current three Directors are considered independent. The Company has disclosed the names of its Directors, their position, relevant interests or associations and their length of service in the Company's 2016 Annual Financial Report for the Reporting Period.</p>
<p>2.4 A majority of a listed entity's Board should be independent directors.</p>	<p>NA As discussed above, none of the Company's Directors are considered independent directors. As either shareholders or commercial advisors, the interests of Inca's Directors should, in their judgements and decisions, be directly aligned with those of all other shareholders.</p>
<p>2.5 The Chairperson of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>NA The Company operated without a Chairperson during the Reporting Period.</p>
<p>2.6 Listed entities should have an induction program for new directors and provide professional development opportunities for directors to develop and maintain the skills and knowledge to perform their role as directors effectively.</p>	<p>A The Company has a stable Board comprised of Directors who have been with the Company since 2012. An induction program will be provided to any new directors if and when a new director is appointed. Professional development opportunities are provided to the Directors as and when needed.</p>
<p>Legend: A = Adopted NA = Not Adopted</p>	

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS	ADOPTED / NOT ADOPTED AND COMMENT
Principle 3: Act ethically and responsibly	
3.1 Listed entities should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.	A The Company has disclosed its <i>Code of Conduct & Securities Trading Policy</i> on the Company's website at www.incaminerals.com.au .
Principle 4: Safeguard integrity in corporate reporting	
<p>4.1 Listed entities should:</p> <p>(a) Have an audit committee which:</p> <ol style="list-style-type: none"> (1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) Is chaired by an independent director, who is not the chair of the Board, and disclose: (3) The charter of the committee; (4) The relevant qualifications and experience of the members of the committee; and (5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) If it does not have an audit committee, disclose that fact and the processes employed to independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>NA The Company has a small Board consisting of two Directors and the Managing Director. At this stage, the Company has not established an Audit Committee and the Board prefers to use the full complement of knowledge, expertise and experience of all Directors in making decisions regarding the Company's audit and the Company's external auditors. All three Directors are financially literate. One Director has previously worked as an external auditor, holds three tertiary qualifications in accounting/auditing including a PhD and is a Fellow of CPA Australia. On behalf of the Board, this Director communicates directly and works with the Company's auditors during the half-year and full-year audits. This Director chairs the Company's Board meetings and deliberations on matters which could be delegated to an Audit Committee and reports through to the Board on all matters pertaining to the half-year and full-year external audits. In June 2012 the Company engaged its current accountant – a person with considerable experience as both an external auditor and group accountant in mineral exploration companies.</p> <p>The Company's external auditors were appointed in November 2012. Prior to their appointment the Board obtained proposals from reputable audit firms and appointed the Company's current auditor after considering their experience with listed exploration companies operating in foreign and domestic jurisdictions, the experience and quality of personnel involved with the Company's audit, their internal quality control measures, their approach and methodology in conducting the audit, references, and awareness of professional requirements within accounting and auditing standards including those pertaining to independence, confidentiality and conflicts of interest. At present, the Board intends to address rotation of the audit engagement partner in 2017.</p>
Legend: A = Adopted NA = Not Adopted	

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS	ADOPTED / NOT ADOPTED AND COMMENT
Principle 4: Safeguard integrity in corporate reporting (Ctd)	
<p>4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>A Prior to approving the financial statements for the half-year ended 31 December 2015 and the full year ended 30 June 2016 Inca's Board received from the Managing Director and Chief Financial Officer declarations that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p>4.3 Listed entities should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>A During the Reporting Period and prior to Company's AGM the Company contacted its external auditors who agreed to host the Company's AGM in their offices and attend the AGM. In accordance with section 250S of the Corporations Act the external auditor attended the AGM and the Chair expressly provided the opportunity for shareholders attending the meeting to ask questions relevant to the audit. Had there been any written questions submitted to the auditor (there were none) the Chair would also have ensured the opportunity for the external auditor to answer questions as required under section 250PA of the Corporations Act.</p>
Principle 5: Make timely and balanced disclosure	
<p>5.1 Listed entities should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.</p>	<p>A The Company has established written policies for complying with continuous disclosure obligations under the ASX Listing Rules which are disclosed within the Company's <i>Continuous Disclosure Policy</i> on the Company's website at www.incaminerals.com.au.</p>
Principle 6: Respect the rights of security holders	
<p>6.1 A listed entity should provide information about itself and its governance via its website.</p>	<p>A The Company provides information about itself and its governance to investors via its website at www.incaminerals.com.au.</p>
<p>6.2 Listed entities should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>A The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's <i>Continuous Disclosure Policy</i> and <i>Corporate Governance Policy</i> (in the section entitled "Shareholder Communication Policy") as disclosed on its website at www.incaminerals.com.au.</p>
<p>6.3 Listed entities should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>A Refer above – the Company's <i>Corporate Governance Policy</i> (containing its "Shareholder Communication Policy") and the Company's <i>Continuous Disclosure Policy</i> are both published on the Company's website at www.incaminerals.com.au.</p>
<p>6.4 Listed entities should provide security holders with the option to receive communications from, and send communications to the entity and its share registry electronically.</p>	<p>A Shareholders are given the option to receive communications from, and send communications to the Company and its share registry electronically.</p>
<p>Legend: A = Adopted NA = Not Adopted</p>	

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS	ADOPTED / NOT ADOPTED AND COMMENT
Principle 7: Recognise and manage risk	
<p>7.1 The listed entity's Board should:</p> <p>(a) Have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) Has at least three members, a majority of whom are independent directors; and (2) Is chaired by an independent director, and disclose: (3) The charter of the committee; (4) The members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework</p>	<p>A Given the size and composition of the current Board it believes that no efficiencies are to be gained by establishing a separate Risk Committee. During the Reporting Period, responsibility for overseeing the Company's risk management rested with the Board. The Company's Risk Management Policy is disclosed within its <i>Corporate Governance Policy</i> on the Company's website at www.incaminerals.com.au. During the Reporting Period the full Board reviewed and where necessary amended its risk management matrix and in so doing identified or confirmed business risks, assessed the likelihood and materiality of these risks, developed and implemented measures to mitigate these risks and during the Reporting Period the Managing Director reported on and confirmed that the Company's economic, social and environmental risks are being managed effectively.</p>
<p>7.2 The listed entity's Board or a committee of the Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>A Refer above.</p>
<p>7.3 Listed entities should disclose if they have an internal audit function, how the function is structured and what role it performs or, if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>A The Company does not have an internal audit function. Refer above (7.1) for further discussion.</p>
<p>7.4 Listed entities should disclose whether they have any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks</p>	<p>A The Company faces economic, social and environmental risks that are largely inherent to the global and domestic economies, the industry, capital markets and the jurisdictions in which it operates. These risks were disclosed on the ASX portal 4 July 2016 in the Company's Prospectus. The Board has considered these risks in relation to a "material exposure threshold", as required under the CPGR, and put in place measures to reduce these risks to tolerable levels and, as defined in CPGR, there does not appear to be "a real possibility that the risk could substantively impact the Company's ability to create or preserve value for security holders ..." in the foreseeable future.</p>
<p>Legend: A = Adopted NA = Not Adopted</p>	

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS	ADOPTED / NOT ADOPTED AND COMMENT
Principle 8: Remunerate fairly and responsibly	
<p>8.1 Listed entities should:</p> <p>(a) Have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) Has at least three members, a majority of whom are independent directors; and (2) Is chaired by an independent director, and disclose: (3) The charter of the committee; (4) The members of the committee; and (5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives ensuring that such remuneration is appropriate and not excessive.</p>	<p>A Given the size and composition of the current Board it believes that no efficiencies are to be gained by establishing a separate Remuneration Committee. During the Reporting Period the Board followed the Company's Remuneration Policy as disclosed in the Director's Report on p. 6 of the Company's Annual Financial Report for the year ended 30 June 2016. In doing so the Board employed policies and processes designed to ensure equitable and responsible levels and composition of remuneration to Directors and senior executives.</p>
<p>8.2 Listed entities should separately disclose their policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives</p>	<p>A During the Reporting Period the Board followed the Company's Remuneration Policy which is separately disclosed in the Director's Report on p. 6 of the Company's Annual Financial Report for the year ended 30 June 2016.</p>
<p>8.3 Listed entities which have an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.</p>	<p>A The Company does not presently have an equity based remuneration scheme.</p>
<p>Legend: A = Adopted NA = Not Adopted</p>	



INCA MINERALS LTD

ANNUAL FINANCIAL REPORT

Directors' Report	23
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes In Equity	34
Consolidated Statement of Cash Flows	35
Directors' Declaration	60
Auditor's Independence Declaration	61
Independent Auditor's Report	62

DIRECTORS' REPORT

The Directors of Inca Minerals Limited (“Inca” or “Company”) present their financial report on the Company and its controlled entities for the year ended 30 June 2016.

DIRECTORS

The names of directors in office at any time during or since the end of the financial year are listed hereunder. Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

- Ross Brown, Managing Director
- Justin Walawski, Director and Company Secretary
- Gareth Lloyd, Director

INFORMATION ON DIRECTORS

ROSS BROWN B.Sc (Hons), M.Aus.IMM.

Managing Director

A geologist by profession, Mr Brown has over 30 years' experience in mineral exploration in Australia, Asia, Africa and South America and he has worked in a broad range of commodities, including gold, base metals, uranium, phosphate and diamonds. Mr Brown has a rare ability in recognising the commercial potential of exploration projects and geological process, and has a proven track record of bringing technical-based exploration concepts and projects to market.

In 2009 Mr Brown co-founded the gold/copper exploration company, Mystic Sands Pty Ltd, which was established for the purposes of conducting exploration in Chile, South America. With the assistance of other technical management, Mr Brown was responsible for the composition of the initial project portfolio. Mystic Sands was purchased by an Australian-listed explorer White Star Minerals Ltd. As part of the transaction, Sandfire Resources NL became a shareholder of White Star Minerals Ltd.

Mr Brown turned his attention to Peru in 2009 and through his network of Peruvian-based businessmen and geologists assessed the potential of more than a hundred projects. Mr Brown recognised the great potential of mineral discovery in that country and has subsequently secured a number of projects for the Company including the Riqueza and Cerro Rayas zinc-silver-lead projects which the Company is currently exploring and evaluating.

Mr Brown was the co-founder and Managing Director of Urcaguay Pty Ltd, the Company's fully owned subsidiary (formerly called Inca Minerals Limited) and he became the Company's Managing Director after its takeover of Urcaguay. As at 30 June 2016, and in addition to his position with the Company, Mr Brown remains a Director of Urcaguay and the Company's other subsidiary companies. In the previous 3 years, Mr Brown has not been a director of any other ASX listed companies.

Mr Brown has been a member of AusIMM since 1988, and is also a member of GSA, SEG and AICD.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (CONTINUED)

JUSTIN WALAWSKI BBus.,P.Grad.Dip., PhD, FCPA, MAICD

Director and Company Secretary

As at 30 June 2016, in addition to his position with Inca, Mr Walawski was also a Director and Company Secretary of Inca's subsidiary companies, Chairman of FAB Industries Pty Ltd (a private equity investment company) and Facilitator for the AICD's Company Directors course in areas of financial literacy and financial strategy.

Mr Walawski has previously held positions as Chairman, Deputy Chairman and Chief Executive of the North West Iron Ore Alliance, Chief Executive of the Association of Mining & Exploration Companies, Chairman of Special Olympics Australia (WA) and Director of CPA Australia (WA). He is a former member of the ASX's Supervisory Liaison Committee, the Federal Australian Government's Mineral Exploration Action Implementation Committee and the West Australian Government's State Tax Reference Committee. In the previous 3 years Mr Walawski has been a director of one other ASX listed company being IFS Construction Services Limited (appointed 31 August 2012 to present).

Mr Walawski is a Fellow of CPA Australia, a Member of the AICD and holds undergraduate, post-graduate and doctoral degrees in accounting/auditing.

GARETH LLOYD B.Sc (Hons)

Director

As at 30 June 2016, in addition to his position with Inca, Mr Lloyd was also a Director of Inca's subsidiary companies. Mr Lloyd has over 30 years' experience with mining and exploration companies and brings considerable technical, commercial and capital raising expertise to the Company. A mining engineer by training, he has operating experience in gold, base metals and coal operations in Australia, South Africa and the United Kingdom.

Mr Lloyd is a part owner of the Element group, a Perth-based boutique advisory and funds management group focused on the resources sector through which Mr Lloyd provides strategic advice and fund raising services to both listed and unlisted companies (predominantly mining and exploration companies) using both equity and mezzanine instruments.

Prior to establishing Element (in 2008), Mr Lloyd was an Associate Director at the Rothschild Group where he helped establish the Golden Arrow Funds I and II, the latter fund becoming the ASX-listed LinQ Resources Fund. At the time of his departure from LinQ, the fund was one of Australia's largest listed resource funds with funds under management of over \$475m. He has held a number of senior positions at Australian resource-focused stockbroking firms including Research Director at Hartleys and Resources Analyst at Eyres Reed. In the previous 3 years, Mr Lloyd has not been a director of any other ASX listed companies.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were conducting exploration and evaluation work on existing and newly acquired tenements. Inca Minerals Limited is a Peruvian and Western Australian focused exploration company whose aims are to find, develop and/or demonstrate the potential of projects to others. Inca will continue to seek opportunities for acquiring or farming in to new tenements, and to divest or joint venture where there is benefit to shareholders.

OPERATING RESULTS

The operating loss after income tax of the Company for the year ended 30 June 2016 was \$13,137,190 (2015: loss of \$4,503,572).

REVIEW OF OPERATIONS

The Company's current exploration position and other activities appear in announcements released to the Australian Securities Exchange throughout the year ended 30 June 2016 ("report period") and should be read in conjunction with this report.

During the report period the Company's net operating cash outflows, including exploration expenditure, totalled \$4.54 million. Of this amount, \$3.85 million (84.71%) represents net operating cash outflows on exploration and \$0.69 million (15.29%) represents net operating cash outflows on administration. These figures highlight the Company's continued focus on minimising administrative costs and investing shareholder funds in exploration on the Company's projects.

Throughout the report period the Company explored and evaluated its Peruvian projects and in particular the Company's Chanape and Riqueza projects. Exploration and drilling results at the Chanape project led to the Board's judgement that further investment and exploration in the project was not in the Company's best commercial interests and to the decision in April 2016 to drop the Chanape project.

During the report period the Company executed a 5-year mining concession transfer option and assignment agreement for concessions making up the zinc-silver-lead (Zn-Ag-Pb) Riqueza project in Peru. The Company conducted a number of mapping and sampling programs (hereafter referred to as Program 1 and Program 2) at the Riqueza project. Shortly after the report period the Company conducted a third mapping and sampling program at Riqueza (Program 3).

Programs 1, 2 and 3 identified some 61 highly-mineralised bodies located within three prospects: Humaspunco, Uchpanga and Pinta. The majority of mineralised bodies are veins and mantos. Very high grades have consistently been reported in Programs 1 and 2 (eg 20.96% Zn, 920g/t Ag, 16.71% Pb and 3.59g/t Au) and, at time of writing, assay results from Program 3 are pending. Mineralised veins are present at all three prospects (Humaspunco, Uchpanga and Pinta) with an exceptional concentration of both vein and manto mineralisation at Humaspunco already confirmed. Manto mineralisation appears to extend some 2km x 800m between Humaspunco and Pinta (in an east-west direction) and is open ended to the south.

During the report period the Company secured agreements with the communities that have interests in the Riqueza project area and this has resulted in a very productive and mutually beneficial relationship. Importantly, that community support extended to and has been critical for progress on the Company's application for a drilling permit at Riqueza. The Company's communications with Peruvian authorities have confirmed the quality of the permit application and absence of any objections or deficiencies to date. At the time of writing the Company is planning further extensive mapping and sampling programs with a view to identifying the optimal drill targets in readiness for approval of the Company's maiden drill program at Riqueza.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

During the report period the Company executed an option to acquire the Cerro Rayas Zn-Ag-Pb project. In conducting its due diligence, the Company completed a small sampling program to confirm the existence of mineralisation at one of the old artisanal mine workings (Torrepata). Mineralisation at Torrepata was found to occur as a near-massive sulphide vein up to 2m across with peak grades from early sampling being 32.07% Zn, 349g/t Ag and 20.19% Pb. Given the very-high grade mineralisation at Cerro Rayas the Company plans to conduct exploration work in the 2016/2017 financial year.

During the report period the Company raised \$4.79 million in capital before associated costs. At the commencement of the report period the Company completed a rights issue and placement to raise approximately \$3 million and shortly thereafter raised a further \$1.3 million through a placement to Resource Capital Funds ("RCF") – one of the world's largest and most respected specialist resources investment funds. The Company completed three further placements to existing shareholders to raise \$0.49 million (before associated costs). The quality of the Company's projects underpinned the strong capital raising support from its shareholders throughout the report period and continues to do so immediately post the report period.

FINANCIAL POSITION

The net assets of the Group were \$477,512 as at 30 June 2016 (\$9,047,284 as at 30 June 2015).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company raised \$4,789,549 (before broker commissions and other costs of the capital raising) in capital during the financial year via the issuance of 592,143,786 fully paid ordinary shares.

There were no other significant changes in the state of affairs of the Group during the financial year.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no dividends have been paid or declared since the start of the financial year.

SIGNIFICANT EVENTS AFTER REPORTING DATE

The Company completed a capital raising in July 2016 raising \$2,906,949 (before broker commissions and other costs of the capital raising) through a rights issue and placement of 726,737,334 fully paid ordinary shares. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or the state of affairs of the Company in future financial years.

In September 2016, the Company issued 10,000,000 fully paid ordinary shares at \$0.005 per share, in lieu of cash, as remuneration to an unrelated party, in relation to the provision of services to the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operation and hence there are no likely unwarranted developments in the entity's operations.

ENVIRONMENTAL ISSUES

The Company is subject to environmental regulation in respect of its exploration activities in Peru and Australia. The Company ensures the appropriate standard of environmental care is achieved and, in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

INDEMNIFICATION OF OFFICERS AND INSURANCE PREMIUMS

The consolidated entity has paid premiums to insure the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity. The premiums paid in respect of Directors' and Officers' insurance during the year amounted to \$14,554 (2015: \$14,554).

OPTIONS

At the date of this report, there were no unissued ordinary shares of Inca Minerals Limited under option.

RISK MANAGEMENT

The Board is responsible for ensuring that risks and opportunities are identified in a timely manner and that activities are aligned with the risks and opportunities identified by the Board.

MEETINGS OF DIRECTORS

During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

	Board Meetings	
	No. of meetings eligible to attend	Number attended
Mr Justin Walawski	12	12
Mr Ross Brown	12	12
Mr Gareth Lloyd	12	12

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Company.

REMUNERATION POLICY

The remuneration policy of Inca Minerals Limited aligns director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and, where the Board believes it appropriate, may also include specific long-term incentives based on key performance areas affecting the Company's ability to attract and retain the best executives and directors to run and manage the Company.

The remuneration policy setting out the terms and conditions for the executive directors and other senior executives was developed by the Board. All executives receive a base salary (which is based on factors such as ability and experience). The Board reviews executive packages annually by reference to the economic entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries. The performance of the executive directors is measured against the objective of promoting growth in shareholder value.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

The Board may exercise discretion in relation to approving incentives, bonuses, and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives may, where the Board believes it appropriate, participate in employee share and option arrangements.

The Board policy is to remunerate directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders in a general meeting (currently \$240,000 per annum).

PERFORMANCE BASED REMUNERATION

There was nil performance based remuneration for the year ended 30 June 2016.

KEY MANAGEMENT PERSONNEL SERVICE AGREEMENTS

Details of the key conditions of service agreements for key management personnel are as follows:

	Commencement Date	Notice Period Base Salary	Base Salary	Termination Payments Provided**
Ross Brown	1 March 2012	6 months	\$220,000 per annum	None
Gareth Lloyd	14 September 2012	Nil	\$50,000 per annum director fees	None
Justin Walawski	21 December 2015	6 months	\$170,000 per annum* \$40,000 per annum director fees*	None

* During the report period, Mr Walawski and the Company struck new agreements whereunder Mr Walawski ceased to provide consultancy services and was engaged as an employee. As at 30 June 2016, Mr Walawski is engaged under a contract of employment with the Company under which he receives remuneration of \$170,000 per annum (excluding superannuation) and, is appointed as a director of the Company under which he receives fees of \$40,000 per annum (excluding superannuation).

**Other than statutory entitlements.

There are no other agreements with key management personnel.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation

2016	Short-term benefits				Post-employment benefits			Performance related compensation as % of total remuneration
Name	Cash salary and fees	Performance Bonus	Other	Non-monetary benefits	Super-annuation	Retirement benefits	Total	
	\$	\$	\$	\$	\$	\$	\$	
<i>Directors</i>								
Ross Brown	212,384	–	3,600	–	20,176	–	236,160	–
Gareth Lloyd	50,000	–	–	–	4,750	–	54,750	–
Justin Walawski	229,710	–	1,800	–	12,350	–	243,860	–
<i>Executives</i>								
–	–	–	–	–	–	–	–	–
Totals	492,094	–	5,400	–	37,276	–	534,770	0.0%

2015	Short-term benefits				Post-employment benefits			Performance related compensation as % of total remuneration
Name	Cash salary and fees	Performance Bonus	Other	Non-monetary benefits	Super-annuation	Retirement benefits	Total	
	\$	\$	\$	\$	\$	\$	\$	
<i>Directors</i>								
Ross Brown	220,000	–	3,600	–	20,900	–	244,500	–
Gareth Lloyd	50,000	–	–	–	4,750	–	54,750	–
Justin Walawski	218,363	–	–	–	–	–	218,363	–
<i>Executives</i>								
David Bent*	52,915	–	–	–	–	–	52,915	–
Totals	541,278	–	3,600	–	25,650	–	570,528	0.0%

*Ceased to be key management personnel during the year.

b) Options and rights granted as remuneration

No options or rights were granted as remuneration during the year (2015: \$nil).

c) Share Based Payments

No share based payments were issued during the year (2015: \$nil).

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

DIRECTORS' RELEVANT INTERESTS

The relevant interest of each director in the capital of the Company at the date of this report is as follows:

Director	No of Ordinary Shares	No of Options over Ordinary Shares
Ross Brown	31,411,762	–
Gareth Lloyd	–	–
Justin Walawski	2,448,001	–

The following tables show the movements in the relevant interest of each director in the capital of the Company:

2016				
Name	Opening balance 1 July 2015	Additions	Disposals	Closing balance 30 June 2016
Ross Brown	24,274,508	–	–	24,274,508
Gareth Lloyd	–	–	–	–
Justin Walawski	1,002,000	630,000	–	1,632,000
Totals	25,276,508	630,000	–	25,906,508

2015				
Name	Opening balance 1 July 2014	Additions	Disposals	Closing balance 30 June 2015
Ross Brown	23,285,715	988,793	–	24,274,508
Gareth Lloyd	–	–	–	–
Justin Walawski	1,002,000	–	–	1,002,000
Totals	24,287,715	988,793	–	25,276,508

END OF REMUNERATION REPORT

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

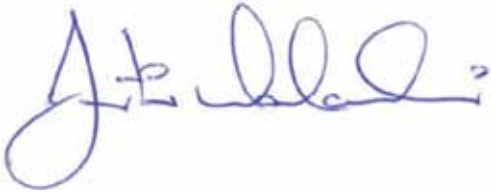
No non-audit services were provided by the entity's auditor, Stantons International, as shown at Note 15.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an Auditor's Independence Declaration. Please refer to "Auditor's Independence Declaration" included on page 61 of the financial statements.

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'Justin Walawski', is written over a light blue horizontal line.

Justin Walawski

Director

Dated at Perth this 29th day of September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue	2	20,546	33,899
Management and directors' fees		(99,095)	(84,939)
Wages and salaries		(236,872)	(78,362)
Administrative expenses		(700,944)	(849,111)
Advertising and promotional costs		(23,231)	(16,895)
Professional fees		(317,965)	(381,458)
Listing and share registry expenses		(56,781)	(51,694)
Depreciation	6	(21,460)	(15,616)
Impairment of loans		(11,200)	(9,800)
Impairment of Peruvian Value Added Tax receivable		(698,632)	-
Foreign exchange gain / (loss)		25,766	(9,625)
Environmental rehabilitation		(98,894)	-
Exploration and evaluation expenditure	7	(10,895,068)	(445,069)
Impairment of exploration and evaluation expenditure	7	-	(2,592,640)
Plant and equipment written off		(23,360)	(2,262)
(Loss) before income tax		(13,137,190)	(4,503,572)
Income tax benefit	3	-	-
(Loss) after income tax		(13,137,190)	(4,503,572)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of tax		60,553	(51,279)
Total comprehensive (loss)		(13,076,637)	(4,554,851)
(Loss) for the year attributable to members of Inca Minerals Limited		(13,170,190)	(4,503,572)
Total comprehensive (loss) attributable to members of Inca Minerals Limited		(13,076,637)	(4,554,851)
Basic and diluted (loss) per share (cents)	12	(1.25)	(0.71)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	13(b)	151,753	208,810
Trade and other receivables	5	141,988	479,496
Total Current Assets		<u>293,741</u>	<u>688,306</u>
Non-Current Assets			
Plant and equipment	6	104,876	129,367
Exploration and evaluation expenditure	7	334,315	8,517,647
Total Non-Current Assets		<u>439,191</u>	<u>8,647,014</u>
TOTAL ASSETS		<u>732,932</u>	<u>9,335,320</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	8	255,420	288,036
Total Current Liabilities		<u>255,420</u>	<u>288,036</u>
TOTAL LIABILITIES		<u>255,420</u>	<u>288,036</u>
NET ASSETS		<u>477,512</u>	<u>9,047,284</u>
EQUITY			
Contributed equity	9	29,599,029	25,092,164
Accumulated losses		(28,769,663)	(15,632,473)
Foreign currency translation reserve		(351,854)	(412,407)
TOTAL EQUITY		<u>477,512</u>	<u>9,047,284</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total \$
2015				
Balance at 1 July 2014	22,093,289	(11,128,901)	(361,128)	10,603,260
Total comprehensive loss for the year	–	(4,503,572)	(51,279)	(4,554,851)
Shares issued during the year	3,243,600	–	–	3,243,600
Cost of equity issue	(244,725)	–	–	(244,725)
Balance at 30 June 2015	25,092,164	(15,632,473)	(412,407)	9,047,284
2016				
Balance at 1 July 2015	25,092,164	(15,632,473)	(412,407)	9,047,284
Total comprehensive loss for the year	–	(13,137,190)	60,553	(13,076,637)
Shares issued during the year	4,789,550	–	–	4,789,550
Cost of equity issue	(282,685)	–	–	(282,685)
Balance at 30 June 2016	29,599,029	(28,769,663)	(351,854)	477,512

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(696,098)	(761,156)
Interest received		10,401	23,899
Peruvian VAT credit received		–	101,215
Net cash (used in) operating activities	13 (a)	(685,697)	(636,042)
Cash flows from investing activities			
Payments for exploration expenditures		(3,854,747)	(2,649,902)
Payments for plant and equipment		(20,350)	(76,186)
Proceeds from sale of plant and equipment		–	10,000
Payments for security deposits		9,350	(4,107)
Proceeds from sale of tenements		10,000	–
Net cash (used in) investing activities		(3,855,747)	(2,720,195)
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue costs)		4,484,514	2,977,625
Net cash provided by financing activities		4,484,514	2,977,625
Net (decrease) in cash held		(56,930)	(378,612)
Cash and cash equivalents at the beginning of the financial year		208,810	580,880
Effect of exchange rate changes on cash and cash equivalents		(127)	6,542
Cash and cash equivalents at the end of the financial year	13 (b)	151,753	208,810

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the Company of Inca Minerals Limited, a listed public company incorporated and domiciled in Australia, and its controlled entities.

The financial report was authorised for issue on 29 September 2016 by the Board of Directors.

BASIS OF PREPARATION

The financial report is a general purpose financial report that has been 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.

In the year ended 30 June 2016, the Company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the year ended 30 June 2016, the consolidated entity incurred after tax losses of \$13,137,190 (2015: loss of \$4,503,572) and the consolidated entity had net cash outflows of \$56,930 (2015: net cash outflows of \$378,612).

The Directors believe that it is reasonably foreseeable that the Company and consolidated entity will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The consolidated entity has cash at bank at the reporting date of \$151,753, net working capital of \$38,321 and net assets of \$477,512;
- The Company completed capital raisings in July and August 2016 raising \$2,906,949 (before broker commissions and other costs of the capital raising) through the issue of 726,737,334 fully paid ordinary shares;
- The ability of the Group to raise capital by the issue of additional shares under the Corporation Act 2001; and
- The ability to curtail administration and operational cash out flows as required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 July 2015 but determined that their application to the financial statements is either not relevant or not material.

a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Inca Minerals Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

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

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

b) Revenue Recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

c) Income Tax

The income tax expense / (income) for the year comprises current income tax expense (income) and deferred tax expense / (income). Current income tax expense charged to the profit of loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax related to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Income Tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a largely enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d) Mining Tenements and Exploration and Development Expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development and/or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

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 either discharged, cancelled or expire. 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.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designed as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

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

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Fair value

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use. The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- **Market approach:** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- **Income approach:** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- **Cost approach:** valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

f) Impairment of Assets

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. 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 prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

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

Class of fixed asset	Depreciation rate
Plant and equipment	20–33%
Motor vehicles	20–33%
IT equipment	33%
Leasehold improvements	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST 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 GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Contributed Equity

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

k) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

l) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

m) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting 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.

n) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

o) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q) Foreign Currency Transactions Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

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 profit or 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 other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

r) Critical Accounting Estimates and Other Accounting Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is of the view that there are no critical accounting estimates and judgements in this financial report, other than accounting estimates and judgements in relation to the carrying value of mineral exploration expenditure.

Key judgements

Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, or alternatively, are expected to be sold. Refer to the accounting policy stated in Note 1(d).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, the directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, the directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's recognition of leases and disclosures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) New Standards and Interpretations Not Yet Adopted (continued)

- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11].

AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11.
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The directors anticipate that the adoption of these amendments will not have a material impact on the financial statements.

- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted).

AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.

The directors anticipate that the adoption of these amendments will not have a material impact on the financial statements.

- Other standards not yet applicable.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

t) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 2: REVENUE

	Consolidated	
	2016 \$	2015 \$
Interest received	10,564	23,899
Sale of assets	10,000	10,000
	<u>20,546</u>	<u>33,899</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: INCOME TAX

(a) Income tax recognised in profit

No income tax is payable by the Company as it recorded losses for income tax purposes for the year.

(b) Numerical reconciliation between income tax expense and the loss before income tax.

	Consolidated	
	2016 \$	2015 \$
Loss before income tax	(13,137,190)	(4,503,572)
Income tax at 30%	(3,941,157)	(1,351,071)
Tax effect of:		
Deferred tax asset not recognised	2,549,790	576,600
Movement in unrecognised temporary differences	1,391,277	774,281
Tax effect of permanent differences	90	190
Income tax benefit	-	-

(c) Unrecognised deferred tax balances

Tax losses available to the Company	21,626,210	13,359,976
Potential tax benefit at 30%	6,487,863	4,007,992

A deferred tax asset attributable to income tax losses has not been recognised at reporting date as the probability criteria disclosed in Note 1(c) is not satisfied and such benefit will only be available if the conditions of deductibility, also disclosed in Note 1(c), are satisfied.

The corporate income tax rate in Peru has reduced from 30% to 28%.

NOTE 4: DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 \$	2015 \$
Current		
Other receivables	20,479	30,137
GST and VAT	121,509	429,759
Loans (i)	-	239,480
Less: provision for impairment	-	(219,880)
	141,988	479,496

None of the trade and other receivables are past due date.

(i) Loans consist of interest-free loans given to former senior executives in order to purchase shares in the Company. These loans were forfeited by the former senior executives during the year and the shares that were acquired were transferred back to the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6: PLANT AND EQUIPMENT

	Plant and equipment \$	Motor vehicles \$	IT equipment \$	Leasehold Improve- ments \$	Total \$
Balance at 1 July 2014	41,524	–	9,838	–	51,362
Additions / (disposals)	90,714	–	(4,000)	6,907	93,621
Depreciation / writeback on disposals	(11,025)	–	(3,213)	(1,378)	(15,616)
Balance at 30 June 2015	121,213	–	2,625	5,529	129,367
At cost	137,180	1,124	17,760	6,907	162,971
Accumulated depreciation	(15,967)	(1,124)	(15,135)	(1,378)	(33,604)
Balance at 30 June 2015	121,213	–	2,625	5,529	129,367
Balance at 1 July 2015	121,213	–	2,625	5,529	129,367
Additions / (disposals) and writeoffs	(3,031)	–	–	–	(3,031)
Depreciation / writeback on disposals	(18,173)	–	(1,906)	(1,381)	(21,460)
Balance at 30 June 2016	100,009	–	719	4,148	104,876
At cost	127,317	1,124	17,760	6,907	153,108
Accumulated depreciation	(27,308)	(1,124)	(17,041)	(2,759)	(48,232)
Balance at 30 June 2016	100,009	–	719	4,148	104,876

NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	Consolidated	
	2016 \$	2015 \$
Exploration and evaluation phase – at cost		
Balance at 1 July	8,517,647	9,973,665
Expenditure incurred (including exchange rate movements)	2,711,736	1,581,691
Impairment of exploration and evaluation expenditure	–	(2,592,640)
Expenditure written off	(10,895,068)	(445,069)
Balance at 30 June	334,315	8,517,647

The expenditure written off during the current year has increased from the prior year due to the decision by the Company to relinquish its interest in the Chanape project.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2016 \$	2015 \$
Trade and other creditors	255,420	288,036

None of the payables are past due date.

NOTE 9: CONTRIBUTED EQUITY

	Consolidated	
	2016 \$	2015 \$
a) Paid up capital		
1,238,480,149 ordinary shares (30 June 2015: 646,336,363 ordinary shares)	29,599,029	25,092,164

	No of shares	Paid up capital \$
b) Movements in shares on issue		
Balance at 30 June 2014	504,917,138	22,093,289
Issued 6 August 2014	139,130,432	3,200,000
Issued 22 August 2014	1,300,000	28,600
Issued 3 December 2014	988,793	15,000
Transaction costs from issue of shares	–	(244,725)
Balance at 30 June 2015	646,336,363	25,092,164
Issued 27 July 2015	215,445,453	2,154,454
Issued 29 July 2015	75,000,000	750,000
Issued 29 July 2015	10,000,000	100,000
Issued 19 August 2015	130,000,000	1,300,000
Issued 25 May 2016	79,000,000	237,000
Issued 30 May 2016	35,565,000	106,695
Issued 17 June 2016	47,133,333	141,400
Transaction costs from issue of shares	–	(282,684)
Balance at 30 June 2016	1,238,480,149	29,599,029

c) Movements in options on issue

There were nil options issued and nil outstanding options over unissued ordinary shares during the year.

d) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: INTERESTS OF KEY MANAGEMENT PERSONNEL

a) Key management personnel compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Company's key management personnel for the year ended 30 June 2016.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

	Consolidated	
	2016 \$	2015 \$
Short-term employee benefits (i)	492,094	541,278
Other payments (ii)	5,400	3,600
Post-employment benefits (iii)	37,276	25,650
	<u>534,770</u>	<u>570,528</u>

(i) Includes payments for salaries, director fees and consulting fees.

(ii) Includes allowances.

(iii) Includes superannuation contributions.

b) Key management personnel shareholdings

The number of ordinary shares in Inca Minerals Limited held by each key management personnel of the Company during the financial year is as follows:

2016

	Balance 1 July 2015	At Appointment (if after 1 July 2015)	Acquired/ Disposed	At Resignation	Balance 30 June 2016
<i>Directors</i>					
Ross Brown	24,274,508	-	-	-	24,274,508
Gareth Lloyd	-	-	-	-	-
Justin Walawski	1,002,000	-	630,000	-	1,632,000
<i>Executives</i>					
-	-	-	-	-	-
Totals	25,276,508	-	630,000	-	25,906,508

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

b) Key management personnel shareholdings (continued)

2015

	Balance 1 July 2014	At Appointment (if after 1 July 2014)	Acquired/ Disposed	At Resignation	Balance 30 June 2015
<i>Directors</i>					
Ross Brown	23,285,715	–	988,793	–	24,274,508
Gareth Lloyd	–	–	–	–	–
Justin Walawski	1,002,000	–	–	–	1,002,000
<i>Executives</i>					
David Bent*	–	–	–	–	–
Totals	24,287,715	–	988,793	–	25,276,508

* Ceased to be key management personnel during the year. Shareholding is as at date of resignation.

NOTE 11: RELATED PARTY TRANSACTIONS

Other transactions and balances with directors and other key management personnel.

Corporate Advisory

During the financial year, \$64,000 (2015: \$55,000) was paid to Element Capital Pty Ltd, a company related to Mr Gareth Lloyd, for the provision of corporate advisory services.

During the financial year, nil (2015: \$59,221) was paid to Element Capital Pty Ltd, a company related to Mr Gareth Lloyd, for the provision of management and placement fees in relation to capital raising services.

NOTE 12: LOSS PER SHARE

	Consolidated	
	2016 \$	2015 \$
a) Basic Earnings Per Share		
Loss used in calculating basic earnings per share	(13,137,190)	(4,503,572)
Weighted average number of ordinary shares on issue during the year used as the denominator in calculating basic loss per share	1,049,260,562	631,621,356
Basic loss per share (cents)	(1.25)	(0.71)

b) Diluted loss per share (cents)

Diluted loss per share is the same as basic loss per share as there are no potential ordinary shares that are dilutive.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13: CASH FLOW INFORMATION

a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

	Consolidated	
	2016 \$	2015 \$
Net loss for the year	(13,137,190)	(4,503,572)
Depreciation	21,460	15,616
Impairment of loans receivable	11,200	9,800
Impairment of Peruvian value added tax	698,632	–
Foreign exchange (gains) / losses	(25,766)	9,625
Exploration and evaluation expenditure written off	10,895,068	445,069
Exploration and evaluation expenditure impaired	–	2,592,640
Inca Minerales S.A.C. capitalised exploration expenditure	522,647	988,050
Plant and equipment written off	23,360	2,262
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	337,508	(129,580)
Increase / (decrease) in trade and other payables	(32,616)	(65,952)
Net cash outflow from operating activities	(685,697)	(636,042)

(b) Reconciliation of cash and cash equivalents

Cash balance comprises:

– cash assets	151,753	208,810
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(c) Non-cash financing activities

There were no non-cash financing activities during the year ended 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: EXPENDITURE COMMITMENTS

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

	Consolidated 30 June 2016 \$	Consolidated 30 June 2015 \$
Not later than one year	324,307	2,294,435
Between one and five years	2,995,907	6,303,757
	3,320,214	8,598,192

The exploration expenditure commitments above include commitments related to agreements for the acquisition of interests in mining concessions pertaining to the Group's Riqueza and Cerro Rayas projects in Peru. As at 30 June 2016 the Group has met all of its obligations in respect of the agreements and all future exploration commitments are payable at the Group's discretion and dependent upon the Group acquiring the exclusive rights to the mining concessions. The key terms of the agreement pertaining to the Riqueza and Cerro Rayas projects are set out below.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: EXPENDITURE COMMITMENTS (CONTINUED)

2. A 2.5 year mining concession transfer option and assignment agreement commencing 24 October 2015 granting the Group the exclusive option to acquire 100% interest in a mining concession referred to as the Cerro Rayas Project. The Group has the exclusive right to terminate at any time during the transfer option and assignment period and any unpaid amounts are not payable to the vendor. Other key terms are:

Total Mining Concession Transfer Option & Assignment (MCTOA) Consideration	US\$250,000
Timing of Payment of MCTOA Consideration	Exclusive Option Payment (EOP) Commencement Date (CD): US\$5,000* 4 x EOPs of US\$1,250 each at 2, 3, 4 and 5 months from CD: US\$5,000* EOP at 3 months from CD: US\$1,250* EOP at 4 months from CD: US\$1,250* EOP at 5 months from CD: US\$1,250* Mining assignment and purchase option payments (MAPOP): MAPOP at 5 months from CD: US\$15,000* MAPOP at 17 months from CD: US\$100,000 12 x monthly MAPOPs of US\$5,000 18 – 30 months from CD: US\$60,000 MAPOP at 30 months from CD: US\$65,000
Mining assignment period	2.5 years from the Commencement Date
Cancellability	The Group has the exclusive right to terminate at any time during the option and assignment period without cost or penalty. Any unpaid amounts are not payable to the vendor.

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

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

	Consolidated 30 June 2016 \$	Consolidated 30 June 2015 \$
Not later than one year	73,595	92,330
Between one and five years	4,500	21,620
	78,095	113,950

NOTE 15: AUDITOR'S REMUNERATION

Statutory audit by auditor of the parent company		
Audit and review of financial statements of parent entity	24,000	24,035
Audit and review of financial statements of subsidiary entity	950	950
	24,950	24,985
Statutory audit by auditor of Inca Minerales SAC	11,446	11,056

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16: SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company operates in the segments of mineral exploration within Peru and Australia.

The Company is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located. Operating revenues of approximately Nil (2015: Nil) are derived from a single external party. All the assets are located in Peru and Australia. Segment assets are allocated to countries based on where the assets are located.

Reportable segments:	Australia \$	Peru \$	Consolidated \$
Segment revenue			
2016	20,546	–	20,546
2015	33,899	–	33,899
Segment result			
2016	(835,806)	(12,301,384)	(13,137,190)
2015	(1,226,481)	(3,277,091)	(4,503,572)
Segment assets			
2016	68,456	664,476	732,932
2015	560,330	8,774,990	9,335,320
Segment liabilities			
2016	(112,142)	(143,278)	(255,420)
2015	(132,138)	(155,898)	(288,036)
Depreciation and amortisation expense			
2016	(3,477)	(17,983)	(21,460)
2015	(15,616)	–	(15,616)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Interest rate risk

The Company's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities as set out below:

	Weighted average interest rate (%)	Floating interest rate \$	Fixed interest maturing 1 year or less \$	Fixed interest maturing 1 to 5 years \$	Total \$
30 June 2016					
Cash and cash equivalents	0.27	131,753	20,000	–	151,753
30 June 2015					
Cash and cash equivalents	0.92	188,810	20,000	–	208,810

Interest rate sensitivity analysis

At 30 June 2016, if interest rates had changed by 25 basis points during the entire year with all other variables held constant, profit for the year and equity would have been \$451 higher/lower (2015: \$987), mainly as a result of higher/lower interest income from cash and cash equivalents.

A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

(b) Credit risk

The maximum exposure to credit risk at reporting date on financial assets of the Company is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Commodity price risk

The Company is not exposed to commodity price risk as the operations of the Company are not yet at the production stage.

(d) Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Less than 6 months \$	6 months to 1 year \$	1 to 5 years \$	Total \$
30 June 2016				
Financial liabilities due for payment				
Trade and other payables	(255,420)	-	-	(255,420)
	(255,420)	-	-	(255,420)
Financial assets – cash flows realisable				
Cash assets	151,753	-	-	151,753
Trade and other receivable	141,988	-	-	141,988
	293,741	-	-	293,741
Net (outflow)/inflow on financial instruments	38,321	-	-	38,321
30 June 2015				
Financial liabilities due for payment				
Trade and other payables	(288,036)	-	-	(288,036)
	(288,036)	-	-	(288,036)
Financial assets – cash flows realisable				
Cash assets	208,810	-	-	208,810
Trade and other receivable	479,496	-	-	479,496
	688,306	-	-	688,306
Net (outflow)/inflow on financial instruments	400,270	-	-	400,270

There were no Level 2 or Level 3 financial instruments.

(e) Foreign exchange risk

The Company is exposed to foreign exchange risk as certain transactions are denominated in United States Dollars and Peruvian Nuevos Soles as a result of operating in Peru.

(f) Net fair value of financial assets and liabilities

The carrying amounts of financial instruments included in the statement of financial position approximate their fair values due to their short terms of maturity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

Under a prospectus dated 1 July 2016 the Company announced and thereafter completed a non-renounceable pro rata entitlement offer, shortfall offer and placement of 726,737,334 fully paid ordinary shares raising \$2,906,949 (before broker commissions and other costs of the capital raising).

In September 2016, the Company issued 10,000,000 fully paid ordinary shares at \$0.005 per share, in lieu of cash, as remuneration to an unrelated party, in relation to the provision of services to the Company. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or the state of affairs of the Company in future financial years.

NOTE 19: CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date.

NOTE 20: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Controlled (%)	
		2016	2015
Subsidiaries of Inca Minerals Limited:			
Urcaguay Pty Ltd	Australia	100	100
Inca Minerales S.A.C.	Peru	100	100
Dos Colinas S.A.C.	Peru	100	–
Hydra Minerals Ltd	Australia	100	100
Dingo Minerals Pty Ltd	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 21: PARENT INFORMATION

	2016 \$	2015 \$
Financial position		
Assets		
Current assets	62,743	200,925
Non-current assets	526,912	8,978,497
Total assets	589,655	9,179,422
Liabilities		
Current liabilities	(112,143)	(132,138)
Non-current liabilities	-	-
Total liabilities	(112,143)	(132,138)
Net Assets	477,512	9,047,284
Equity		
Issued capital	29,599,029	25,092,164
Accumulated Losses	(29,121,517)	(16,044,880)
Total equity	477,512	9,047,284
Financial performance		
(Loss) for the year	(13,076,637)	(4,554,851)
Other comprehensive income	-	-
Total comprehensive income	(13,076,637)	(4,554,851)

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries. There are no contingent liabilities of the parent entity as at the reporting date.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at the reporting date.

NOTE 22: COMPANY DETAILS

The principal place of business of the Company is:

Inca Minerals Limited
Suite 1, 16 Nicholson Road
Subiaco, WA, 6008
Australia

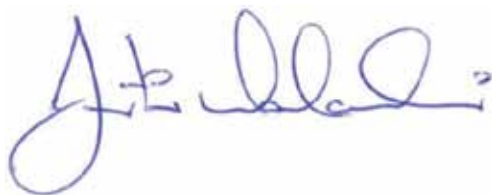
DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 32 to 59, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS);
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated entity;
2. the Directors have been given the declarations required by s295A of the *Corporations Act 2001* that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with S286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with Accounting Standards;
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:



Justin Walawski

Director

Dated at Perth this 29th day of September 2016

AUDITOR'S INDEPENDENCE DECLARATION

29 September 2016

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

Dear Sirs

RE: INCA MINERALS LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Inca Minerals Limited.

As Audit Director for the audit of the financial statements of Inca Minerals Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

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



Martin Michalik
Director

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Report

We have audited the accompanying financial report of Inca Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Inca Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 9 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the remuneration report of Inca Minerals Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

stantons international audit & consulting Pty Ltd



Martin Michalik

Director

West Perth, Western Australia

29 September 2016

SHAREHOLDER INFORMATION

The shareholder information set out below is applicable as at 10 October 2016 unless otherwise stated.

CAPITAL STRUCTURE

The Company currently has issued capital of 1,975,217,483 fully paid ordinary shares. The Company currently has no other class of security or options on issue.

VOTING RIGHTS

The Company's Constitution provides that at a meeting of shareholders and on a show of hands, each shareholder present in person and each other person present as a proxy, attorney or representative of a shareholder has one vote. On a poll, each shareholder present in person has one vote for each fully paid ordinary share held by the shareholder and each person as a proxy, attorney or representative of a shareholder has one vote for each fully paid ordinary share held by the shareholder that person represents.

TWENTY LARGEST SHAREHOLDERS

The names and details of the twenty largest quoted shareholdings are as follows:

Rank	Shareholder	Number of Shares	% Total Issued Capital
1	Merrill Lynch (Australia) Nominees Pty Ltd	268,364,001	13.59
2	Divya Jindal	62,836,448	3.18
3	Zhian Zhang	60,264,388	3.05
4	Alexander Wort	50,214,383	2.54
5	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	45,352,152	2.30
6	Stephen Chewter	41,101,695	2.08
7	Ross Brown*	24,274,508	1.23
8	Citicorp Nominees Pty Limited	22,591,477	1.14
9	HSBC Custody Nominees (Australia) Limited	21,505,199	1.09
10	Grinz Pty Ltd <Grinz S/F A/C>	20,395,000	1.03
11	Andrew Fisher	20,000,000	1.01
12	Darryl White	17,840,591	0.90
13	Terence & Dawn Risby <Risby Family Super Fund A/C>	17,000,000	0.86
14	Stephen Flynn	16,000,000	0.81
15	Trevor & Roslyn Andersen	15,000,000	0.76
16	Norvale Pty Ltd	15,000,000	0.76
17	Vikrant Jindal	13,800,000	0.70
18	Marek Kozlowski	13,140,000	0.67
19	Peter & Loris Fisher <Fisher Super Fund A/C>	12,000,000	0.61
20	Fenwick Enterprises Pty Ltd <Podmore S/F A/C>	11,250,000	0.57
	Total	767,929,842	38.88%

* Company Director.

SHAREHOLDER INFORMATION

DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of equity holders by size of holding:

Spread of Holdings	Number of Holders	Number of Shares	% Total Issued Capital
1 – 1,000	174	62,817	0.003%
1,001 – 5,000	91	282,515	0.014%
5,001 – 10,000	109	953,781	0.048%
10,001 – 100,000	712	38,424,377	1.945%
> 100,000	1209	1,935,493,993	97.989%
Total	2,295	1,975,217,483	100.00%

Based on \$0.012 per share as the market price at the close of business on 10 October 2016 there were 677 shareholders holding less than a marketable parcel of shares (a total of 8,619,114 shares).

SUBSTANTIAL SHAREHOLDERS

The Company has received the requisite notices from one substantial shareholder being:

Resource Capital Fund VI as the beneficial holder of 268,200,000 fully paid ordinary shares in the Company (13.58% of issued capital) with the Registered Holder being Merrill Lynch (Australia) Nominees Pty Limited. A Form 604 was announced 16 August 2016 on the ASX portal.

SECURITIES SUBJECT TO ESCROW

There are no Company securities subject to escrow.

TENEMENT SCHEDULE

Country/ State	Project	Tenement Identification				Ownership	Titleholder
		Prospect	Mining Concession Name	Code	Mining Public Registry		
Peru	Riqueza	Riqueza	Rita Maria	010171016	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Antacocha II	010249716	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Maihuasi	010249816	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Uchpanga III	010251616	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Antacocha I	010249916	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Uchpanga II	010251716	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Picuy	010171116	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Uchpanga	010170916	Application – Petitorio	100% (pending) ¹	Inca Minerales S.A.C.
			Neuva Santa Rita	010045501	20006530	Earning 100% ²	Inca Minerales S.A.C.
	Cerro Rayas	Cerro Rayas	La Elegida I	590004010	11160272	Earning 100% ³	Inca Minerales S.A.C.

Country/ State	Project	Tenement Identification				Ownership	Titleholder
		Tenement Number (WA)	Mining Concession Name	Code	Mining Public Registry		
WA	Dingo Range	EL37/1124	N/A	N/A	N/A	100% of Nickel rights	Bullseye Mining Ltd
		EL53/1352	N/A	N/A	N/A	100%	Inca Minerals Ltd
		EL53/1377	N/A	N/A	N/A	100% of Nickel rights	Bullseye Mining Ltd
		EL53/1380	N/A	N/A	N/A	100%	Inca Minerals Ltd
		EL53/1407	N/A	N/A	N/A	100%	Inca Minerals Ltd

Note 1: Inca Minerales S.A.C. (IMS) is a wholly owned subsidiary of Inca Minerals Limited. IMS has successfully lodged applications with the Peruvian government to acquire these concessions and granting of title is pending.

Note 2: IMS has the exclusive right to earn 100% of the concession under an executed Mining Option and Assignment Agreement (refer to Note 14 to the Financial Statements).

Note 3: IMS has the exclusive right to earn 100% of the concession under an executed Mining Option and Assignment Agreement (MOAA) and, following public notarization of the MOAA, will apply to have title of the concession transferred from the vendor to IMS.

NOTES

NOTES

CORPORATE PARTICULARS

DIRECTORS

Mr Ross Brown
Mr Justin Walawski
Mr Gareth Lloyd

Managing Director
Director
Director

COMPANY SECRETARY

Mr Justin Walawski

REGISTERED OFFICE

Suite 1, 16 Nicholson Road
Subiaco, WA, 6008

CORPORATE OFFICE

Suite 1, 16 Nicholson Road
Subiaco, WA, 6008

MAILING ADDRESS

PO Box 38
West Perth, WA, 6872

SHARE REGISTRY

Advanced Share Registry Services Pty Ltd
110 Stirling Highway
Perth, WA, 6009

AUDITOR

Stantons International
Level 2, 1 Walker Avenue
West Perth, WA, 6005



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